

DATE: Thursday, January 31, 2013
TO: Community Development Committee
FROM: Guy Peterson, Community Development Division Director
SUBJECT: Affordable Housing Presentation

Attached is a document prepared by Tim Thompson of the Housing Preservation Project and other housing advocates regarding their recommendations to the Metropolitan Council.

An earlier version of the recommendations were presented to Chair Haigh late last year, and subsequently the advocates asked Community Development Committee Chair Cunningham if they could present to the Community Development Committee.

ENHANCING THE MET COUNCIL'S ROLE IN AFFORDABLE HOUSING

- I. **Introduction.** The following organizations have a long time interest in the Met Council's role in promoting affordable housing in the Region and hereby submit this memo with our ideas for increasing the Met Council's effectiveness in this key area : Housing Preservation Project, Minnesota Housing Partnership, Alliance for Metropolitan Stability, ISAIAH, Mid-Minnesota Legal Aid, and the Access group.

- II. **Our view of the challenge.** The gap between the supply of affordable housing and the demand in the Region is growing and likely to continue to grow, particularly at the lowest income levels. In addition to seeking more funding, we need to ensure that our existing resources are being used as effectively as possible to both preserve and expand the supply, and to connect people to opportunity. One way to accomplish this is to provide incentives for local government, both to innovate by testing or adopting a number of promising practices, and to ensure that cities throughout the Region are employing the full range of affordable housing tools available to them. The Met Council can play a more effective role in providing those incentives, and helping ensure that promising practices become widely adopted. This will also permit the Council to more fully realize its legal obligations under the Land Use Planning Act and the Fair Housing Act.

Choices need to be made with our housing resources. We believe there needs to be a balance between investing in preservation of existing housing and new construction. There also needs to be a balance between place-based remedies (investing in poor neighborhoods) and mobility remedies (building affordable housing in higher opportunity neighborhoods).

The region also suffers from serious racial disparities, which, among other things, threaten our economic competitiveness. These disparities are due in part to racial and economic segregation in housing and schools. Housing strategies which increase locational choice can help reduce disparities. Good affordable housing choices are in short supply both for people committed to living in poor neighborhoods and for people interested in accessing higher opportunity areas. We fall short in all of these areas for a variety of reasons, but there are real opportunities for the Met Council to lead more effectively on regional housing issues.

The ideas set out below are policy changes within the scope of current Met Council authority, and would not require legislative action.

- III. **Encouraging local innovation and best practices in making the most effective use of our affordable housing resources.** Local governments play a key role both in creating new affordable housing and preserving what we have. Not all cities, however, are making maximum use of the range of affordable housing tools currently available. In addition, there are a number of new mostly untested ideas that hold promise for greater affordability. For example, we will be unable to build our way out of the affordable housing

shortage, so rethinking the use of our existing supply will be important. There are a number of steps the Met Council can take to more effectively encourage local governments to innovate.

A. Examples of new ideas that need testing or further adoption:

- As an alternative to investing in new production, cities could create additional affordability by subsidizing existing rental units. If the Met Council gave cities credit toward their affordable housing goals for such investments, it could encourage new investment and greater affordability in communities that rarely have the opportunity to invest in new affordable housing production.
- Nearly half the affordable rental units in the metro area are occupied by households who could afford to pay more ; if on turnover some units were dedicated to lower income tenants, new affordable opportunities could be created for those households without having to build them.
- Using density bonuses and other incentives for including affordable units in market rate buildings along transit corridors.
- Local government adoption of cost containment principles similar to those of Minnesota Housing, to stretch resources farther.
- Strategies to preserve the affordability of rental housing along transit corridors and other gentrifying areas (a local 4d property tax program, for example, to voluntarily limit rents).
- Targeting underutilized affordable housing opportunities in metro area manufactured home parks.
- Find ways to make housing choice vouchers more useable in high opportunity areas.
- Using new FHEA data tools to proactively identify the best locations for new affordable housing developments.
- More effective means to address NIMBY opposition to higher density housing.

B. How the Met Council can have a greater impact on local government housing practices.

1. Reform its system for incenting affordable housing performance by local governments

- a. Cities should be given credit toward their affordable housing goals for certain actions which will increase affordability, such as subsidizing existing units, and creating opportunities for the lowest income households (30% AMI).
- b. The affordable housing performance scores should be updated and modified to encourage innovation, and should be applied to a broader range of funding decisions in order to have more impact. Right now the scores have a very limited impact. If they could be applied to transportation funding decisions, they would have a much greater impact. Met Council housing funding program criteria could be similarly modified.

- c. The Council should increase accountability and transparency by shining a brighter light on how local governments are doing on affordable housing performance. The Council makes limited information available on how cities are doing on meeting their goals; making individual city progress on goals more public would elevate their importance, and inform public policy more effectively.
- d. The Council can make greater use of waivers of SAC charges to further incentives for local government action.

2. Making maximum use of legal authority to ensure affordable housing provisions of comprehensive plans are fully realized.

- a. Embedding housing within system plans. The Met Council’s system plans should contain language addressing the impact of housing on those systems. For example, a failure to build affordable housing along transit corridors, or to generally build housing at sufficient density levels, adversely impacts transit corridors by reducing needed ridership levels. The Council would then have the authority to deny comp plans or comp plan amendments on the grounds that city housing plans substantially depart from or adversely affect system plans.
- b. Expecting more from local housing implementation plans. Minn. Stat. 473.859 sub. 4 requires that cities produce housing implementation plans to meet their affordable housing goals. Council staff have consistently advised cities in the past that the main obligation is setting aside land at appropriate densities, and that the additional statutory requirements, including official controls, are largely pro forma exercises. The Council should expect more because it’s the local practices set out in these plans that make the difference.
- c. Help ensure technical assistance is available for those local governments which need it. To the extent local governments lack the capacity to effectively adopt or employ best practices, including the ULI Housing Policy Toolbox, the Council should work with stakeholders to identify the best means to provide needed assistance.

IV. Employ regional planning processes to connect low income households and communities of color more effectively to opportunity, and to reduce racial disparities.

A. The Council should capitalize on the results from the Fair Housing Equity Assessment (FHEA) to identify means to connect low income households/households of color to greater regional opportunity.

- 1. **Connect the results of FHEA analysis to specific strategies through the Thrive 2040 plan and later plans.** Although the FHEA isn’t complete yet, it is

reasonable to assume that the results will suggest ways both to connect people to higher opportunity areas, and ways to bring greater opportunity to places where people live. We believe both strategies will be necessary to connect people to opportunity. As one way to connect families to higher opportunity areas, Section 8 voucher reforms and a mobility counseling program should be considered. Using housing strategies to connect poor kids of color to good schools ought to be part of the mix as well, starting with the Met Council fulfilling its statutory duty to coordinate with the Department of Education.

- 2. Connect the FHEA to a Regional Fair Housing Impediments Analysis.** The Region's "entitlement" jurisdictions currently have a Regional Fair Housing Impediments Analysis (RAI) – essentially a plan to identify and overcome barriers to Fair Housing. HUD is hopeful the Region will adopt a more robust RAI based on the FHEA. This is a commitment the Region should make, with the Met Council leading, which could ensure long term follow through on commitments. Since the FHEA could touch on actions by many units of government, a means such as the Corridors of Opportunity Policy Board would be needed to coordinate. An action plan should be produced and implemented.

- B. Ensure that planning continues for equitable development along transit corridors.** Many of the commitments made through the Corridors of Opportunity HUD grant involve ongoing actions after the grant, including transit corridor affordable housing plans. A system must be established to endure that this ongoing work continues.

- V. Assume a greater role as the regional leader on fair and affordable housing.** The Council should assume a leading role promoting affordable housing in the Region, as a means of achieving regional equity and sustainable development. This could include increasing the Council's communication role in making the case for affordable housing with the public and at the legislature, and leading in convening regional discussions on affordable housing issues (countering NIMBY, achieving density goals) and how housing intersects with other sectors such as jobs, transit, and schools.

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