# Introduction to the Council's Housing Policy

April 1, 2019

Community Development Committee
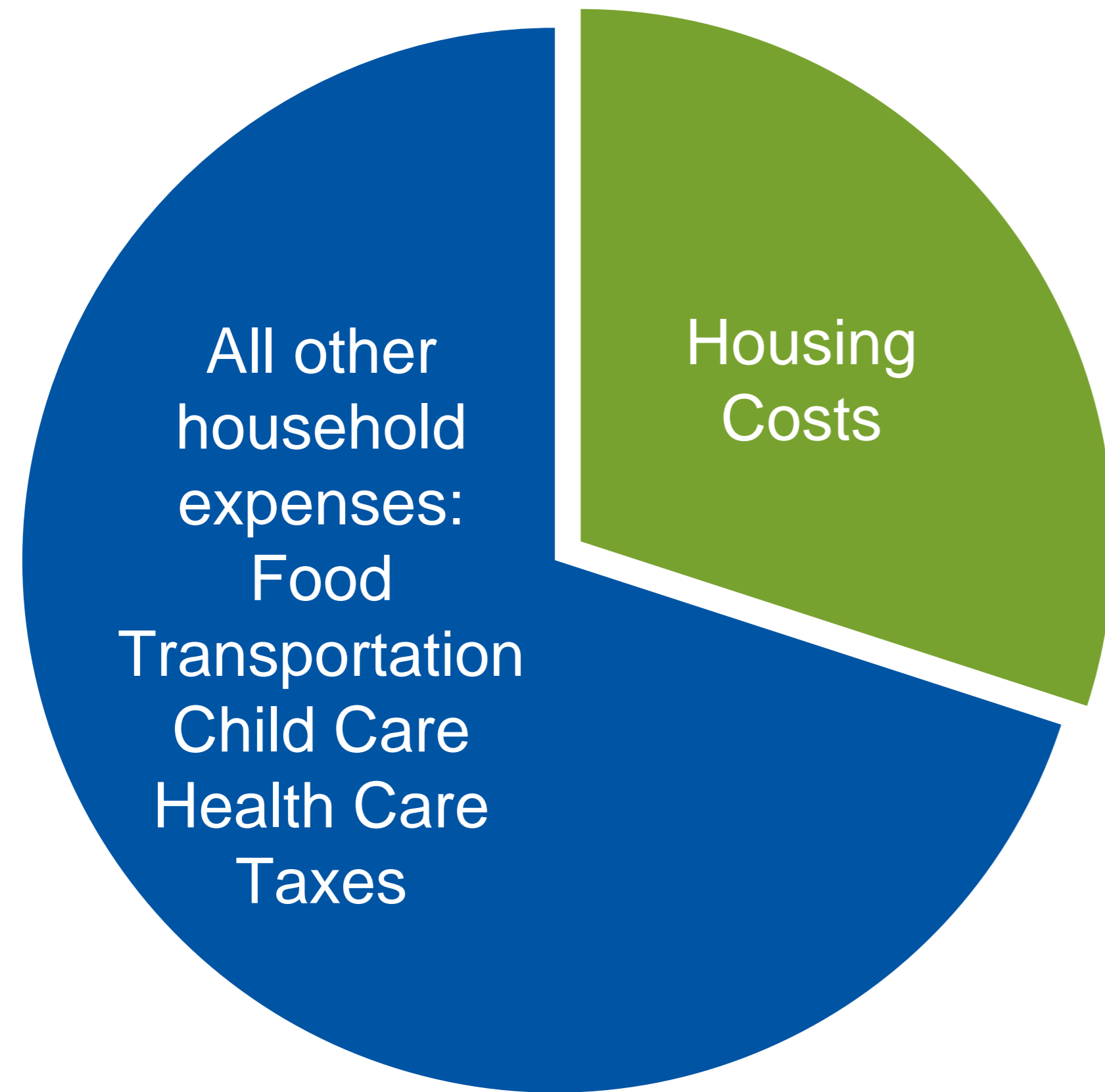
# Overview of today's presentation



1. What is "affordable" housing?
2. Understanding the housing ecosystem
3. Council roles in housing policy
4. The 2040 Housing Policy Plan
5. Review of local comprehensive plans
6. Livable Communities funding
7. Providing incentives for housing performance
8. Providing technical assistance and moral support to local governments and expanding the regional housing dialogue
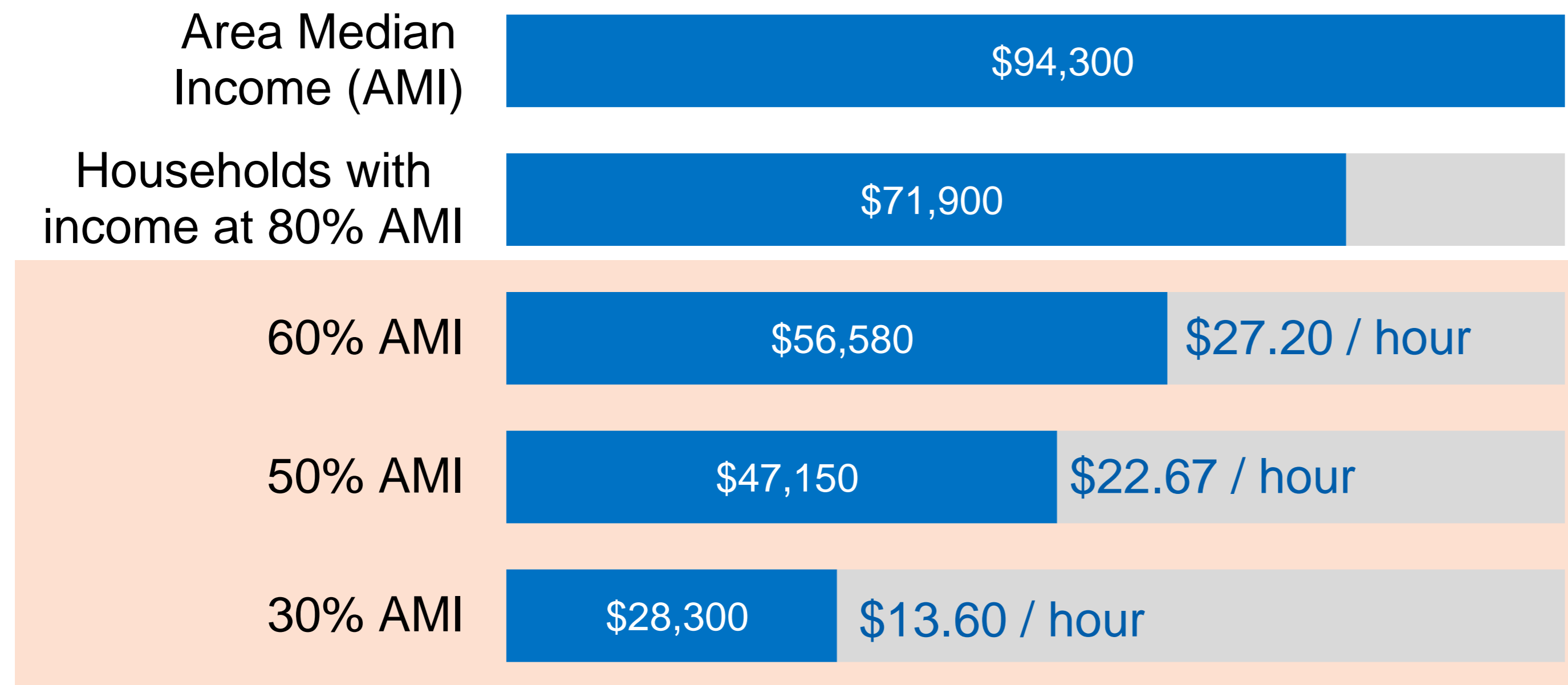
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# First, what is "affordable" housing?

Housing Costs

All other household expenses:
Food
Transportation
Child Care
Health Care
Taxes

Housing is considered "affordable" if it costs less than 30% of a household's gross income – more or less

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# Which households are "low-income"?

## Based on family of four in 2018

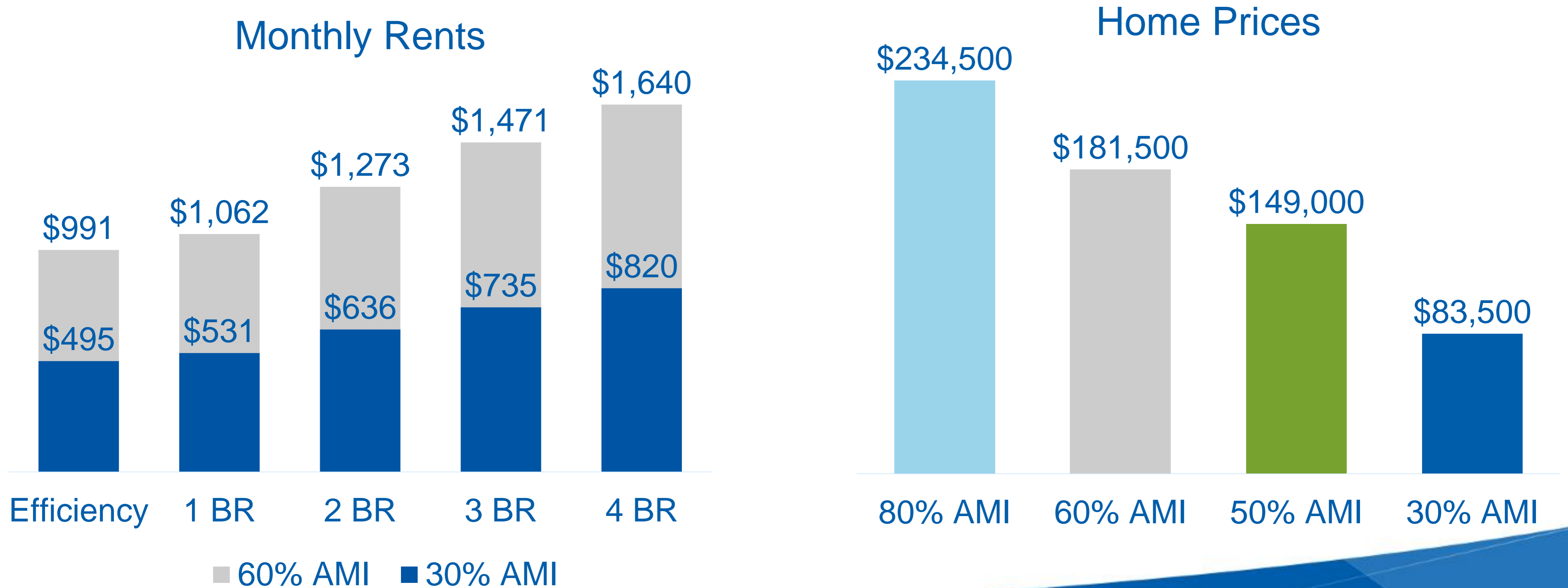| | |
|---|---|
| Area Median Income (AMI) | $94,300 |
| Households with income at 80% AMI | $71,900 |
| 60% AMI | $56,580 — $27.20 / hour |
| 50% AMI | $47,150 — $22.67 / hour |
| 30% AMI | $28,300 — $13.60 / hour |

Since 2011, the Council uses the term "affordable" to describe housing units that low-income households could pay for with up to 30% of their monthly income. **Low-income households are those with incomes up to 60% AMI.**

*Source:  U.S. Department of Housing and Urban Development.*

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# What can low-income households "afford"?

## Monthly Rents

- Efficiency: $991 (60% AMI), $495 (30% AMI)
- 1 BR: $1,062 (60% AMI), $531 (30% AMI)
- 2 BR: $1,273 (60% AMI), $636 (30% AMI)
- 3 BR: $1,471 (60% AMI), $735 (30% AMI)
- 4 BR: $1,640 (60% AMI), $820 (30% AMI)

Legend: 60% AMI, 30% AMI

## Home Prices

- 80% AMI: $234,500
- 60% AMI: $181,500
- 50% AMI: $149,000
- 30% AMI: $83,500

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# The housing continuum

## Publicly-Subsidized
- Financed with public funding and accepts Housing Choice Vouchers
- Households must earn no more than income limits for a set period of time
- May be owned / operated by public, for-profit or non-profit developers
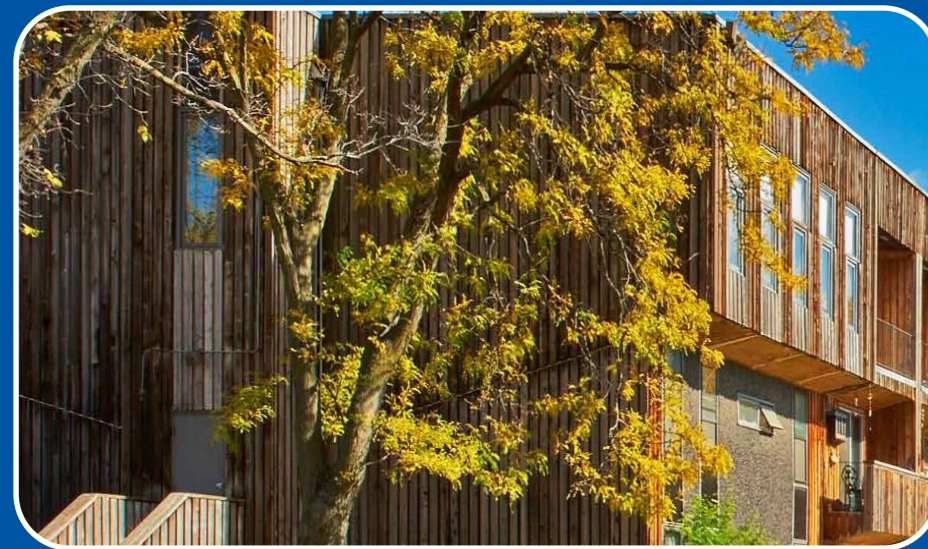
## Naturally Occurring Affordable Housing (NOAH)
- No public subsidy or little subsidy
- Often older "Class B or C" housing without newer amenities
- *May* accept Housing Choice Vouchers and other housing assistance

## Market-Rate Housing
- Generally affordable to households earning 80% AMI or more
- Owners will usually charge the highest rents the market will allow
- *Sometimes* accept Housing Choice Vouchers and other housing assistance

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# Public roles in the Housing Ecosystem

## Policy

## Funding

| Policy | | Funding |
|---|---|---|
| Fair Housing Act | **Federal Government** | Community Development Block Grant<br>Low Income Housing Tax Credit<br>Housing Choice Vouchers |
| Grants powers and limits authorities (e.g., Land Planning Act, prohibition on rent control, etc.) | **State Government** | Minnesota Housing:<br>Challenge Program<br>Housing Trust Fund |
| Comprehensive Plan Review (Metropolitan Land Planning Act) | **Metropolitan Council** | Livable Communities Act fund |
| Consolidated Plan | **Counties** | Community Development Agencies<br>HRA Levies |
| Land Use and Zoning<br>HRA / EDA Powers<br>Other local ordinances | **Cities** | Tax Increment Financing<br>HRA / EDA Levies<br>Local Housing Bonds |

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# Developing housing in the housing ecosystem

**Developer:**
Financing
Construction
Ownership
Management

Funding and expectations

**Funders:**
Profit
Target populations



**City:**
Land Use Planning and Zoning
Balancing regional needs and neighborhood desires
(May also be a funder, land owner or developer)

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# The Council's roles in housing

- Providing rental assistance to low-income households
- Providing data and analysis to understand regional trends, both current and forecasted
- Defining local government shares of the regional need for low- and moderate-income housing
- Reviewing local comprehensive plans to ensure that communities are planning an adequate supply of land
- Funding housing development through the Livable Communities Act programs
- Providing incentives for housing performance
- Providing technical assistance and support to local governments
- Collaborating with and convening partners and stakeholders to expand the regional housing dialogue

*The Moline, a market-rate housing, benefited from a Livable Communities Demonstration Account to the City of Hopkins to develop The Artery.*

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# Providing data and analysis to understand regional trends both current and forecasted

- How many new affordable units are added to the region annually? In which cities?

- What is the current supply of affordable housing across the region?

- Where do low-income households now live?

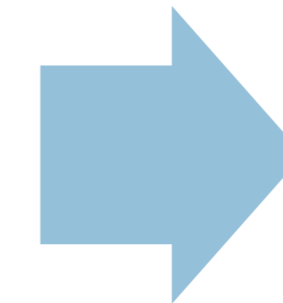- Where is there a mismatch between jobs and housing?

# What do the housing elements of comprehensive plans include?

Provide "adequate housing opportunities to meet **existing and projected** local and regional housing needs."

Utilize "**land use planning to promote the availability of land** for the development of low- and moderate-income housing"

Identify tools "to **implement land use plan housing elements** that will …meet the local unit's share of the metropolitan area need for low- and moderate-income housing."

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# How the Council reviews housing elements

**Existing housing need**
- Narrative analysis of existing housing assessment within local context
- Clearly *identify* existing housing needs
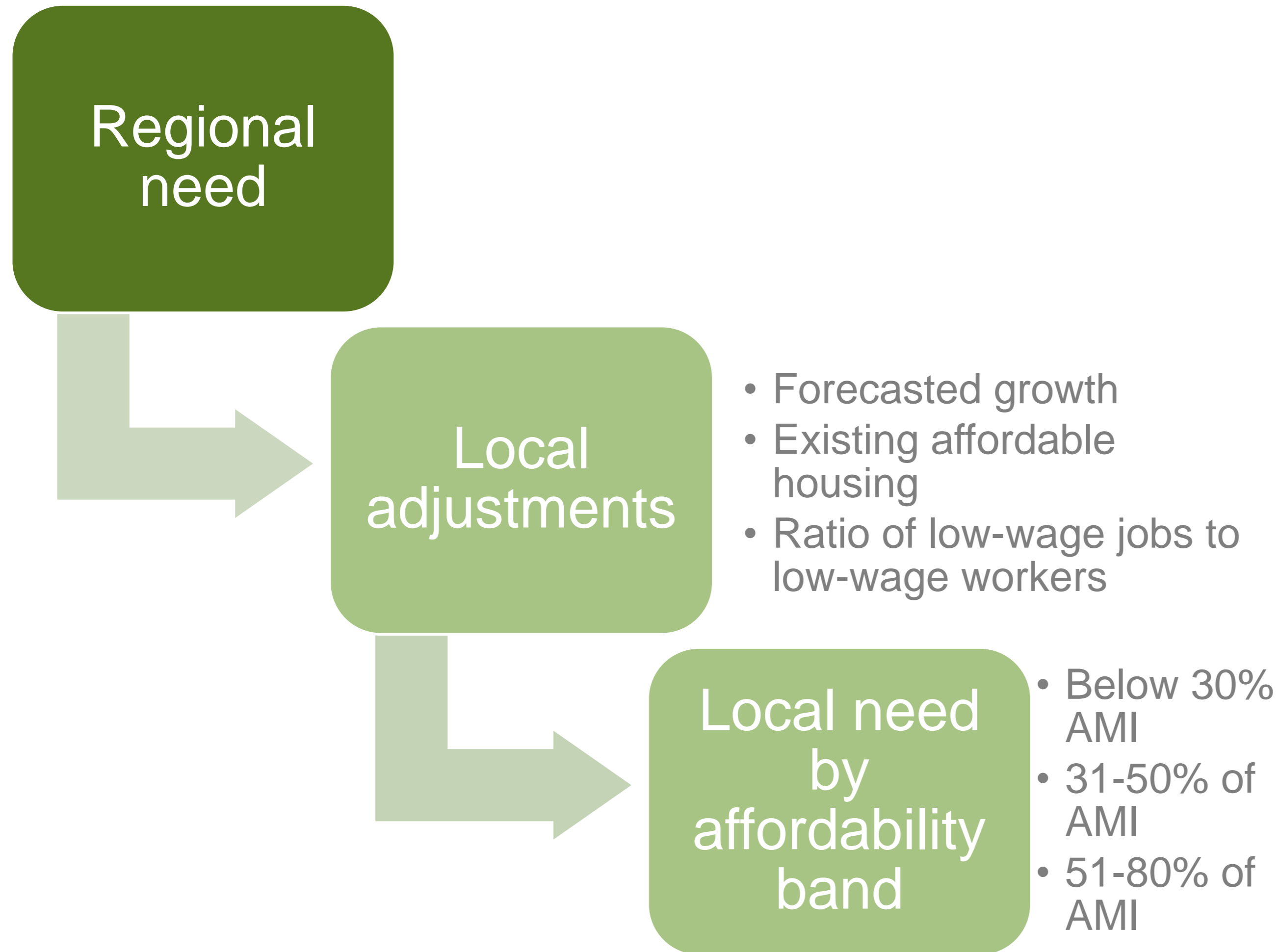- Clearly *prioritize* existing housing needs

**Projected housing need**
- Allocation of Affordable Housing Need at each of the three following levels of affordability:  30% or less of Area Median Income (AMI), 31-50% AMI, and 51-80% AMI

**Implementation program**
- Plans consistent with Council policy will clearly and directly acknowledge all **widely accepted tools** that address stated housing needs and address the sequence or circumstances in which each tool would be considered

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# Allocation of Affordable Housing Need

**Regional need**

**Local adjustments**
- Forecasted growth
- Existing affordable housing
- Ratio of low-wage jobs to low-wage workers

**Local need by affordability band**
- Below 30% AMI
- 31-50% of AMI
- 51-80% of AMI

- "…land use planning to promote the **availability of land** for the development of low- and moderate-income housing."
- Very little new affordable housing is built at lower densities
- The Council expects cities to guide enough residential land at minimum densities of 8 units per acre to accommodate the need

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# Funding housing development through the Livable Communities Act programs

- Since 1996, Livable Communities funding has supported:
  - Nearly 47,000 housing units
  - Over 24,000 are affordable
- As of 2019, grantees must have adopted a fair housing policy to receive funds
- To participate, local communities must:
  - adopt affordable and life-cycle housing goals
  - establish a Housing Action Plan
  - spend an "affordable and life-cycle housing opportunity amount" (ALHOA)

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# Providing incentives for housing performance: Housing Performance Scores



- The Council annually calculates Housing Performance Scores that evaluate each city's performance in creating and preserving affordable housing:
  - 50 points for new construction and preservation
  - 25 points for existing housing stock
  - 25 points for local housing programs and policies
- Used in Livable Communities programs (inversely for affordable housing)
- Represent 7% of the points in the biennial Regional Solicitation for federal transportation funding

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# Providing technical assistance and expanding the regional housing dialogue

- Helping cities with housing elements of local comprehensive plans
- Hosting workshops on planning for affordable housing
- Correcting myths about affordable housing
- Connecting cities with affordable housing developers
- Convening a workshop on affordable homeownership for local government
- Hosting a mixed-income housing feasibility calculator
- Supporting the Governor's Housing Task Force
- And many others…

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# Recap of today's presentation

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# Discussion

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