



**JOINT CITY COUNCIL AND HRA WORK SESSION WORK SESSION
BARTHOLOMEW ROOM
MARCH 16, 2020
5:45 PM**

Call to order

1. Consider possible revisions to the Inclusionary Housing Policy.
2. Consideration of Rental Housing Work Plan and Priorities.

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



STAFF REPORT NO. 8
WORK SESSION
3/16/2020

REPORT PREPARED BY: Julie Urban, Housing and Redevelopment Manager

DEPARTMENT DIRECTOR REVIEW: Melissa Poehlman, Asst. CD Director
 3/10/2020

OTHER DEPARTMENT REVIEW: N/A

CITY MANAGER REVIEW: Katie Rodriguez
 3/12/2020

ITEM FOR WORK SESSION:

Consider possible revisions to the Inclusionary Housing Policy.

EXECUTIVE SUMMARY:

The City's Inclusionary Housing Policy (Policy) requires all housing developers receiving financial assistance from the City to provide at least 20% of all housing units affordable to renters earning less than 60% of the Area Median Income (AMI) or to owners earning less than 115% of the AMI or pledge 15% of the net-present-value of the subsidy they receive to the Richfield Housing and Redevelopment Fund.

At a work session on August 16, 2019, policymakers reviewed several potential revisions to the Policy and directed staff to consider the following changes:

1. Encourage deeper affordability;
2. Encourage accessible units;
3. Encourage a mix of bedroom sizes for affordable units that is proportional to the mix of the market-rate units, and
4. Apply the policy to all public land sales regardless of whether or not it constitutes "Financial Assistance."

In response to these requests, the following revisions to the Policy are proposed:

1. Developments offering deeper affordability would be allowed to provide a lower percentage of affordable units as follows:

Affordability Level	% of Units
RENTAL	
60% of Area Median Income (AMI)	20%
50% of AMI	10%
30% of AMI	5%
OWNER-OCCUPIED	
115% of AMI	20%
100% of AMI	10%

Note: The City's primary local source for subsidizing development is Tax Increment Financing (TIF). In the case of a Redevelopment TIF District, the lower percentage of more deeply affordable units would be an option; however, Housing TIF Districts do not allow for fewer affordable units if deeper affordability is provided, so we're unlikely to see deeper affordability in these Districts without additional outside resources. Staff has been working with other cities on a change to the current law to allow greater flexibility in using TIF for more deeply affordable units, but it's unknown at this time if that effort will be successful.

2. One percent of all units constructed must be fully accessible.

Note: Because TIF is the City's primary source for subsidizing affordable units, and TIF does not allow for fewer affordable units if accessible units are provided, a minimum requirement of one percent is recommended. The cost to provide a fully accessible unit is \$4,400-\$5,400 and staff believes that amount that can be absorbed by most projects.

3. Developments would be expected to provide affordable units in a mix of bedroom sizes proportional to that of the entire development, unless a financial analysis indicates it is economically infeasible.

Note: A review of the costs associated with providing affordable units with a greater number of bedrooms indicates that current projects would be unable to do so without additional funding (e.g., \$60,000-\$70,000 per unit). For that reason, staff is recommending flexibility in applying this requirement.

4. The Policy would apply to all property purchased from the City, regardless of the sale price.

5. An additional change recommended by staff is to increase the number of units required in a project, before the Policy is applicable, from five to twenty. Since the August work session, staff has gained a deeper understanding of what is involved in income-qualifying tenants and the monitoring required. Given the significant staff and financial resources needed to do this work, it would be onerous and inefficient to require it of small projects and would serve as a deterrent to small infill projects.

At the August work session, policymakers also discussed the possibility of applying the Inclusionary Housing Policy to all new development but wanted a better understanding of how that might impact development. Since that time, staff has spoken with the City's financial consultant and developers of recent Richfield projects, analyzed pro formas and rents per square foot, estimated the cost of providing affordable units at various sizes and income levels, and reviewed other cities' ordinances and markets. The conclusion of this analysis is that Richfield's housing market is not strong enough and the financial resources not great enough to support a requirement of affordability for all developments without curtailing development in the community. Staff does not recommend broadening the Policy at this time.

DIRECTION NEEDED:

Provide feedback on the proposed changes to the Policy.

Next Steps: A revised Policy would be brought before the Housing and Redevelopment Authority, Economic Development Authority and City Council in April.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

- In 2000, the Housing and Redevelopment Authority (HRA) began the practice of requiring

developers to either include affordable housing in new development or provide a contribution of tax increment to the HRA's Housing & Redevelopment Fund (HRF).

- In 2013, the Richfield City Council and HRA adopted a Housing Policy Vision Statement that supports a "full range and balance of housing types that match the choices of its diverse residents."
- In October 2017, the City Council and HRA established goals and a work plan for strengthening the City's apartment communities. Adoption of a formal Inclusionary Housing Policy was one tool for accomplishing the goals identified in the work plan.
- The HRA and Economic Development Authority (EDA) adopted the Inclusionary Housing Policy on October 15, 2018.
- The City Council adopted the Inclusionary Housing Policy on October 23, 2018.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- The Policy furthers the Comprehensive Plan goal to provide a full range of housing choices that meet residents' needs at every stage of their lives, and ensure a healthy balance of housing types that meets the needs of a diverse population with diverse needs.
- The Comprehensive Plan identifies the need in the community for an additional 66 units of housing affordable at 30% of the AMI. The proposed Policy change encourages the development of these more deeply affordable units.
- The Policy is consistent with the City's Housing Visioning Statement that calls for a full range and balance of housing types and its Affordable Housing Policy Statement, which encourages developments to contain a mix of market-rate and affordable units, with a higher proportion of market-rate units.

C. CRITICAL TIMING ISSUES:

- The Policy revisions would not apply to projects currently in process, although staff has been encouraging both deeper affordability and accessible units with some of the projects in process.
- If policymakers are in support of the proposed revisions, a revised Policy would be brought before all three bodies in April.

D. FINANCIAL IMPACT:

- Providing affordable housing requires a subsidy, and the deeper the affordability, the greater the amount of the subsidy. To balance that greater cost, the proposed Policy revisions require a lesser percentage of units the greater the affordability.
- Providing larger affordable units is significantly more expensive than efficiencies or one bedroom units. The proposed revision acknowledges this difficulty and provides some flexibility in cases where it's not financially feasible to provide larger affordable units.
- Staff is not recommending the Policy be broadened to apply to all new development because market-rate rents in Richfield are not currently high enough for projects to absorb the cost of providing affordable units without government subsidy, and the available subsidy is not enough to realize all developments. If projects are not financially feasible, they will not occur, and the City will lose the opportunity to see redevelopment occur and help us realize other City goals (e.g., diversified tax base, range of housing choices, removal of blighted buildings). In addition, increasing the supply of market-rate rental housing can improve the affordability of existing rental housing and also reduce the pressure to convert Naturally Occurring Affordable Housing (NOAH) to more upscale housing.

E. LEGAL CONSIDERATION:

- The City has the authority to create an Inclusionary Housing Policy that applies to the use of its financial resources.

ALTERNATIVE(S):

- The HRA may choose to:
 - approve the revisions with changes;
 - request additional information and delay any decision until a later time, or
 - not approve the revisions.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

Description	Type
☐ Draft Policy Revisions	Backup Material
☐ Affordable Units Summary	Backup Material

City of Richfield
 Richfield Housing and Redevelopment Authority
 Richfield Economic Development Authority
Inclusionary Affordable Housing Policy

The City of Richfield, Richfield Housing and Redevelopment Authority, and Richfield Economic Development Authority are committed to building a community that is welcoming and affordable to a diverse population of individuals and families at all stages of their lives. As such, we hereby establish the following policy for the inclusion of affordable housing in development proposals.

Requirements

1. Housing Development Projects containing the construction of at least 520 new units ~~which that~~ receive Financial Assistance or that purchase property from the HRA, EDA or City
 - a. must contain at least a percentage of units that are affordable at one or more of the following levels over a period of ten years or the duration of the subsidy (whichever is longer):

<u>Affordability Level</u>	<u>% of Units</u>
<u>RENTAL</u>	
<u>60% of Area Median Income (AMI)</u>	<u>20%</u>
<u>50% of AMI</u>	<u>10%</u>
<u>30% of AMI</u>	<u>5%</u>
<u>OWNER-OCCUPIED</u>	
<u>115% of AMI</u>	<u>20%</u>
<u>100% of AMI</u>	<u>10%</u>
<u>80% of AMI</u>	<u>5%</u>

- i. A pro rata combination of affordability may be considered;
 - iii. must contain at least 1% of all rental units that are fully-accessible;
 - iv. At least 20% of the grand total of housing units in a mixed rental/ownership development must be affordable at the affordability levels established in 1.a)i, and
 - v. The affordable dwelling units shall have a number of bedrooms in the approximate proportion as the market rate units. If a financial analysis indicates that providing large units makes the project financially infeasible, the City may consider a reduction in the required number of larger affordable units.
- a. ~~Must contain at least 20% affordable units~~
- I. ~~At least 20% of rental housing units must be made affordable to tenant households earning not more than 60% of the Area Median Income over a period of ten years or the duration of the subsidy (whichever is longer);~~
 - II. ~~At least 20 % of owner occupied housing units must be made affordable to, and initially sold to, households earning no more than 115% of the Area Median Income;~~

- ~~III. At least 20% of the grand total of housing units in a mixed rental/ownership development must be affordable at the affordability levels established in 1.a)i and 1.a)ii,~~
- or;
- b. Must contribute to the Richfield Housing and Redevelopment Fund
 - i. 15% of the “net present value” of Tax Increment generated by the project (or 15% of the net present value of other types of assistance) must be pledged to the Richfield Housing and Redevelopment Fund over a period of ten years or the duration of the subsidy (whichever is longer), or;
 - ii. A pro-rata combination of the above (i.e. 10% affordable units and a 7.5% contribution) may be considered, and;
 - c. Must agree to provide 90 days’ advance notice to the public body providing funding of any sale of the property, and;
 - d. Must agree to not discriminate against households utilizing Housing Choice Vouchers (Section 8) or other forms of rental assistance.
2. Non-Housing Development Projects that receive Financial Assistance from HRA, EDA or City and which result in the loss of affordable housing:
- b. Affordable housing units eliminated by the project must be replaced on-site or at another location in Richfield by the developer at similar affordability levels, or;
 - c. 5-15% (depending on the magnitude of the loss of affordable housing) of the “net present value” of the Financial Assistance provided must be pledged to the Richfield Housing and Redevelopment Fund over a period of ten years or the duration of the subsidy (whichever is longer).

Incentives

3. Housing Development Projects which include affordable units (as outlined in 1a above) are eligible to apply to the City for the following considerations regardless of whether or not they receive Public Financial Assistance:
 - i. Building Permit Fee Reductions (10% reduction for rehabilitation and/or 5% reduction for new construction);
 - ii. 4d Property Tax Reduction (rental projects);
 - iii. Consideration of code flexibility (e.g., smaller setbacks, excessive impervious surface, etc.) in planned unit developments;
 - iv. A housing unit density bonus of 5-15% (e.g., a project in an area that allows 8-24 units/acre could add an additional 1-4 units/acre and remain in compliance).

Exceptions

4. With regards to “scattered-site single family housing development,” at least 20% of the units newly constructed or rehabilitated and converted to long-term affordability in any three-year period must meet the proscribed affordability requirements.

5. The City Council or Board of Commissioners of the Housing and Redevelopment Authority or Economic Development Authority may vary the application of this policy as circumstances warrant with the adoption of findings of the reasons for doing so.

Adopted as revised:

This ____ day of _____, 2020, by the Richfield City Council.

Mayor

City Manager

This ____ day of _____, 2020, by the Richfield Housing and Redevelopment Authority.

Chair

Secretary

This ____ day of _____, 2020, by the Richfield Economic Development Authority.

President

Secretary

AFFORDABLE HOUSING UNITS - INCLUSIONARY HOUSING POLICY

<u>Development</u>	<u>IHP*</u>	<u>Year of Construction</u>	<u>Total New Units</u>	<u>Total New Rental</u>	<u>Total New Ownership</u>	<u>Total Rehabbed Units</u>	<u># Affordable Rental</u>	<u># Affordable Ownership</u>	<u># Affordable Rehabbed</u>	<u>Affordability Level</u>
Constructed										
Lyndale Plaza	P	2012	94	94			19			50% AMI
Chamberlain	P	2019	283	283		33	31		33	50% AMI
The Henley	P	2020	66	66			7			60% AMI
	P	2020	8	8						market rate
TOTAL			451	451	0	33	57	0	33	
Under Construction										
Lyndale Garden condos	P	2020	30		30					market rate
NOVO	NA	2020	183	183						market rate
TOTAL			213	183	30	0	0	0	0	
Approved										
RF 64 (Cedar Point II)	P	2021	218	218						market rate
	P	2020-2021	64		64			64		100/115% AMI
Emi	NA	?	31	31						market rate
Lunds	NA	2020	127	127						market rate
TOTAL			440	376	64	0	0	64	0	
TOTAL			1104	1010	94	33	57	64	33	
Planning Stages										
6501 Penn	F	2022	92	92			?			?
6345 Lyndale	F	2021	90	90		22	5		18	50%
Enclave	F	2022	120	120			?			60%
7424 Lyndale	F		30	30						
TOTAL			332	332	0	22	5	0	18	

*Inclusionary Housing Policy (IHP): P = Practice; F = Formal Policy



STAFF REPORT NO. 9
WORK SESSION
3/16/2020

REPORT PREPARED BY: Julie Urban, Housing and Redevelopment Manager

DEPARTMENT DIRECTOR REVIEW: Melissa Poehlman, Asst. CD Director
3/10/2020

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez
3/11/2020

ITEM FOR WORK SESSION:

Consideration of Rental Housing Work Plan and Priorities.

EXECUTIVE SUMMARY:

In 2018, policymakers adopted goals and a Work Plan for strengthening the City's apartment communities. The attached Work Plan shows the items that have been accomplished, those that are in process, and several that remain on the list for future consideration. Several of those items under future consideration have been on the list for some time and may no longer be relevant and should be removed, and there may be other items to be added.

Policymakers will be asked to review the Work Plan and prioritize which items should be considered for action in 2020.

DIRECTION NEEDED:

Review future items for discussion, and prioritize items for a 2020 Work Plan.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

- Policymakers developed the Rental Housing Work Plan and Strengthening Richfield Apartment Communities in 2018. Since that time, several tools and policies have been adopted.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

In 2018, policymakers adopted the following four goals for strengthening apartment communities to guide the Rental Housing Work Plan:

1. Preserve and improve the quality of existing affordable housing while discouraging displacement of our residents.
2. Diversify the housing stock through targeted redevelopment to provide a variety of rental housing opportunities at a range of income levels.
3. Strengthen protections for renters in order to promote housing stability.
4. Provide support to renters and apartment owners and managers to facilitate successful apartment communities.

On July 23, 2019, the Council approved the following 2019-2020 goals and related objectives. Housing: Provide a full range of quality housing options through our policies and programs.

1. Identify and support an optimal mix of housing to serve all residents' needs.
2. Continue to implement affordable housing tools and investigate additional methods to address unmet housing needs, including very affordable housing and accessible housing.
3. Maintain and improve the quality and safety of the City's housing stock, especially naturally occurring affordable housing (NOAH).
4. Work towards closing the racial disparity gap in home ownership.
5. Strengthen the City's rental housing environment and communicate its value to the community.

On January 21, 2020, policymakers identified the following vision for affordable housing efforts:

1. Preserve, protect and improve the quality of NOAH.
2. Have plenty of diverse options within affordable housing for all residents.
3. Fully integrate affordable housing into community and provide equitable access to all its amenities.
4. Create proactive policies and tools to reach our vision for affordability and small business ownership.

C. CRITICAL TIMING ISSUES:

- Confirming Work Plan items will provide direction to staff regarding strengthening apartment efforts for 2020.

D. FINANCIAL IMPACT:

- Current staff have a limited capacity to research, create and implement new policies and programs. Prioritization is necessary and should focus on those tools that are both within our capacity and most likely to be effective.

E. LEGAL CONSIDERATION:

Tools prioritized by policymakers may require additional research to identify any legal issues.

ALTERNATIVE(S):

N/A

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

Description	Type
▢ Work Plan	Backup Material
▢ Strengthening Apartment Communities	Backup Material

Strengthening Richfield Apartment Communities Work Plan

Items Completed:

- ✓ Define Goals. (2017)
- ✓ Apply NOAH Preservation strategies to any project receiving HRA/City assistance that includes affordable units. (2017-)
- ✓ Meet with landlords and with tenants to solicit feedback. (2017-2018)
- ✓ Increase funding for Kids @ Home Program through the EDA budget. (2018)
- ✓ Create Apartment Rehab Financing Program. (3/18)
- ✓ Building Permit Fee Reduction. (2/18)
- ✓ Create down payment assistance program targeted to renters. (6/18)
- ✓ Adopt 90-day Tenant Protection Ordinance. (2018)
- ✓ Adopt Inclusionary Housing Policy. (10/18)
- ✓ Adopt local Fair Housing Policy. (12/18)
- ✓ Identify NOAH housing and those buildings at risk of conversion. (1/19)
- ✓ Sell HRA-owned land/support tax credit application for 55 units of work force housing with 4-6 units for people with disabilities/at 30% AMI. (5/19)
- ✓ Create pilot "Apartment Liaison" program at Richfield Towers (8/19-11/19)

Current Items for Action/In Process:

1. Develop shared expectations for affordable housing. [January work session]
2. Update NOAH housing list and add map. [February]
3. Consider possible revisions to Inclusionary Housing Policy. [March]
4. Promote legislation to increase funding for apartment rehab and flexibility in use of TIF for affordable housing. [Winter/Spring]
5. Research accessible housing needs and ways to incorporate standards into existing programs, new developments. [ongoing]
6. Develop strategies and communications plan regarding the need for affordable housing and the value of all residents. [Messages - January work session]
7. Explore ways to increase supply of housing affordable at 30% of the AMI.
8. Develop broader "Apartment Liaison" program.
9. Consider adoption of point-of-sale inspection program for rental housing.

Future Items for Discussion/Research:

1. Suspend work on a potential 4d Program and/or policy in cases of rehab and/or maintaining deeper affordability in light of legislative proposals to decrease the 4d tax rate (Metro Cities advocating for study of tax impacts). Explore resources for compliance for small owners.
2. Research just-cause non-renewal in cases of mass non-renewals.
3. Research just-cause non-renewal during winter months (Cold Weather Rule).
4. Identify buildings in need of physical/management improvements; City response team.
5. Create & implement tenant education programs.
6. Promote voluntary Legacy program.

STRENGTHENING RICHFIELD APARTMENT COMMUNITIES

GOALS

1. Preserve and improve the quality of existing affordable housing while discouraging displacement of our residents.
2. Diversify the housing stock through targeted redevelopment to provide a variety of rental housing opportunities at a range of income levels.
3. Strengthen protections for renters in order to promote housing stability.
4. Provide support to renters and apartment owners and managers to facilitate successful apartment communities.

1. PRESERVE & IMPROVE

Continue rental licensing program.

Provide Richfield Apartment Remodeling Program.

Offer building permit fee reduction for rehabilitation of affordable units.

Seek opportunities for rehabilitation/preservation of existing units in conjunction with new development.

Identify NOAH buildings; monitor status.

Identify buildings in need of physical/management improvements; City response team.

Explore impact of a 4d Policy/create 4d Program on other taxpayers.

3. STRENGTHEN TENANT PROTECTIONS

Implement tenant protection ordinance: 90-day period without non-renewals/rent increases.

Implement local Fair Housing Policy.

Explore limit on mass non-renewals.

Explore cold weather rule, in case of mass non-renewals.

2. DIVERSIFY HOUSING CHOICES

Actively seek the development of new apartment communities through targeted redevelopment.

Require 20% affordable units in redevelopment projects or contribution in lieu.

Offer building permit fee reduction for construction of new, affordable units.

Require all projects receiving City assistance to include best practices: Section 8 non-discrimination, provide advanced notice of sale.

Implement Inclusionary Housing Policy.

Explore ways to expand accessible housing choices.

Explore ways to provide housing with deeper affordability.

4. SUPPORT RENTERS & APARTMENT COMMUNITIES

Continue Down Payment Assistance Program targeted at Richfield renters.

Continue support of the Kids@Home Program.

Educate apartment owners about the Section 8 Program.

Support the Richfield Apartment Managers' Association.

Create "Apartment Liaison" program.

Implement communication plan for recognizing renters as valued members of the Richfield community.

Create & Implement Tenant Education Programs.

