



**CITY COUNCIL AND HRA WORK SESSION
BARTHOLOMEW ROOM
JANUARY 21, 2020
5:30 PM**

Call to order

1. Facilitated workshop on affordable housing goals and messages.

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 MEMO NO. 1

WORK SESSION

1/21/2020

REPORT PREPARED BY: Julie Urban, Housing Manager

DEPARTMENT DIRECTOR REVIEW: John Stark, Executive Director
1/13/2020

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez
1/15/2020

ITEM FOR WORK SESSION:

Facilitated workshop on affordable housing goals and messages.

EXECUTIVE SUMMARY:

Over the past several years, the City Council and Housing and Redevelopment Authority (HRA) have had several discussions about the City's need for affordable housing and its value to the community. In years' past, the primary goal has been to create a greater diversity of housing types, styles and values. New affordable housing was to be provided in mixed-income housing, at a smaller percentage than market-rate.

That message has shifted somewhat as housing affordability across the metro area (and the State) has declined. The lack of affordable housing is widely viewed as a crisis and reaching the point that it doesn't just affect individual people, but it will negatively impact the economic success of the State.

Policymakers have committed to preserving and creating the City's share of affordable housing through its efforts to preserve our supply of Naturally Occurring Affordable Rental Housing and passing an Inclusionary Housing Policy. The question of whether these efforts are sufficient has been raised in the past several months, and staff is seeking clarification and consensus on what our vision for affordable housing looks like. In addition, policymakers have asked to communicate that vision to the community. A clarification of the vision will help staff to craft clear messages and an effective communication plan.

Stephanie Ahles from HueLife will lead a facilitated workshop with policymakers to discuss our shared vision of affordable housing, messages to convey the value of affordable housing, and what our priorities are.

The agenda will be as follows:

1. Review of affordable housing data
2. Vision Workshop: Create a Council/HRA shared vision of affordable housing
3. Identify Priorities
4. Community Messages

DIRECTION NEEDED:

Policymakers will participate in a "Vision Workshop" to define the Council and HRA's shared vision of affordable housing, to create messages about the value of affordable housing, and identify priorities.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

- The Council has set a goal to bolster community understanding of affordable housing and has asked staff to develop and implement a communication plan communicating its value and importance to the community. A discussion on messages will be part of the workshop.
- At a work session on rental housing on August 19, 2019, policymakers asked for more current and robust data on affordable housing. Data on affordability and how it's changed since 2013 is included as an attachment. A brief presentation of the data will be provided at the work session.
- At a work session on redevelopment priorities on May 20, 2019, and in its review of the Inclusionary Housing Policy at the August work session, some policymakers prioritized the need for deeper housing affordability. Through the facilitated workshop, staff is seeking further clarification and consensus on that issue to better direct our efforts and provide clear direction to developers seeking to build housing in the community.

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

- Bolstering community understanding of affordable housing and communicating its value is a goal the Council has set at goal-setting sessions.
- The current Inclusionary Housing Policy requires all developments receiving City financial assistance to provide at least 20% of the units affordable at 60% of the Area Median Income (AMI) or contribute 15% of the tax increment to the Housing & Redevelopment Fund. Policymakers have asked staff to explore expanding that policy to all new development in the community, to consider requiring deeper affordability, accessible units, and affordable units at a variety of bedroom sizes.
- The Metropolitan Council has set the City's "fair share" of affordable housing, for the period 2020-2030, to be: 66 units at 30% AMI, 29 units at 31-50% of AMI, and 26 units at 51-80% of AMI.

C. CRITICAL TIMING ISSUES:

- Several housing development proposals will come before policymakers in 2020. It's important for staff to understand the expectations of both the HRA and the Council regarding affordable housing when negotiating with developers.
- One of those proposals is for the HRA-owned property at 6501 Penn Avenue. In this case, the HRA has the authority to require, and the developer has the experience and willingness to provide, deeper affordability. There was not, however, a clear consensus on what that deeper affordability might be at the November work session that was held on the development. A greater understanding of policymakers' vision of affordable housing in the community will better guide future development of that property.
- Policymakers have suggested some revisions to the City's Inclusionary Housing Policy. It's important to confirm shared views and priorities before making changes to this Policy.

D. FINANCIAL IMPACT:

There are costs to providing affordable housing; however, this workshop will not delve into the details of financing projects.

E. LEGAL CONSIDERATION:

N/A

ALTERNATIVE(S):

None.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Stephanie Ahles, HueLife

ATTACHMENTS:

Description	Type
□ Housing Affordability Data	Backup Material

Richfield Housing Fact Sheet

Affordability

Summary

- The percentage of Richfield's housing stock affordable to households with low to moderate incomes declined significantly between 2013 and 2017, more so for homes that are owned than for those that are rented. This decline is not exclusive to Richfield; however, our decline in affordability has been greater. We continue to have more affordable housing than many of our peer communities.
- The median rent in Richfield increased 17% between 2013 and 2017.
- The median sales price increased 38% during that same period and has increased an additional 24% from 2017 to 2019.
- Nearly half of all households who rent their home and one-quarter of all households who own their home are cost-burdened, impacting their ability to pay for other necessities such as food, child care, and medical care.
- The cost burden of senior households is higher, at 70% for those who rent and 30% for those who own.
- The cost burden of households earning less than \$20,000 is significantly higher (91% for those who rent and 87% for those who own their home).
- There are 1,028 apartments that are either recently constructed, under construction, approved, or in the planning stages. Of those units, 96% are market rate and 4% are affordable. Fifty-five existing units have been/will be rehabbed.
- The City's regional fair share of affordable housing construction over the next ten years is considered to be 66 units affordable at 30% of the AMI.
- The City's rental housing stock was built primarily in the 1960s, prior to building requirements for elevators and accessible units. Of the City's approximately 5,100 apartment units, only a small number, other than senior-only buildings, contain an elevator and any fully-accessible or Type A units.
- The homeownership disparity between white households and households of color is significant: the percentage of white households who are homeowners is 72% but the percentage of households of color who are homeowners is just 32%.
- The percentage of white residents living in poverty is 5% compared to 18% for black residents and 21% for Hispanic/Latinx residents.
- Geographically, the City's households with the lowest incomes are located along I-494 (where there's a concentration of apartments) and in the Lakes at Lyndale area (where there's a concentration of housing options for seniors). The southeast corner of the City is considered an Area of Concentrated Poverty, where more than 50% of the residents are persons of color (ACP-50).

Home Ownership

- The percentage of units affordable to a household earning less than 80% AMI has decreased by 35 percentage points since 2013.
 - In 2018, a family of four earning \$75,500 (80% AMI) could afford a home value of \$254,500.
 - In Richfield, the percentage of the housing stock affordable to that income level declined from 94% to 59% (35 percentage points)
- We have a greater share of housing affordable at this income level than many of our neighboring/peer communities.
- We have, however, seen a greater decline in this affordability than our neighboring/peer communities have:
 - St. Louis Park = 62% to 32% (30 percentage points)
 - Roseville = 69% to 43% (26 percentage points)
 - Bloomington = 69% to 44% (25 percentage points)
 - Robbinsdale = 94% to 84% (10 percentage points)
- Broader housing market forces drive changes in single-family housing prices (e.g., housing prices rising faster than incomes, post-recession; lack of affordable new construction metro-wide; lack of supply in first-time buyers' price range).
- The impact from our scattered site programs and redevelopment on home ownership supply and affordability is minimal:
 - 2013-2018: 29 new homes not affordable to 80% AMI households; 7 homes affordable at 80% AMI (80/20 split)
- The median household income of Richfield residents who own their home is \$73,823
- 24% of owners are cost-burdened, primarily owners earning 80% AMI or less.
- 87% of owners earning less than \$20,000 (approx. 30% AMI) are cost-burdened.
- Cost burdened means a family pays more than they can afford for housing, which is defined as paying more than 30% of one's income on mortgage/rent/utilities.
- Homeownership Disparity in Richfield: 72% of white households own (28% rent) but just 32% of households of color own (68% rent)

Rental Housing

- The percentage of units affordable to a household earning less than 60% AMI has declined 10 percentage points since 2013.
 - The proportion of housing affordable at 60% AMI (NOAH housing) to housing not affordable at that level has been shifting since 2013:
 - 2013 = 70% NOAH/30% non-NOAH
 - 2015 = 65/35
 - 2017 = 60/40
 - NOTE: These numbers include senior housing (547 market-rate units), and market rate senior housing rents are typically well above 60% AMI. The ratios without market rate senior housing are as follows:
 - 2013 = 76% NOAH/24% non-NOAH
 - 2017 = 65% NOAH/35% non-NOAH
 - *2019-20 new construction (Chamberlain/Henley) – ratio will shift to 58/42*
 - *New construction, plus all approved and planned units – ratio shifts to 52/48*
- Our share of NOAH compared to neighboring/peer communities:
 - Brooklyn Center 70/30
 - Robbinsdale 61/39
 - Richfield 60/40
 - Roseville 55/45
 - Bloomington 47/53
 - Golden Valley 41/59
 - St. Louis Park 41/59
- The proportion of housing affordable at less than 30% AMI has stayed approximately the same – 7% in 2013 and 8% in 2017.
- Our proportion is similar to Roseville (7%) and Edina (8%) but less than Bloomington (10%) and Robbinsdale (17%).
- The biggest shift has been away from the 31-50% range to the 60+% range
 - 2013: 41% of units were affordable between 31-50% AMI
 - 2017: 31% of units were affordable between 31-50% AMI
- The median household income for households that rent their home is \$37,595.
- 49% of renters are cost-burdened.
- 91% of renters earning less than \$20,000 (approx. 30% AMI for a single person) are cost-burdened.
- Age of housing stock – low cost because of age, lack of amenities; prices rising anyway
- The median rent in Richfield increased 17% between 2013 and 2017. The median income of renters increased a similar percentage. The conversion of 698 units at the Concierge complex (fka Crossroads at Penn) from below market rate to market rate and consequently many new tenants with higher incomes could be one answer for the income increase as the income of renters in Hennepin County as a whole decreased during that same period 4%.

- There are 1,028 apartments that are either recently constructed, under construction, approved, or in the planning stages. Of those units, 990 (96%) are market rate, 31 (3%) are affordable to households earning 50% or less of the Area Median Income (i.e., \$35,000 for a single person), and 7 (1%) are affordable to households earning 60% or less of the AMI (i.e., \$42,000 for a single person).

(Note: two additional projects are in the planning stages and will include affordable units but haven't determined the numbers yet.)

- The City's rental housing stock was built primarily in the 1960s, prior to building code requirements for elevators and accessible units. Of the City's approximately 5,100 apartment units only a small number, other than senior-only buildings, are physically accessible:
 - 700 are senior rentals and have elevators, Type A as well as fully-accessible units (14%)
 - 555 have been built since 1987 with an elevator (11%)
 - 511 have been built since 2000 with an elevator and 2% Type A units (i.e., fully-accessible ready)
- There are 4,695 people with disabilities in Richfield, 2,071 of those have ambulatory disabilities, and of those, 1,255 (60%) are 65 and older.

Source: 2017 American Community Survey, as modified by Metropolitan Council

General

- The City's regional fair share of affordable housing construction in the next 10 years, as determined by the Metropolitan Council, is as follows:
 - 66 units affordable at 30% AMI
 - 29 units affordable between 31 and 50% AMI
 - 26 units affordable between 51 and 80% AMI