

DRAFT FOR PUBLIC COMMENT

PATHWAYS TO REMOVING OBSTACLES TO HOUSING

FY 2024 Application to U.S. Department of Housing and Urban Development

September 2024

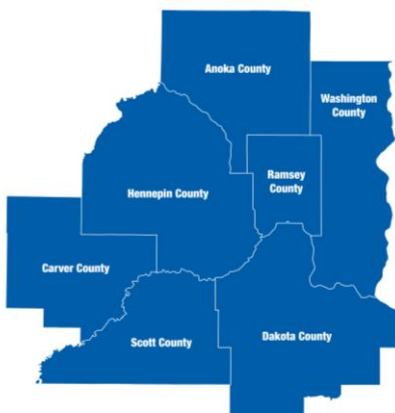


METROPOLITAN
COUNCIL

The Council's mission is to foster efficient and economic growth for a prosperous metropolitan region

Metropolitan Council Members

Charlie Zelle	Chair	Diego Morales	District 9
Judy Johnson	District 1	Peter Lindstrom	District 10
Reva Chamblis	District 2	Gail Cederberg	District 11
Tyronne Carter	District 3	Susan Vento	District 12
Deb Barber	District 4	Chai Lee	District 13
John Pacheco Jr.	District 5	Toni Carter	District 14
Robert Lilligren	District 6	Tenzin Dolkar	District 15
Yassin Osman	District 7	Wendy Wulff	District 16
Anjuli Cameron	District 8		



The Metropolitan Council is the regional planning organization for the seven-county Twin Cities area. The Council operates the regional bus and rail system, collects and treats wastewater, coordinates regional water resources, plans and helps fund regional parks, and administers federal funds that provide housing opportunities for low- and moderate-income individuals and families. The 17-member Council board is appointed by and serves at the pleasure of the governor.

On request, this publication will be made available in alternative formats to people with disabilities. Call Metropolitan Council Information at 651-602-1140 or tty 651-291-0904.

Draft Application to U.S. Department of Housing and Urban Development

The U.S. Department of Housing and Urban Development Pathways to Removing Obstacles to Housing (PRO Housing) program empowers communities that are actively taking steps to remove barriers to affordable housing and seeking to increase housing production and lower housing costs over the long term.

This application draft is available for public comment for 15 days.

How to comment:

Attend a [public hearing](#) on Monday, October 7, at 4:00 p.m.

Metropolitan Council Community Development Committee
Metropolitan Council Chambers
390 Robert St. North
St. Paul, MN 55101

Mail:

Metropolitan Council Public Information
390 Robert St North, St. Paul, MN 55101

E-mail:

sarah.berke@metc.state.mn.us

Record comments on the Met Council's Public Comment Line:

651-602-1500

TTY:

651-291-0904

Comments must be received by 4:00 p.m. on Monday, October 7.

Table of Contents

Exhibit A Executive Summary. 2
Exhibit B Threshold Requirements and Other Submission Requirements..... 4
Exhibit C Need..... 5
Exhibit D Soundness of Approach..... 14
Exhibit E Capacity. 27
Exhibit F Leverage..... 30
Exhibit G Long-term Effect. 31

Exhibit A Executive Summary.

In recent years, the Minneapolis-Saint Paul region has been a national leader in expanding its land use policies to allow for increased density, reduced or eliminated parking requirements, and other crucial reforms that all lead to greater production, affordability, and choice. We were pleased to be selected for an initial PRO Housing award in recognition of this leadership.

Our vision is to use a FY 2024 PRO Housing grant to build on what's working best in the first phase of our PRO Housing efforts: to continue broadening and deepening our full vision for our work, making the most of the policy and funding momentum underway. This means going broader on our zoning reform - expanding changes across the entire region, creating greater parity in code across jurisdictions - and deeper in each corner of the region, continuing to allow more housing, more affordable housing and denser housing in more communities, as we plan for regional growth and development looking toward the year 2050. It also means continuing our work beyond just the next three years, to ensure that we are able to sustain momentum over a meaningful period of time throughout the planning decade ending in 2030.

Specifically, our work to achieve this vision will build on the momentum of our first PRO Housing award, maximizing our impact with three timely opportunities:

1. **Unprecedented Local Revenue for Housing** in coming years, with new infusion of capital to meet affordable housing needs. Historic levels of new state funding for housing, including a new regional sales tax that will raise up to \$100 million in regional housing dollars over the biennium, are starting to flow to communities throughout our region for housing.
2. **New and ongoing attention to housing in regional and local planning** that is gaining momentum, going into the new Imagine 2050 regional planning cycle.
3. **Zoning and land use policies** that have smoothed the way for more affordable housing development and efforts to encourage development that builds community prosperity

We know that without deep coordination and collaboration among local jurisdictions, these new funds and zoning authorities will not deliver the full impact that is possible. Many cities, particularly suburban ones, have relatively small staffs and do not have dedicated housing personnel available to manage the influx of dollars. Establishing regional coordination and support resources to identify the best uses for these funds will maximize everyone's impact.

We intend to use a \$5 million PRO Housing grant, from 2026-2030, for the following purposes, coordinated by Metropolitan Council and implemented in partnership with Hennepin and Ramsey Counties and other communities in our seven-county region:

- **Policy & Planning:** We will fund full-time positions and project-specific consultants to work with cities.
- **Direct Grants:** We will provide grants, combined with direct consultant time described above, to support technical assistance and ordinance review for communities throughout the region.

Additionally, the PRO Housing activities will leverage a minimum of \$3 million in Local Housing Incentives account grants to cities region-wide to support affordable rental and ownership preservation and production.

Exhibit B Threshold Requirements and Other Submission Requirements.

The Metropolitan Council and all partners in this application meet the Threshold Requirements and are therefore eligible to apply for a PRO Housing federal grant. We attest that:

1. There are no outstanding charges from HUD concerning a systemic violation of the Fair Housing Act or receipt of a cause determination from a substantially equivalent state or local fair housing agency concerning a systemic violation of a substantially equivalent state or local fair housing law proscribing discrimination because of race, color, religion, sex (including sexual orientation and gender identity), national origin, disability or familial status.
2. We are not defendants in a Fair Housing Act lawsuit filed by the United States alleging a pattern or practice of discrimination or denial of rights to a group of persons raising an issue of general public importance.
3. We are not a defendant in any other lawsuit filed or joined by the Department of Justice, or in which the Department of Justice has intervened, or filed an amicus brief of statement of interest, alleging a pattern or practice or system violation of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974, the Americans with Disabilities Act, Violence Against Women Act, or a claim under the False Claims Act related to fair housing, non-discrimination, or civil rights generally including an alleged failure to affirmatively further fair housing.
4. We are not in receipt of a letter of findings identifying systemic non-compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974, Violence Against Women Act, or the Americans with Disabilities Act.
5. We are not in receipt of a cause determination from a substantially equivalent state or local fair housing agency concerning a systemic violation of provisions of a state or local law prohibiting discrimination in housing based on sexual orientation, gender identity, or lawful source of income.

Housing Discrimination Complaint

The Metropolitan Council is a governmental subdivision of the State of Minnesota. In January 2015, the Metropolitan Council was served with a HUD Housing Discrimination Complaint (Title VI Case No. 05-15-0003-6; Section 109 Case No. 05-15-0003-9). In March 2015, the Metropolitan Council submitted a lengthy response (with supporting documentation) disputing the factual and statutory allegations in the Complaint and has had intermittent discussions and correspondence exchanges with representatives of HUD and the complainants.

Exhibit C Need.

- i. Demonstrate your progress and commitment to overcoming local barriers to facilitate the increase of affordable housing production and preservation, primarily by having enacted improved laws and regulations. (15 points)*
 - a. Improved laws, regulations, or land use local policies (10 points)*

Regional Efforts to Date

The Twin Cities Metropolitan Region has made meaningful progress in overcoming legal and regulatory barriers to affordable housing development. Our region has a history of working together across jurisdictions to address regional needs, including housing, transit, wastewater treatment, parks, and more. Hennepin and Ramsey Counties are the state’s two most populous counties and home to the state’s most populous cities of Minneapolis and Saint Paul. These two counties are identified as priority geographies by HUD and are key partners in our ongoing PRO Housing work.

Zoning and Land Use Policies: Reducing barriers to affordable housing production and preservation has been a major focus of our region in recent years. Minneapolis won much national acclaim when, in 2018, the city council voted to approve a new comprehensive plan. Along with upzoning commercial corridors and eliminating parking minimums on new developments, the plan allowed a minimum of three units on any city residential parcel by right, thus ending decades of restrictive zoning that had mandated single family homes as the only housing option on roughly 70% of city lots.

While Minneapolis (located in Hennepin County) received much of the national attention, many units of government in the region were making and continue to make meaningful changes to their zoning codes to allow for increased density, greater affordability, and improved climate resilience. Saint Paul (located in Ramsey County) has been simplifying lot setback requirements, removing parking requirements on new developments, and allowing for more 2-4 unit homes to be built by right across the city.

Across the region, cities are increasingly taking action to change zoning policies to allow for more housing and more affordable housing. Just for example, in Ramsey County, the City of Roseville upzoned its municipal code, allowing duplexes in zones that had previously been zoned exclusively for single family homes. Meanwhile, the City of Shoreview passed Ramsey County’s first Inclusionary Zoning Policy.

Regional Role in Setting Policy: At the metropolitan level, the Metropolitan Council has paid ongoing and heightened attention to housing in its own regional planning and policymaking. Thrive MSP 2040, the current regional development guide adopted in 2015, defined the need and the goals for affordable housing development across each community in the region, and – for the first time – specified the need for extremely low-income units at 30% of AMI and below. Cities throughout the region used this housing policy plan to guide their own 2040 comprehensive plans. Recognizing that extremely low-income affordable housing is generally built at higher densities, Thrive MSP 2040 required cities to guide sufficient high-density land in order to

potentially develop enough housing units to meet the local allocation of affordable housing need for the future. In addition and for the first time, the regional plan required cities to include an Existing Housing Assessment and identify which tools the city would use in order to address the housing needs in their locality. The Met Council identified various housing tools for cities to implement, including: inclusionary zoning policies, rental licensing and inspection programs, community land trusts, model zoning and subdivision ordinances, the preservation and creation of manufactured home parks and more. These housing requirements build on the foundational requirements for all cities to plan for sufficient land to support their overall forecasted housing growth.

After the Council's adoption of the region plan, local governments then updated their plans for regional review and authorization. This planning process resulted in nearly all local governments having completed their comprehensive plans by the year 2020. The Twin Cities region includes 146 cities, home to more than 3.1 million residents, that are responsible for planning for and accommodating regional growth projections.

This regional policy focus has already yielded results. Currently through the implementation of Thrive MSP 2040, 110 cities are guiding over 8,000 acres of land at densities that could potentially develop 80,000 affordable housing units. Additionally, 16 cities in the seven-county metropolitan region have formally adopted an inclusionary housing policy since the adoption of Thrive 2040 in 2015.

In early 2025, the region will finalize and adopt the new regional development guide, called Imagine 2050, and then – per the decennial planning cycle specified in state law – each municipality in the region will work to establish its own 2050 comprehensive plan, with housing implementation plans for the decade 2031-2040. The current draft of the Imagine 2050 plan includes several housing and land use proposals that build on and strengthen the successful elements of Thrive MSP 2040. These include higher minimum density requirements for cities dependent on their city type, a greater focus on the need for deeply affordable housing, policy direction to plan for broader housing diversity within neighborhoods, and an expansion of the housing implementation requirements that cities will need to incorporate into their comprehensive plans.

This focus on the development of extremely low-income housing in the regional housing plan has elevated the issue across all cities in the region and contributed to the development of a record number of deeply affordable housing units, affordable to households with incomes at 30% AMI or below: 720 units in the past two years as compared to an average of XX units annually in previous years.. In many cases, the Met Council has also awarded funding to directly support these 30% AMI development projects through its competitive Livable Communities Act grant programs.

This proposal builds on these efforts to continue supporting a coordinated approach for housing strategies in the region and ensure the need for deeply affordable housing is incorporated in the region's communities' visions. This will substantially build our regional capacity to expand meaningful tools for addressing this need.

Met Council Direct Grant Support for Local Housing Policy Implementation:

The Met Council launched a new Policy Development grant opportunity within its Livable Communities Act programs in 2022, to boost local government capacity to implement policies and zoning codes consistent with regional goals and newly adopted local comprehensive plans. This program serves as precedent and inspiration for the much larger local PRO Housing sub-grants program that would be funded with this proposal. In the first three years of the Policy Development program, the following cities in the region have received awards of up to \$50,000 to address policy barriers to housing and affordable housing development:

- City of Mahtomedi (2022): Ordinance, guideline, and regulation update to implement Sustainability Plan, including reducing parking requirements and encouraging green public infrastructure and residential energy systems.
- City of Minnetonka (2022): Zoning code update to allow for increased density, improved connections, and removing a barrier to constructing new affordable housing.
- City of Chaska (2023): Zoning code update to right-size parking and landscaping requirements and reduce the need for variances for affordable housing development.
- City of Fridley (2023): Update zoning code to support more efficient, equitable development with increased density and active transportation policies.
- City of New Brighton (2023): Develop new accessory dwelling unit (ADU) regulations with goals of affordability, options for aging in place, and increased density.
- City of Bloomington (2024): Conduct Housing Nexus Study to inform update to affordable housing ordinances, to increase housing choice and affordable housing supply.
- City of Richfield (2024): Re-write multifamily zoning district ordinances to facilitate infill and missing middle housing development.
- City of Newport (2024): Update zoning code to better facilitate multifamily and missing middle housing development, and aligning with sustainable development practices.
- City of Hugo (2024): Update to local ordinances and a local housing study to incorporate new zoning district standard analysis, evaluation of commercially zoned property that could include higher density housing, sustainability practices, and implementation of streamlined processes for development.

b. Other recent actions taken to overcome barriers to facilitate the increase of affordable housing production and preservation (5 points)

New Public Investments in Housing: Importantly, metropolitan leaders worked with the state legislature in 2023 to establish a new 0.25% Metro Area Sales and Use Tax for Housing. This is the first-ever tax dedicated to affordable housing and will raise more than \$100 million over the next two years for housing projects in the seven-county metro region. This includes \$32 million in the first year for the seven metro counties (\$12.4 million for Hennepin and \$6 million for Ramsey), and \$16.1 million shared among cities with populations of 10,000 or more in the seven-county region. Eligible uses include affordable housing production or preservation, supportive services, and emergency rental assistance.

In addition to the regional housing policy framework that Thrive MSP 2040 and upcoming Imagine 2050 plans described above, the Met Council has recently expanded its approach to

supporting the implementation of initiatives to increase housing supply and lower costs. For example, in 2022 and 2023 the Met Council launched two new region-wide grant programs. The first, the Affordable Homeownership program, aims to expand funding for ownership development projects that prioritize wealth building and racial equity. The second is the region-wide Policy Development grant program which aims to assist cities develop equitable development policies that support outcomes beyond individual projects. These new programs are a part of a suite of efforts to embed equity considerations more deeply into the Met Council's Livable Communities Act grant programs, for multifamily, mixed-use, and single-family developments alike. Some of the added equity criteria includes adding preservation of affordable housing to eligible uses and adding criteria that aims to prioritize racial equity outcomes. As part of the Imagine 2050 plan development in 2024 the Met Council has developed, for the first time, an Anti-Displacement Framework, part of which will require certain investments to go through a displacement risk assessment. As part of this work the Met Council will conduct a geographic analysis of displacement risk and provide tools and best practices for use throughout the region to mitigate displacement.

In 2022, Ramsey County began a property tax levy dedicated to its Housing and Redevelopment Authority (HRA) where it focuses the majority of its investments on expanding and preserving deeply affordable housing. Furthermore, Ramsey County and the city of Saint Paul teamed up to invest over \$74 million of American Rescue Plan Act (ARPA) funding in deeply affordable housing. Their collective ARPA outcomes were documented in their participation in the federal House America initiative. The combined City of Saint Paul and Ramsey County results for the House America Initiative are as follows: Rehousing started with 1,444 units in 2020 and ended with 1,290 units in 2022. Housing supply units began at 12 units in 2020 and ended with 415 units at the end of 2022.

Hennepin County's Housing and Redevelopment Authority (HRA) created and funded one of the first housing trust funds in the state in 2000, which has since created or preserved over 10,000 units of housing affordable to households with incomes below 50% of the area median income. In recent years, the HRA has grown that fund to \$5 million annually, and added \$5 million for supportive housing capital, \$1.1 million for single room occupancy (SRO) housing, and \$1.2 million for homeownership opportunities, all from the HRA's annual levy. Hennepin County also invested \$46 million of its ARPA allocation to create or preserve almost 3,000 units of affordable housing, Hennepin County's housing strategy focuses on households with the lowest incomes to reduce racial disparities in homelessness and housing cost burden, and to increase access to greater economic opportunities. This includes targeting funding to most affordable housing units, as well as creating new financial and development models to fill gaps in the housing continuum.

One-time state dollars approved by the 2023 legislature are also beginning to roll out, with \$200 million in housing infrastructure, \$150 million for down payment assistance, and \$15 million in public housing renovations across the state. Taken together, these new funds are unprecedented in their scale and, in the case of the regional sales tax, serve to structurally embed an annual infusion of capital that is tied to inflation and will bring the region closer to meeting its affordable housing needs.

New Transit Infrastructure Investments: Additionally, the Metropolitan Council has made substantial new transit and infrastructure investments that make the region more accessible to all. Many of the specifics of these new investments have been influenced by communities who have not historically had a voice in infrastructure development. The Council is committed to ensuring that communities have influence over the location and nature of new public investments in their neighborhoods so that the investment builds prosperity for those who live and work in the vicinity. The 0.75% Metro Area Transportation Sales and Use Tax is another new tax approved in 2023, that will help support regional transit infrastructure, and is above and beyond the pre-existing regional sales tax.

Both Ramsey County and Hennepin County levy property tax for their regional rail authorities. These authorities, in partnership with the Metropolitan Council and local cities, help plan future regional transit lines and fund the operations of existing METRO system lines. Ramsey County further aligns development investments along transit corridors with the Critical Corridors programs, which provides pre-development, planning and development funding for projects located in an existing or emerging transportation corridor. To maximize the public benefits of transit investments, Hennepin County leads extensive, coordinated land use planning efforts in partnership with cities along planned light rail corridors to establish a community-supported vision, identify and coordinate public sector investments, and shape development aligned with each community’s vision. Hennepin County’s TOD program provides capital for infrastructure and development projects along future and existing corridors. To date, Hennepin County’s TOD Program has supported 156 projects with over \$40 million, generating 11,000 housing units and 3,300 jobs. Hennepin County has also expanded TOD funding to support emerging developers enter the development field. In its second year, early predevelopment assistance has been provided to 13 emerging developers, including 12 people of color and four women.

- ii. *Do you have acute demand for affordable housing? What are your remaining affordable housing needs and how do you know? (10 points)*
 - a. *You will be awarded eight (8) points if your application primarily serves a priority geography that has an affordable housing need greater than a threshold calculation for one of three measures.*

Demand for Affordable Housing

The Twin Cities Metropolitan Region has an acute demand for affordable housing. Both Hennepin and Ramsey Counties – our most populous counties and home to the state’s two most populous cities of Minneapolis and Saint Paul – are identified as priority geographies by HUD.

Overall, the region has not kept pace with its total housing demand, due in part to a contraction in new construction activity after the 2008 housing crisis, along with other factors. The need for affordable housing is particularly acute for households earning 30% Area Median Income and for suburban areas. Despite significant efforts by the Metropolitan Council, counties, and cities, we are still significantly behind:

- Between 2011-2020, the region met 37% of its forecasted need for affordable housing (60% AMI and below). 44,600 units were needed, but we built only 14,600 during that time.

- In 2021 and 2022, we had an annual production gap of 3,600 deeply affordable units across the region, with the need particularly significant in suburban areas. Approximately one in ten new units constructed that year was an affordable unit.
- We still have a large gap in deeply affordable units. To begin to close it, we will need to produce **1,000 deeply affordable units per year for the next nine years**. This will help meet the needs of future households. However, it will not solve cost burden for current residents; this is most assuredly an undercount, given the large number of households who are housing cost burdened in their current housing.

The Twin Cities region is home to 61% of the state’s renters earning below 30% AMI. Only 35,105 units are available to serve the needs of this population, leaving a shortage of 68,035 units that are needed, but do not exist. In Hennepin and Ramsey Counties alone, the shortage in 30% AMI units is 39,705 (26,570 and 13,180 respectively), and 38% of households – or 211,831 households - are housing cost burdened (26% and 12%, respectively). The Counties document these needs and strategies to address them in Ramsey County’s Economic Competitiveness and Inclusion Plan and Hennepin County’s Disparity Reduction Plan.

Of primary concern coming out of the pandemic and recession is the capacity for the needed new production. The Minneapolis-Saint Paul region has a strong ecosystem of affordable housing developers and owners, and continually attract new developers with our amenable funding environment. Over the last few years, however, owners have experienced the double-burden of their tenants being unable to pay rents, and the increase in operating costs due to inflation, rising interest rates, and workforce issues. When asked what they will need to help meet the region’s affordable housing production needs, they respond that that they are focusing on holding on to their current portfolios. Hennepin and Ramsey acutely feel the need to reduce any and all barriers to production (i.e. zoning, regulatory issues, funding mazes), while actively working to rebuild capacity in our developer ecosystem.

On the homeownership side, the effective costs of buying a home have risen with the latest interest rate trends, even as sales prices have held steady. Investor ownership of single-family homes – estimated at about 3.4% in the metro region by the Minneapolis Federal Reserve Bank – remains double the rate from 2006, before the foreclosure crisis. This reflects both acute demand for rental homes and continued barriers to ownership for those priced out of the market. Meanwhile, the number of 2-4 unit properties in the region has declined by about 10% since 1990, reflecting both teardowns/redevelopment and conversion to single-family.

Given this acute need, our proposal will continue a focus on the geographies of Hennepin and Ramsey Counties, which are the largest counties in our region, while also building on the first phase of our PRO Housing work by ensuring land use policy development and technical assistance resources are more broadly accessible across the entire 7-county region.

- iii. *What key barriers still exist and need to be addressed to produce and preserve more affordable housing? (10 points)*

Remaining Barriers

Like many other parts of the country, our region has a history of racial discrimination including segregation, redlining, and racial covenants. While these are no longer explicitly in place, their impacts continue today and explain many of the racial inequities in access to housing. Zoning itself was frequently used as a tool for racial segregation; our community is in the process of reckoning with the ramifications of restrictive zoning laws and using that knowledge to rezone in ways that desegregate and affirmatively further fair housing.

Within our region’s zoning laws, there are several key topics that create the largest barriers to producing and preserving more affordable and accessible units. Permitting procedures and approval times are described as being far too slow and, perhaps more importantly, significantly different between jurisdictions. This constrains developers’ ability to build in many of our cities because they must not learn only one set of rules, but rather, dozens of sets of rules. This particularly comes to play where communities lack options in affordability levels or housing types, but zoning, land use controls, or funding priorities either prohibit or disincentivize the needed development. It also arises where cities have adopted zoning and land use policies to create more density or transit orientation, but hyper-local concerns about development haven’t yet been ameliorated.

Preservation of affordable housing is a continued challenge. Our nonprofit affordable housing organizations, along with many private players, carry significant financial risk in the coming years as their current financing terms close and they seek new refinancing. Substantial hikes in interest and insurance rates compared to the rates they paid over the past decade and more will squeeze them. Additionally, many have experienced a significant reduction in revenue, with many residents still not consistently paying their monthly rent even after the end of the state’s eviction moratorium. Security expenses and staffing costs have also risen, all while the hiring environment has become much more challenging and expensive. Many providers are seriously contemplating – and even beginning to take action toward – selling properties within their portfolios. If they sell, we lose not only the affordable housing itself but, in many cases, the additional support and social services that accompany many nonprofit housing models. One long-time supportive housing property in Minneapolis was closed – and demolished - this year due to these challenges, and has received attention as a potential “canary in a coal mine” for the broader housing ecosystem.

The cost of new production, meanwhile, continues to rise. While attempts to innovate to reduce costs and provide more housing options are underway, they have yet to create a meaningful dent in the housing supply. For example, while ADUs have been legalized and requirements loosened in many cities across the region, only a couple of hundred have been built in the past decade. Similarly, a modular housing production facility recently partnered with a local public housing agency to build 84 units of modular, scattered-site housing for families; this model shows promise but has not yet to reach the meaningful scale that would yield market wide affordability benefits.

As noted in the “Demand for Affordable Housing” section, our region has a deep need for the production of units affordable at 30% AMI in particular. But despite this significant demand, the market is unable to provide these units without deeper government investment and intervention. As just one example, in 2023, Ramsey County received 27 applications for the development and

preservation of deeply affordable units with a total funding request of \$65 million. Existing local and federal resources were only enough to fund \$20 million of the request. This demonstrates the additional dollars that are needed for housing production at 30% AMI—in addition to removing land use and regulatory barriers to development. Developers have a desire to build these housing developments in the area however, they lack the government investment and regulatory pathways needed to bring these projects to fruition.

There is a need for housing that can serve a variety of types of households including individuals, families with children, and multigenerational households. Options along the affordable housing continuum give households choice and access to opportunities. This includes deeply affordable units (affordable at 30% AMI) ranging from efficiencies to 4-bedroom units in neighborhoods with access to transit, jobs, and schools; permanent supportive housing units and deeply affordable housing without support services; housing at 50% and 80% AMI so that families continue to live and thrive in our communities as incomes increase; and entry-level homeownership developments. Beyond our region’s need for more affordable housing, our region has an acute need for housing options that align with people’s preferences and needs, that provide safe environments, that foster community and agency, and that create pathways for families’ economic stability.

There are also many ongoing barriers that are systemic, but that manifest in very personal ways on the individual family level. Many of these housing barriers reflect decades of racial bias within governmental policies and financial services, and the extraction of land and homes from Indigenous peoples and Black households without fair compensation. Addressing these needs and disparities benefits all regional residents and builds broader community wealth. Numerous obstacles, often systematic, prevent people from finding and maintaining housing. The housing and service providers with whom Ramsey County and the City of Saint Paul spoke described a wide array of barriers they see for their clients.

Common barriers identified include:

- No income, low income, or unstable/inconsistent income.
- Housing available is not affordable or suitable.
- Insufficient funds for the rental deposit.
- Rental screening barriers such as lack of rental history, no or poor credit history, criminal history, and lack of documentation (ID/SSN/birth certificate).
- Household size or makeup (harder to find larger units or ones that work for multigenerational households).
- Mental and physical health needs.
- Disabilities and accessibility needs.
- Substance abuse issues.
- Racism.
- Lack of culturally specific support and culturally responsive options (especially for LGBTQ, BIPOC and immigrant communities, and youth).
- Lack of social or family support.
- Lack of knowledge about renting (rules and norms, communication with landlord).
- Insufficient “stepping-stones” of support along continuum.

For some individuals exiting homelessness, community residences and other forms of congregate housing may be a good option. Placing people who are not ready into fully independent apartments can be very isolating and destabilizing. For others, an independent scattered-site apartment may be best. Housing that provides a certain level of autonomy to tenants is sometimes critical for some residents while others need a more structured program.

We also heard during our engagement that getting into housing itself does not stop the cycle of homelessness. Once housed, there can be a challenging adjustment period and without proper support, residents may be pushed back into homelessness. The journey towards stability cannot end with housing placement. It must include attention to proximity and access to employment, schools, and inclusive communities.

In short, while our region has made substantial progress in recent years to remove barriers and expand housing choice for everyone, there are still many challenges that prevent all residents in our region from accessing safe, stable, and affordable housing that meets their needs.

This PRO Housing grant will focus on capacity and knowledge barriers cities and townships face in developing and implementing policy and zoning changes – and on making the most strategic use of the funding resources available for development. The grant activities focus on a flexible approach that encourages cities to identify their own barriers, learn from others' progress, and implement unique strategies that are intended to help achieve local goals as part of larger regional goals. Many cities struggle with the staff time and resources to develop policy that is tailored to the needs of their community but still results in equitable outcomes and development. Outside of the two largest cities of Minneapolis and St. Paul, most cities in the Twin Cities region have limited planning or housing staff, often just one or two people who have responsibilities beyond housing or land use alone. Through the comprehensive planning cycle, the Met Council is uniquely poised to provide guidance, best practices and focus on local and regional housing issues. Coordination of zoning, land use and housing policy increases the ability for development throughout the region, increasing housing choice. Regional requirements for cities to address certain housing issues that are not always a priority for their locality leads to more equitable outcomes for the regions' residents. For example, a focus on housing instability does not affect every city or township in the same way, but every local government can play a role in addressing this regional challenge. The grant allows the Met Council the capacity to develop creative solutions in partnership with cities who have not had the knowledge, political will, or staff capacity to address them locally.

Exhibit D Soundness of Approach.

- i. *What is your vision? (15 points)*

Our Vision

In recent years, the Minneapolis-Saint Paul region has been a national leader in expanding its land use policies to allow for increased density, reduced or eliminated parking requirements, and other crucial reforms that all lead to greater production, affordability, and choice. In 2023, the Minnesota Legislature approved historic levels of new state funding for housing, and also established a new regional sales tax that will direct hundreds of millions of housing dollars annually to cities and counties in our region in the coming years.

Our vision for PRO Housing is to go broader and deeper, making the most of the policy and funding momentum underway. This means going broader on our zoning reform - expanding changes across the entire region, creating greater parity in code across jurisdictions - and deeper in each corner of the region, continuing to allow more housing, more affordable housing and denser housing in more communities, as we plan for regional growth and development looking toward the year 2050. We received a partial award in the first round of PRO Housing. This FY 2024 request would allow us to build on what is working in our initial phase of work, to ensure our work reaches all corners of the region and that it can continue through the critical local comprehensive planning cycle to truly maximize the potential of attention to housing issues in our region throughout the current decade.

Specifically, our work to achieve this vision will benefit from three significant regional advantages:

1. **Unprecedented Local Revenue for Housing** in coming years, with new infusion of capital to meet affordable housing needs. This includes the proceeds of a new regional sales tax. Funds can be used for new affordable housing production and preservation, and for emergency rental assistance. However, the new dollars do not come with any additional funding to support implementation of the dollars – a challenge for smaller municipalities without designated housing staff – nor does it include funding for coordination of the investments across and between jurisdictions.
2. **New and ongoing attention to housing in regional and local planning** that is gaining momentum but has not yet succeeded in closing gaps.
 - a. Thrive MSP 2040, the regional development guide adopted in 2015, defined the need and goals for affordable housing development across each community in the region, and for the first time specified the need for extremely low-income units at 30% of AMI and below. Cities throughout the metro region used this housing policy plan to guide their own 2040 comprehensive plans.
 - b. Over the coming year, the region will adopt a new Imagine 2050 regional development guide, and then – per the decennial planning cycle established in state law – municipalities across the region will update and develop their own 2050 comprehensive plans. With improved coordination, there is a once-in-a-

decade opportunity to deepen housing strategies and make them more integral parts of each community's overall vision.

- c. Jurisdictions that receive HUD funding will continue to collaborate through the regional Fair Housing Implementation Council (FHIC) to affirmatively further fair housing and prepare for the next regional equity plan. The FHIC's work seeks to overcome impediments to fair housing and create greater racial equity in housing.
3. **Zoning and land use policies** that have smoothed the way for more affordable housing development and efforts to encourage development that builds community prosperity
- a. Cities across the region have taken increased interest in "Missing Middle" land use policies and many have recently adopted new, more permissive codes that allow for gently increasing density within residential neighborhoods, thereby making these neighborhoods more accessible to a wider range of residents. We now need to connect these new regulatory authorizations with expanded development capacity.
 - b. As suburban city leaders see the impacts of these first major zoning expansions undertaken by our two core cities, they are increasingly ready and willing to make changes to their own zoning codes and land use plans, thereby creating a moment of opportunity to scale these changes across a much broader geography.
 - c. New commitments to transit and infrastructure investments include improved community representation, providing greater opportunities for public investments that result in increased prosperity without displacement.
 - d. Increasing interest and support for walkability, and transit-oriented development among suburban residents as ways to create more livable and climate-resilient communities provides an opportunity to build support for revising land use policies, yet many suburban cities need additional capacity to develop and implement zoning changes.

Our vision is to ensure maximum impact from these regional opportunities by streamlining zoning reforms across geographic boundaries and encouraging all municipalities within the Met Council's jurisdiction broadly – including Hennepin and Ramsey Counties specifically – to continue advancing more expansive housing policies and programs that encourage more housing and more affordable housing. We know that without deep coordination and collaboration among local jurisdictions, these new funds and zoning authorities will not deliver the full impact that is possible. However, there is currently minimal funding dedicated to staffing the launch and distribution of these new capital investments or responding to regional inquiries.

Using PRO Housing funds, we will expand policy and planning staff capacity to help extend zoning changes more broadly across the entire metro region. This will create greater consistency, all while continuing to deepen the zoning reforms already underway. The significant new financial resources from the metro sales tax and the state offer a generational opportunity to build more housing. But if funding is managed at every municipal level, the sum will be less than the parts. We urgently need a coordinated approach across counties and the entire region to stand up the new funding program and ensure that building and land use requirements are streamlined and consistent. Many cities, particularly suburban ones, have relatively small staffs and do not

have dedicated housing personnel available to manage the influx of dollars. Establishing regional coordination to identify the best uses for these funds will maximize everyone's impact.

Further, the addition of these new state and regional dollars makes cities' zoning and land use policies ever more important. After watching Minneapolis and Saint Paul move first to update their codes, other cities across the region are increasingly willing to make this push as well. They often reach out to the Metropolitan Council and Hennepin and Ramsey Counties to request assistance in updating their own zoning codes, and we expect these inquiries to increase with the new funds available. But the staffing capacity again does not exist at the level required to make the most of this momentum. An initial PRO Housing award is starting to build important capacity; this request would allow us to fully staff the work ahead for the full number of years required to implement meaningful changes. Using PRO Housing Funds to increase staff capacity, we'll work together across government jurisdictions to extend the best zoning changes to all cities across Hennepin and Ramsey Counties, and beyond to, the entire metro region.

We intend to use a \$5 million PRO Housing grant for the following purposes:

- **Policy & Planning:** We will fund full-time positions and project-specific consultants at the Met Council and our key regional partner agencies
- **Direct Grants:** grants, combined with direct consultant time described above, to support technical assistance and ordinance review for communities throughout the region. If sufficient funding is available, we will have a goal of making this available on a pipeline basis rather than through competition.

Additionally, the PRO Housing activities will leverage a minimum of \$3 million in Local Housing Incentives account grants that Metropolitan Council makes available (\$1.5 million minimum per year, per state statute) to cities metro-wide to support affordable rental and ownership preservation and production.

Policy & Planning

Our Policy & Planning work builds on past successes as well as recent and current efforts led by Hennepin County, Ramsey County, and the Metropolitan Council, in close collaboration with cities. Some examples include:

- The 10-year regional development guide, Thrive 2040, for the first time specified the need for extremely low-income units at 30% of AMI and below. Cities throughout the metro region have used this housing policy plan to guide their own 2040 comprehensive plans; the Metropolitan Council's planning assistance team supports these overall comprehensive planning and regional coordination efforts.
- Over the coming year, the Met Council will adopt a final Imagine 2050 regional development guide, and the Met Council will then work with communities in the region to understand how housing needs can be addressed in their land use and policymaking; this effort, already underway, is a once-in-a-decade opportunity to deepen housing strategies and make them more integral parts of each community's overall vision.
- The Imagine 2050 policy plan, as currently drafted, builds on the success of Thrive 2040 with a continued emphasis on identifying needs for affordability at different bands, beginning with 30% AMI. It also focuses on the services and types of housing identified by residents through engagement including opportunities for ownership, housing stability

services, housing for people of all abilities and the growing housing needs of the elder population.

- The Met Council adopted an Anti-Displacement Framework in 2024 that includes strategies to partner with cities, counties and organizations in the region to generate data tools and best practices in mitigating the effects of displacement in areas of investment.
- Hennepin County has collaborated on station area planning, housing analyses, and zoning code changes along both the Green Line Extension and Blue Line Extension corridors of the light rail system, in collaboration with five cities in each corridor.
- Hennepin County led the interagency Penn Avenue Community Works effort in collaboration with Metropolitan Council and City of Minneapolis to advance a community-supported vision along Penn Avenue in north Minneapolis before, during, and after construction of the C-Line Bus Rapid Transit Project. Hennepin County’s capital investment in the Penn Corridor to support the interagency planning effort have exceeded \$40 million.
- In the midst of the pandemic, Hennepin County led a business district placemaking and “shop local, shop safe” campaign in collaboration with eleven cities that involved collaborative planning and implementation of both city-specific and overarching strategies.
- Hennepin County has a track record of deep collaboration with urban, suburban, and exurban communities, including providing funds and technical assistance to 22 cities in support of 44 city-initiated land use planning efforts at the community and corridor scale through Hennepin County’s Planning Grants program over the past 15 years.
- Hennepin County has implemented new programming with reliable annual funding to support emerging developers, with a focus on serving developers of color, to advance projects through predevelopment.
- Ramsey County has implemented efforts to reduce barriers to development, including a new technical assistance program to build the capacity of emerging and diverse developers to apply to the annual consolidated solicitations. This program that began in 2023, aims to increase the number of diverse competitive applications going into future Ramsey County solicitations.
- To provide pre-development funding towards environmental mitigations, Ramsey County is introducing a new site assessment grant program to pay for environmental pre-development costs.
- Investments in planning and infrastructure through the Critical Corridors program continue.

Direct Grants:

- The Met Council deploys more than \$25 million annually in Livable Communities Act grants, intended to incentivize cities throughout the region to meet their affordable housing needs. Within this program, the Council recently launched a grant opportunity to support local policies that support a range of community development and affordable housing goals. The most recent rounds of grants were awarded to local communities in Ramsey, Hennepin, and Anoka counties for zoning code updates and Accessory Dwelling Unit policy development, all intended to further affordable housing development and efficient land use. PRO Housing grants will be modeled in part on this increasingly in-demand program.

The Met Council and its partners have the infrastructure to ramp up and scale quickly; we simply need more staff capacity. As the state’s most populous county, Hennepin County alone is home to 45 cities, 1.26 million residents, 900,000 workers, and 40,000 businesses. The Met Council, meanwhile, includes seven counties, 181 cities and townships, and is responsible for guiding the growth and development of the region, including planning for housing policy and for three regional systems (including regional wastewater, metropolitan transportation, and regional parks and open spaces).

We and our partners have built deep partnerships, networks, and communication channels to connect with municipal governments, as well as community organizations, for profit and nonprofit developers, and other stakeholder groups. Our initial PRO Housing grant is just beginning to ramp up our staff capacity to provide technical assistance and coordinate our efforts regionally. With sufficient funding to implement a fuller vision for our work, we can rapidly build on our extensive relationships across the region to prevent a patchwork set of requirements and inefficiencies that could hamper development. Together, we'll create greater integration and cooperation to ensure the best and highest use of new dollars.

ii. *What is your geographic scope? (5)*

Geographic Scope

Our geographic scope is the entire 7-county metropolitan region. Our initial PRO Housing award has a particular emphasis on Hennepin and Ramsey Counties – two of HUD’s priority geographies – and we expect that that will continue with this grant, while also ensuring that we have funding and staff capacity to reach further out into other areas of the metro region.

As the regional planning agency for the 7-county metropolitan area (inclusive of 181 cities and townships in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington), the Metropolitan Council is responsible for guiding the growth and development of the region, including planning for housing policy and for three regional systems: the regional wastewater system, the metropolitan transportation system, and the regional parks and open space system. The planning process for the statutorily required 2050 metropolitan development guide is underway, with a scheduled Council adoption date by the beginning of 2025.

Both Hennepin and Ramsey Counties are and will continue to be key partners in our housing policy and implementation work.

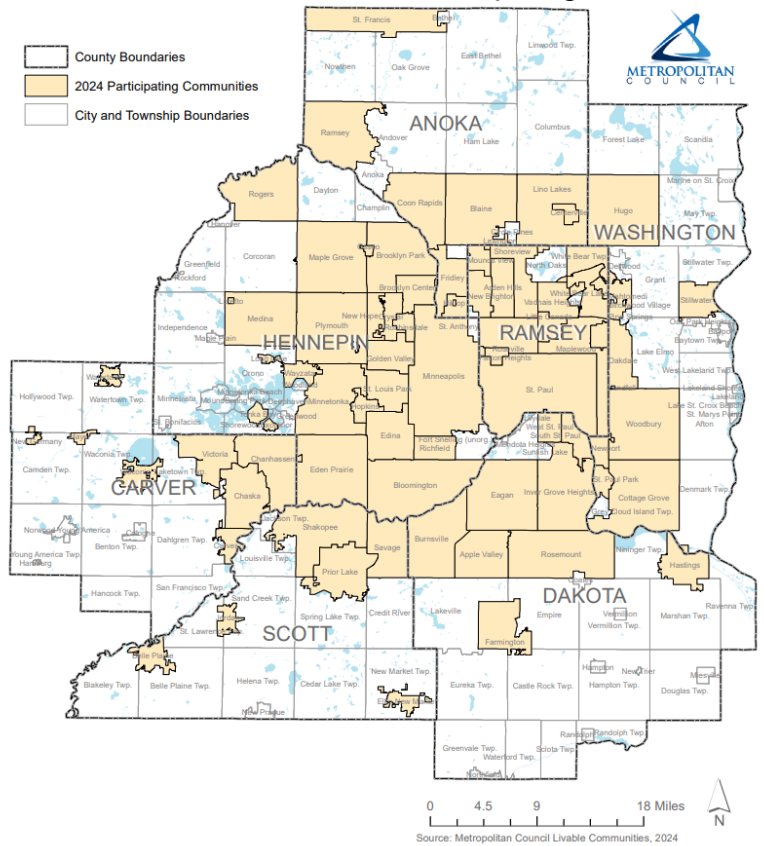
Hennepin County has 45 cities, 1.26 million residents, 900,000 workers, and 40,000 businesses. It has built partnerships, networks, and communication channels to connect with each audience, as well as community organizations, for profit and nonprofit developers, and other stakeholder groups. The depth and breadth of its reach would be hard for other agencies to replicate. Within Hennepin County is the City of Minneapolis, the largest city in the state.

Ramsey County, the second most populous county in the metropolitan area, is home to more than 551,000 people; employs 320,000; and includes 18 cities and one township. It is the most

densely populated and racially diverse county in Minnesota and has the highest percentage of residents living in poverty among all Twin Cities metro counties. Over 65,000 households in Ramsey County spend more than 30% of their income on housing, thus making very low income housing a top priority for the county. Within these households, most of which are renters, roughly 45% are extremely cost-burdened and spend more than half of their income on housing. Within the larger metropolitan region, Ramsey County offers some of the most affordable neighborhoods. However, much of this "naturally occurring affordable housing" (NOAH) is the result of aging, unsafe housing stock where occupants may face overcrowding, exorbitant energy costs, and exposure to health contaminants. Approximately six out of every ten affordable units are located within Saint Paul. Across Ramsey County, 61% of the NOAH rental units are in buildings that are at least 50 years old, and only 8% are in buildings that are less than ten years old. Preserving currently affordable housing while improving its condition is a key priority.

METROPOLITAN COUNCIL

Map of the 7-county Minneapolis-Saint Paul Metropolitan Region



iii. *Who are your key stakeholders? How are you engaging them? (5)*

Key Stakeholders

In addition to the strong network of local governmental agencies, regional coalitions, public housing authorities, nonprofit partners and private businesses, our key stakeholders are the thousands of residents of Hennepin County, Ramsey County, and the broader Minneapolis-Saint Paul region – our neighbors – who are struggling to find or afford housing that is safe, healthy,

and meets their family needs. We are particularly attuned to our region’s racial disparities and have a strategic priority to promote equity. For the Met Council, this means:

- Using our influence and investments to build a more equitable region
- Creating real choices in where we live, how we travel, and where we recreate for all residents, across race, ethnicity, economic means, and ability
- Investing in a mix of housing affordability along the region’s transit corridors, and
- Engaging a full cross-section of the community in decision-making.

Additional stakeholders include Hennepin and Ramsey Counties, our close partners and sub-recipients on this project, along with all cities in the 7-county region. We are constantly working in partnership with many government entities, affordable housing providers, and builders and developers, particularly emerging BIPOC developers. Finally, we have relied on a Technical Advisory Group (TAG) for highly technical aspects of regional planning.

To connect with individuals with lived experience of housing instability and the service providers who directly serve them, the Metropolitan Council has recently hosted a series of Community Exchange Meetings. Audiences for these sessions have included local Native tribes, people with disabilities, the Islamic Youth Council, adult English Language Learners, and residents of affordable housing developments and manufactured housing parks. Attendees are paid a stipend for attendance and in exchange for sharing their knowledge and experience.

This application is a direct response to the housing needs that we heard during these Community Exchange Meetings. The need to find safe and affordable housing; the desire to live in the community of a person’s choice, and the economic requirement to live in proximity to transit that will bring workers to their jobs all are central to our efforts to reform land use policies around the region so that we can build and preserve the housing typologies that we need.

We are working closely with Hennepin and Ramsey Counties to launch the initial phase of our PRO Housing work, and to inform this proposal. Once we completed a draft, we shared it for verbal public comment during a public hearing at the Metropolitan Council Community Development Committee and posted it prominently on our website for a 15-day written public comment period. A summary of verbal and written comments is included as an attachment to this application.

Met Council has experience with incorporating stakeholder and partnership engagement into its grantmaking efforts. For example, in our Policy Development grant program, applicants are required to list their project partners and process and to include an analysis of who will benefit most from the proposed policy and in what ways that will influence equitable development strategies and outcomes. Applicants who identify policy needs that reduce disparities, include community engagement and include community partnerships within their project teams are prioritized in our established funding criteria for that program. This approach will translate into our approach to PRO Housing sub-grants.

- iv. How does your proposal align with requirements to affirmatively further fair housing? (5)*

Affirmatively Furthering Fair Housing

As a recipient of a \$5 million Sustainable Communities Regional Planning Grant from HUD in 2010, the Council was required to complete a thorough assessment of residential segregation by race and income, including an explicit study of concentrated poverty and regional opportunity. Our report, [Choice, Place, and Opportunity: An Equity Assessment of the Twin Cities Region](#) described the region's racial inequities, our residential segregation patterns, and the resulting uneven access to opportunities. Further, it discussed the significant barriers to housing choice for residents of color beyond income. These findings influenced policy making, including the Council's Thrive MSP 2040 and the 2040 Housing Policy Plan

The Met Council has identified equity as one of five key regional outcomes from Thrive MSP 2040 and will use equity as a lens to evaluate its operations, planning, and investments, and explore its authority to use its resources and roles to mitigate the place-based dimension of disparities by race, ethnicity, income, and ability. To meet the expectations of the federal Sustainable Communities Regional Planning Grant, the Council developed [Choice, Place and Opportunity: An Equity Assessment of the Twin Cities Region](#). This assessment examined the historical and current geography of race, poverty, and opportunity in the region. The Council is asking itself and its partners whether and how public investments can effectively address a legacy of private disinvestment in select neighborhoods. This process also introduced a focus on Racially Concentrated Areas of Poverty, defined for our region as census tracts where at least half of the residents are people of color and at least 40% of the residents live below 185% of the federal poverty line. By 2010, nearly one in ten of our region's residents lived in Racially Concentrated Areas of Poverty. Because Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty can both limit the economic mobility of their residents and discourage private investment, our region cannot afford to allow these areas to either persist or grow.

The Council committed to the following actions, which are currently underway:

- Work to mitigate Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty by better connecting their residents to opportunity and catalyzing neighborhood revitalization.
- Work with communities to create more income-diverse neighborhoods, including strategically targeted subsidies to develop market-rate housing in areas that lack market-rate options.
- Use Livable Communities Act resources to catalyze private investment in Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty.
- Actively partner in neighborhood revitalization efforts such as Penn Avenue Community Works in North Minneapolis.
- Conduct a regional inventory of industrial land that considers the location of industrial land relative to the potential workforce eager to access nearby higher wage job opportunities.
- Work with our partners and stakeholders to identify indicators used to measure how projects, supported with Council resources, advance equity, including helping residents of Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty, lower-income households, or people with disabilities.

For our region to thrive, all parts of our region must prosper. By using public resources to catalyze investment in areas that have seen chronic private disinvestment—specifically including Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty—the Council will seek to help the region grow and prosper more equitably.

Because the challenges of racial and economic equity require aligning efforts across multiple entities, the Council will convene partners, including cities, counties, school districts, nonprofits, and philanthropy, to develop shared plans and investment strategies to address the issues of Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty. The Council will play a leadership role in this strategy, bringing data to the table and co-convening discussions with partner institutions to address both effects and underlying causes. Based on these conversations, the Council may explore funding set-asides or special investment resources to help create opportunities in Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty. Additionally, we will tap into the broad network of developers—including BIPOC developers—to provide consulting services to cities, leveraging both their deep knowledge of development barriers and their experience with zoning policies across different jurisdictions.

Examples of landlord mitigation programs used across the region include HousingLink’s Beyond Backgrounds Program where the nonprofit provides financial incentives for landlords to lease to residents who are stable but have barriers like criminal records. Any buildings that include PRO Housing funding will also be required to accept Housing Choice Vouchers (Section 8) in all units in the building, already a requirement in HUD-funded buildings. Developers will be encouraged to explore other housing voucher and rent subsidy programs including FUP, VASH, Project-based Section 8, Rapid Re-Housing, Section 811, and Housing Support. The connection to service providers and their clients is key to reducing bottlenecks along the housing continuum.

Ramsey County also chairs the regional Fair Housing Implementation Council (FHIC) for local jurisdictions, including Hennepin County, that receive HUD funding; Met Council also participates in this group. The goal of the FHIC is to eliminate impediments to fair housing and create greater racial equity in housing across the region. In 2022, the region pooled CDBG funds through a fiscal partner to fund activities that further fair housing including the translation and digitalization of homebuyer education classes, the funding of a regional eviction prevention program and a series of fair housing trainings for landlords and tenants. Future work will focus on the creation of a new equity plan that not only responds to HUD requirements, but continues to support local initiatives to eliminate barriers.

Ramsey County measures the success of these investments by tracing the progress on its Economic Competitiveness & Inclusion Plan, which includes eight strategies:

- Preserve and increase the supply of rental housing units for lowest-income residents
- Expand affordable homeownership opportunities and improve housing stability for communities that have experienced historic wealth extraction
- Foster inclusive economic development within county transit and key commercial corridors
- Support communities in equitable site development
- Sustain and accelerate workforce recovery programs

- Develop pathways to entrepreneurship and Black, Latinx, Asian, and Indigenous business ownership
- Attract and grow high-wage industry and innovation: technology, advanced manufacturing, and life sciences
- Strengthen business retention and expansion infrastructure to support communities

Hennepin County invests over \$146 million every year toward the affordable housing continuum, including the homeless response system as a safety net, focusing the vast majority of funds on housing and interventions for households with incomes below 30% of the area median income. This focus follows Hennepin County’s disparity reduction goals, as Black, Indigenous, and other people of color disproportionately have lower incomes and experience homelessness in Hennepin County. Hennepin’s successes in financing and creating new housing meets Affirmatively Furthering Fair Housing goals, but the PRO Housing funds will support the additional planning and capacity building to ensure the housing system offers a full range of choices and access to opportunity.

Applicants of Metropolitan Council’s Livable Communities grants are required to have a fair housing policy in place before accessing funding. This is a requirement that was established in Thrive 2040, and is continued in the Imagine 2050 plan.

We will also use the Metropolitan Council’s new dataset, “Equity Considerations for Place-Based Advocacy and Decisions in the Twin Cities Region,” to track our progress and evaluate our effectiveness. This dataset provides equity-relevant characteristics for each of the 704 census tracts in the Twin Cities region. Formerly known as the Areas of Concentrated Poverty dataset, it has been expanded to provide a much more nuanced portrait of neighborhoods and their residents.

v. *What are your budget and timeline proposals? (5)*

Budget

Activity Category	Activity	Budget
Planning & Policy Activities	Staff Capacity – Met Council <ul style="list-style-type: none"> • 1.0 FTE new TA provider to consult with cities on demand – new position with particular focus on counties outside of Hennepin – temporary, 3-year new role 2026-2028 • 1.0 FTE continued Program/TA coordinator to ensure coordination across jurisdictions and with other resources in the region –funded via previous grant for 3 years 2025-2027, will continue for 3 additional 	\$955,000

	years 2028-2030 <ul style="list-style-type: none"> 0.5 expanded Senior Grant Administrator capacity to coordinate awards with subrecipients –funded via previous grant for 3 years, will continue for 3 additional years 	
Planning & Policy Activities	Consultants – Contracted staff capacity to provide technical assistance, facilitate peer learning, and provide subject matter expertise or professional services.	\$245,000
Planning & Policy Activities	Subgrants – Key regional partners. To fund staff capacity and consultants to implement policy and planning activities	\$2.0 million
Planning & Policy Activities	Subgrants – PRO Housing local implementation grants. For individual cities in the region and/or their programmatic partners in building infrastructure for/designing policy to invest in affordable housing development and preservation	\$1.8 million
Leveraged Development Activities	At least \$3 million in Local Housing Incentives Account (LHIA) grants deployed for affordable housing production and preservation projects metro-wide; 2-5 projects funded annually	N/A
TOTAL REQUEST		\$5.0 million

If our proposal is selected but funded at a level lower than the requested \$5 million, we would proportionally reduce our activities and seek to do each activity at a smaller scale or on a shorter timeline. This would mean scaling back our staffing, subgranting, and consulting budgets, which ultimately means a less expansive reach on zoning reforms across the region. While this would still be a worthwhile project and allow us to take meaningful advantage of the new state and regional tax dollars and recent nation-leading zoning reforms, we would miss out on the opportunity to do so at the scale that is needed. We expect to require a minimum of \$4 million to meaningfully implement our proposal.

Timeline:

Pre-Award/”Phase 1.0”:

In 2025, Met Council will launch initial PRO Housing “1.0” efforts with Hennepin and Ramsey Counties as key partners; planned activities include:

- Met Council hires 1.0 FTE Program/Technical Assistance Coordinator in 2025 to coordinate the overall activities and technical assistance regionally
- Met Council staff engage with communities throughout metro area to co-design new technical assistance and grant offerings to advance housing policies and program design (e.g. for new programs funded by metro sales tax revenue)
- Met Council staff refine key metrics and detailed evaluation plan
- Met Council staff engage with interagency groups to coordinate regional efforts
- Met Council staff begin to deploy PRO Housing local grants (approx. \$50,000 each) to local government partners for planning and policy development to change long-term market conditions for affordable housing
- Hennepin County engages consultants focusing on shared learning and to kick off review of city-specific partner city policies and develop policy, zoning, toolkit, and “pattern book”
- Ramsey County launches RFP to support 30% AMI supportive housing development

(If this proposal is successful, portions of the budget for “PRO Housing 2.0” will be implemented ASAP, estimated in 2026, to expand the scope of our “phase 1.0” activities. The balance of the 2.0 budget outlined here will support continuation initial activities and related evaluation efforts over a longer time frame, from 2028-2030; these “phase 1.0” activities would otherwise have to conclude in 2027 or 2028 based on budget constraints).

Award Timeline for PRO Housing 2.0 Efforts

2026: Launch of PRO Housing “Phase 2.0,” expanded/deepened with new proposed grant funds

- Met Council, Hennepin County, Ramsey County, and other partners throughout the seven-county region conduct rapid assessment of most promising approaches underway in PRO Housing 1.0 and strategies for greatest opportunity to expand programming, to inform action plan
- Met Council develops new sub-grantee agreements with key regional partners to expand on PRO Housing 1.0 efforts, based on initial/continuous evaluation of opportunities to dig deeper or expand more broadly to other communities. Subgrant activities will include policy and planning efforts such as:
 - o Development of model ordinances, design standards, policies
 - o Peer learning and best practices identification
 - o Sub-regional coordination among local housing planning efforts and the implementation of funding programs
- Met Council and key partners prepare to launch expanded strategy and new RFP for PRO Housing local subgrants
- Met Council plans and prepares resources to provide expanded technical assistance focused on upcoming cycle local comprehensive plan updates
- Met Council hires new 1.0 FTE Technical Assistance coordinator (temporary position) to provide direct technical assistance to communities updating their comprehensive plans in 2026-2028.

2027:

- Sub-grantee policy & planning activities launched in 2026 continue.

- Met Council makes first round of awards with expanded budget and strategy for PRO Housing local subgrants, awarding subgrants averaging \$50,000 or less to individual cities in the region and/or their programmatic partners in building infrastructure for and designing policy to invest in affordable housing development, preservation, wealth-building, and stability projects
- Key regional partners implement planning and policy activities led by staff and consultants
- Administration and evaluation efforts related to local grants ramps up
- Met Council provides \$3M in Local Housing Incentive Account grants (minimum \$1.5M/year, in 2027 and 2028) to leverage the PRO Housing activities by supporting production and preservation of affordable rental and ownership housing throughout the metro area.

2028:

- Subgrantee policy & planning activities launched in 2026 continue.
- Administration and evaluation of local grants continues.
- Met Council extends term of program coordinator (hired for 1.0 phase) for the years 2028-2030
- Met Council 1.0 FTE technical assistance provider completes 3rd, final year of support for housing elements in comprehensive plan updates.

2029:

- Met Council follows up with communities who have not yet completed their housing elements in comprehensive plan updates
- Final year of PRO Housing local grants offered, depending on remaining funding balance

2030:

- Met Council program coordinator completes program evaluation and grant administration follow-up tasks
- Documentation of lessons learned, prepared to inform next phase of work in 2031-2040 planning decade and the 2060 regional development guide – at Met Council and at key regional partners.
- Final reporting to HUD and for public dissemination

Exhibit E Capacity.

- i. *What capacity do you and your Partner(s) have? What is your staffing plan? (10)*

Capacity

The Metropolitan Council's Community Development Department will oversee implementation of the entire scope of this grant. As the regional planning body for the 7-county metropolitan area that includes 181 cities and townships, the Metropolitan Council is responsible for guiding the growth and development of the region, including planning for housing policy and for three regional systems: the regional wastewater system, the metropolitan transportation system, and the regional parks and open space system. The Met Council has a total annual operating budget of \$1.42 billion and deep experience managing and implementing federal grants with the expert project management, quality assurance, financial and procurement, and internal control capacity required to quickly launch and implement a major project of this scope. The Council leads regional planning, including the 2050 Plan that will be finalized over the coming year and informs each city's 2050 planning. Working with and coordinating among many partners is core to the Council's daily work and a core area of expertise. We do this all day, every day.

The Met Council also has an abundance of experienced local government partners engaged in housing development finance and affordable housing policy, including Hennepin and Ramsey Counties, who provide guidance to the cities located within their jurisdictions, including policy and planning support. These large counties have existing staff and internal systems in place to deploy federal funds including ARPA, CDBG and HOME, as well as local Housing and Redevelopment Authority levy funds, state-funded Local Affordable Housing Assistance, and PRO Housing dollars. Both are sub-grantees of our first PRO Housing award. Five more counties in our seven-county region also operate HRAs and CDAs. Two counties in our region – Dakota and Washington - serve as sub-allocators for the federal LIHTC program, as do two of the largest cities – Minneapolis and Saint Paul.

These and many more regional partnerships, together with the zoning reforms already underway, have set the stage. Now, our region is poised to benefit from the historic funding invested in housing infrastructure last year through our state legislature. Cities in our region have been leading the nation with landmark zoning reform and many aspire to continue pushing farther. But the new funding comes with no explicit direction and no funding to coordinate or plan for the launch of the distribution of these capital investments. While the Metropolitan Council, Hennepin County, and Ramsey County all regularly receive and respond to inquiries we receive from city leaders across the region who are seeking help updating their own zoning codes and housing policies, we see an opportunity to do this in a more strategic, better supported way to create a cohesive policy approach across the region.

For this reason, we choose to dedicate a majority of our funding toward the planning and policy staffing capacity that will be needed to ensure the new dollars are invested speedily, thoughtfully, and in coordination. This capacity investment includes:

- Planning and policy development to ensure hundreds of millions of new public dollars are invested speedily, thoughtfully, and in coordination

- Funding to provide technical assistance and build capacity to include meaningful housing policies into communities' comprehensive plans
- Funding to expand and deepen policies that break down regulatory and land use policy barriers to housing at all scales, especially affordable housing development
- Funding to support community wealth building and prosperity in areas where public investments and development pressures are highest
- Funding to build the capacity of emerging, community-driven developers

Our capacity to advance this work does rely on an interdependent relationship between Met Council, the two largest counties in the region, and the other five counties and the hundreds of local jurisdictions within our region. Our size, constituencies, influence in land use and planning, and our collective taxing authorities make this partnership unparalleled by any other prospective regional partnership. We will achieve significantly more by working and coordinating together than any one of us could alone. Our government entities have a long and collaborative history of working with each other and others in service to our shared missions. We have every reason to believe that each of the partners will remain committed to the partnership and to delivering on each of our individual promises to the partnership. We always have.

The grant application was written by Met Council staff, and is intended as the next phase of work in a plan that began with a 2023 PRO Housing application written with a contracted independent consultant, Colleen Ebinger, informed by close collaboration with project staff at the Met Council, Hennepin County, Ramsey County, the City of Minneapolis and the City of Saint Paul to organize the application concept.

The Met Council and both counties have deep experience working with civil rights and fair housing issues, including working with data to analyze racial and economic disparities. The aforementioned “Equity Considerations for Place-Based Advocacy and Decisions in the Twin Cities Region,” is just one example. This new dataset provides equity-relevant characteristics for each of the 704 census tracts in the Twin Cities region. Formerly known as the Areas of Concentrated Poverty dataset, it has been expanded to provide a much more nuanced portrait of neighborhoods and their residents. Data can be analyzed by: demographic and socioeconomic characteristics (including multiple income levels); racial/ethnic/cultural groups; historical data on discriminatory practices; facets of housing markets; land use, environment/climate, amenities, and employment/commuting patterns. The intention is to call attention to broader patterns of economic segregation and their root causes, and to show that census tracts are much more multifaceted than a narrow focus on poverty rates would imply. The tool can be found at: <https://gisdata.mn.gov/dataset/us-mn-state-metc-society-equity-considerations>

At the Metropolitan Council, the two new program staff positions proposed for funding: TA Coordinator and Program/TA Coordinator, will manage the majority of the proposed activities on a day-to-day basis and would report to Senior Manager for Livable Communities and Housing, Sarah Berke. Berke will serve as the overall lead on project direction and coordination of grant program activities across the Metropolitan Council and its subrecipient partner agencies. Berke reports to Executive Director, Community Development, LisaBeth Barajas. Barajas will provide high-level policy direction to the project. Within the Community Development division, Angela Torres, the Senior Manager for Local Planning Assistance, will be a close collaborator

for outreach to ensure the activities are available to communities throughout the region. Director of Finance and Administration, Heather Giesel, leads a team of twelve (12) grant management and financial management professionals who have experience administering federal grant awards as well as supporting the administration of grants that the Council awards for housing, community development, regional parks, and transportation investments. Giesel and her team, including a new senior grant administrator budgeted at 0.5 FTE, will oversee the administration, coordination with subrecipients, and reporting responsibilities of the grant.

Metropolitan Council Organizational Chart

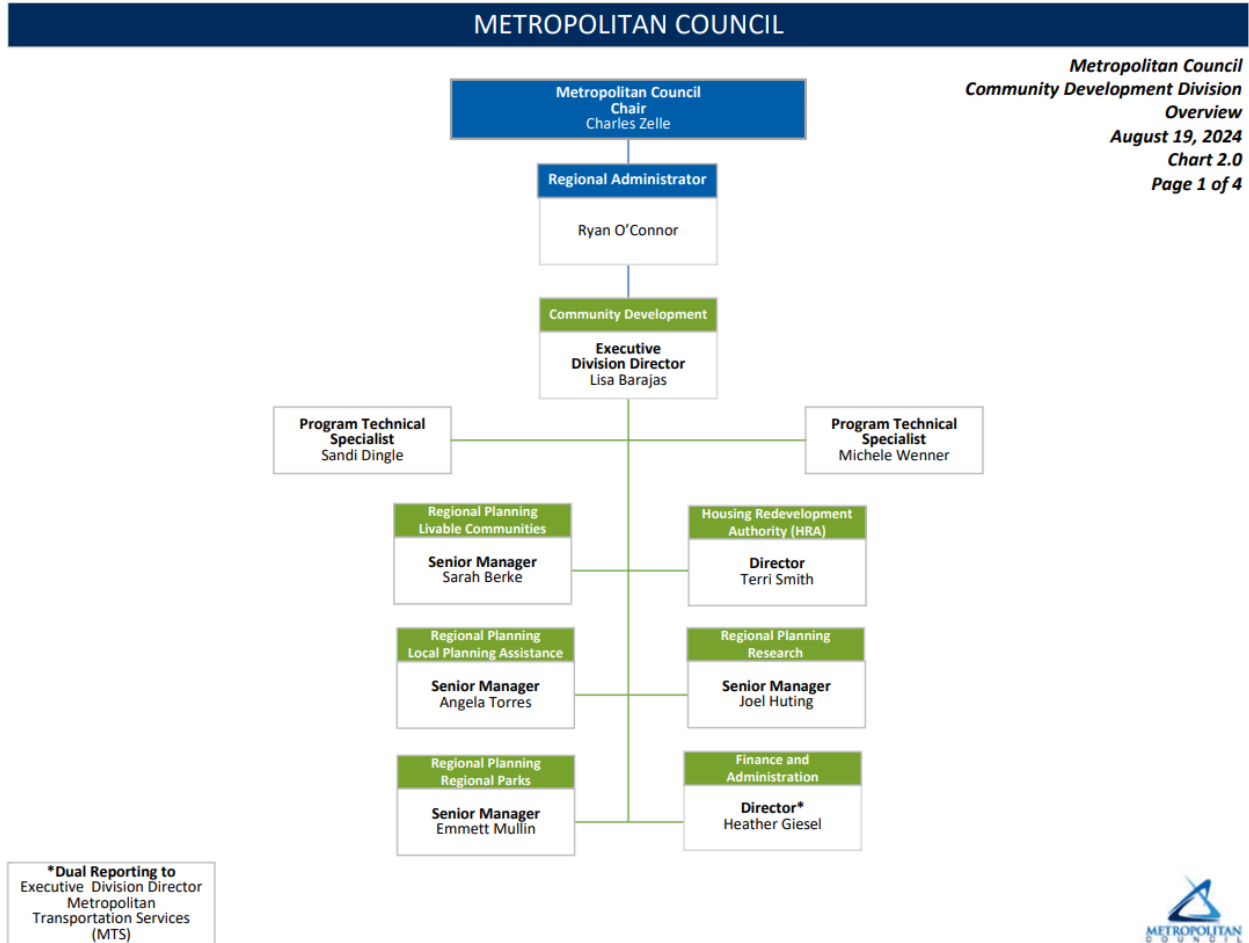


Exhibit F Leverage.

- i. Are you leveraging other funding or non-financial contributions? (10)*

Leverage

The Metropolitan Council is committing \$3 million in Local Housing Incentives Account (LHIA) grants as a 60% leverage commitment for \$5 million in federal PRO Housing funds, in the amount of \$1.5 million per year in 2027-2028. These funds are allocated from the Council’s regional tax levy. Per Minnesota state statute (2023 473.254, subd. 5), “the council shall annually credit \$1,000,000 of the revenues generated by the levy to the local housing incentives account;” and “the council shall annually transfer \$500,000 from the livable communities demonstration account to the local housing incentives account.” The funds further “must be distributed annually by the council to municipalities that: (1) have not met their affordable and life-cycle housing goals as determined by the council; and (2) are actively funding projects designed to help meet the goals.”

The PRO Housing grant activities, designed to empower communities that are actively taking steps to remove barriers to affordable housing and seeking to increase housing production and lower housing costs for families over the long term, are well-aligned with the goals of the LHIA program. A letter of commitment is included below.

As described earlier in this application, counties and cities throughout the region also anticipate using new metro sales tax revenue, dedicated to affordable housing, to further many complementary activities. While not direct “leverage” for the purposes of this application, this represents hundreds of millions of dollars of affordable housing investments over the term of the grant that will potentially be aided by the activities in this application.

Exhibit G Long-term Effect.

- i. *What permanent, long-term effects will your proposal have? What outcomes do you expect (10)*

Long-term Effect

Succeeding in this work will mean that our region is equipped to grow into the future in a manner that ensures greater equity and that we invest in housing stock that will meet the needs of current and future residents while reducing racial disparities and other barriers to fair housing choices.

By the end of the grant period, we will have achieved:

- A high-capacity system for investing public resources in affordable housing activities across the region that encourages accelerated adoption of policy and planning best practices and improves housing choice from city to city and across counties.
- The adoption of meaningful housing plan elements in communities' 2050 comprehensive plans throughout the region, ensuring that local leaders at all levels of government are equipped to plan for and implement effective housing policies.
- The adoption of well-coordinated land use policies in communities' 2050 plans throughout the region that provide more housing choice, affordability, and flexibility for generational changes across more areas of the region – especially for “missing middle,” mixed-use, multifamily, and denser single-family development in areas that are accessible to transit and activity centers.
- Construction of housing at all price points, and especially housing that is affordable below 50% and 30% AMI, is on track to meet the identified need of households in a growing and changing region, closing the housing supply gap.
- An affordable housing finance system that is both better-resourced and better coordinated across the region, especially one that works better for single-family and missing middle housing development, and for new homeowners and emerging real estate developers who seek new opportunities to build wealth.
- Effective use of new public funding authorized by the 2023 legislature for the metro region's housing needs.

Overall, we seek to become a model region in terms of our ability to address longstanding barriers to housing production and preservation, while coordinating across jurisdictions, reducing disparities across protected classes and vulnerable populations, implementing plans that are designed with meaningful community engagement, and making the best use possible of a new infusion of public investment in housing affordability.

Below is a summary of the success measures we seek and the specific desired outcomes for each of the grant's proposed activities.

Consultant and staff time for facilitation and coordination will advance shared learning across agencies and cities in the region, led and coordinated by the Metropolitan Council and its key regional partners. Success measures will include:

- Cities and counties throughout the region invest revenue from the new 0.25% housing sales tax revenue in a coordinated way and learn from each jurisdiction’s best practices.

Technical assistance from both consultants and expanded staffing positions, as well as *subgrants* to cities, will support the development of land use policy development, ordinance development, plan books, predevelopment and demonstration projects. This will be led and coordinated by the Metropolitan Council and key regional partners. It will include strong coordination with the largest counties and the largest cities in the region, Minneapolis and Saint Paul, who have focused on both encouraging more multifamily development as well as more 2, 3, and 4-unit new development with their recently adopted zoning changes to implement their 2040 plans. It will also build on the work of those suburban communities who are already adopting innovative and effective land use and housing policies, especially in transit-oriented areas. Success measures will include:

- Cities throughout the region adopt housing plan elements in their comprehensive plans that meet regional policy objectives
- Cities have the capacity and resources to support housing development implementation for new policies they adopt.

Consultant time and a *staff position* at Met Council, as well as *subgrants to key regional partners* to fund additional consulting and staff-driven efforts, will be focused on technical assistance and funding system navigation. These activities will advance effective use and layering of housing development finance and funding sources to implement housing projects ranging from single-family to multifamily. Grants and technical assistance will also support efforts to close racial and ethnic homeownership disparities, and to ensure all community members benefit from increased prosperity when communities invest in housing as well as public transit, services, workforce development, infrastructure, and other community assets. Success measures will include:

- Cities throughout the region will have financial tools in place that support affordable housing development and make progress toward their Allocation of Affordable Housing Need (defined through regional housing policy planning in the 2040 and 2050 cycles).
- Cities throughout the region will implement effective systems for coordination on funding for homeownership, missing middle scale development, and other kinds of housing development projects that currently face very different funding landscapes across city and county lines.

Throughout the Metropolitan Council and its county and municipal collaborators, housing policy and production goals will be defined and measured not just in terms of volume, but also in terms of how *development builds prosperity for all impacted communities*, how the harms of development can be mitigated with a priority for those who have not benefited from past investments, and how housing and land use policies can be used to increase meaningful choices of communities and housing types for people throughout the metro region. Success measures will include:

- Development of and commitment to anti-displacement policies/tools by Metropolitan Council
- Implementation of community prosperity framework at Hennepin County
- Implementation of Economic Competitiveness and Inclusion policies at Ramsey County

- Decisions about public infrastructure investments are coordinated with meaningful community engagement and mitigation strategies for displacement, including a specific housing strategy

Long-term effect

All of these activities will directly affect how communities in our region are equipped to plan for a variety of scenarios into the future—through the 2050 long-term planning cycle that is currently underway—and will build the tools necessary to get closer to permanently closing the gaps in our housing stock and the racial disparities in housing in our region. Because of this long-term perspective, the bulk of the proposed activities that would be supported by this grant are related to building the capacity for communities in our region to adopt plans and policies that will pay dividends in future years and decades by helping to build and preserve affordable housing. Through grants to coordinate land use policy with broader regional long-term visions and goals, we are creating market conditions that can sustain production needed long term. Through grants to support the development of local programs and policy, we’re building infrastructure that will support addressing housing challenges across market cycles and prepare the way for further private and public investment.

Coordinating sub-grants and long-term effect:

In all of our policy and planning support, we will prioritize alignment with the three key opportunities in our region that we have identified as the focus of our PRO Housing award. These key opportunities will form the basis for our sub-grantee selection criteria and for evaluating the impact of these sub-grants over time.

1. Unprecedented Local Revenue for Housing: We will prioritize sub-grants to create long-term strategies for counties and cities who are receiving the new infusions of sales tax funds through the Local Affordable Housing Aid program, and who plan to build out new programs or implement new policies that will guide the strategic investment of these funds in future years.
2. New and ongoing attention to housing in regional and local planning: We will prioritize funding for communities to learn from emerging best practices for housing as part of regional and local comprehensive plans. Our county-level partners will provide important sub-regional coordination of both policy and development funding efforts, and we will prioritize sub-grant resources toward the most promising models for peer exchange, toolkit development, model ordinances, funding collaboration, and similar activities.
3. Zoning and land use policies that have smoothed the way for more affordable housing development and efforts to encourage development that builds community prosperity: We will prioritize sub-grants and evaluate the performance of sub-grantees in terms of the need for additional capacity to draft strong housing policies, as part of local comprehensive plan updates, and to implement policies and program infrastructure to address communities’ highest-priority identified housing needs that emerge from the planning process.

Model for others

Our proposal builds on work in our region that is already a model for other communities. For example, the Minneapolis 2040 plan received national attention and accolades for its elimination of 1-unit-per-lot zoning restrictions citywide. The City of Saint Paul has also been implementing meaningful zoning and land use reforms, especially with a focus on 1-4 unit zoning changes, as it implements its 2040 plan. The metropolitan region is well-known for collaboration across our seven counties and hundreds of municipalities.

Roadblocks

However, to continue serving as a model for others to emulate, our region must overcome significant roadblocks.

- One roadblock we face is in direct response to that very model policy achievement, with a legal challenge to the City of Minneapolis’s 2040 plan that has been partially resolved, but has created confusion about how cities can meet their comprehensive planning requirements. It potentially will have the effect of constraining cities’ willingness and ability to make bold plans more generally throughout the region. This proposal recognizes that, despite this real litigation challenge, the region is nonetheless committed to thoughtful planning for housing, land use, and other priority areas that the Metropolitan Council coordinates regionally, including wastewater infrastructure and transportation.
- Like other regions nationwide, we face economic conditions that make building new housing challenging, with high costs and a high-interest rate environment.
- Additionally, while our quality of life and housing choices are “on average” among the best in the nation among peer regions, our region also regularly rates among the worst in the nation in terms of its racial disparities in homeownership and wealth. Repairing past harms of discrimination and changing deeply entrenched patterns of who benefits from housing development and ownership is critical to being able to truly create a more resilient and fairer housing system.

Environmental risks and resilience strategies

Because the Metropolitan Council has land use planning authority, as well as regional wastewater and transportation system planning authority, we are well-positioned to work with a comprehensive view of the interaction among these systems. The most significant environmental risks in our region are related to climate change, and an important measure of success for the metro region’s overall development will be how well we manage the preservation of natural systems, reduce greenhouse gas emissions, prioritize projects with an environmental justice lens, and encourage compact and efficient development while preserving and improving the quality of life for residents of the region. In the 2050 regional plan that is currently out for public comment, important issues that serve as a lens for developing all future policies, including for housing, include (a) mitigating climate change, (b) protecting natural systems, and (c) ensuring an equitable and inclusive region. This comprehensive regional framework will help to inform communities’ housing policies and implementation regionwide.

At the more tactical level, sample development plans, consultation on policy development, and other technical assistance provided as part of the proposed activities in this grant will help equip communities to develop climate-resilient and energy efficient housing and to improve the efficiency and resilience of the existing built environment.

Removing barriers for affordable housing production that have perpetuated segregation

Exclusionary zoning practices long served as a practical/de facto barrier to housing access for protected-class groups in our region. The Metropolitan Council and our partners all recognize that our roles in regional planning and the affordable housing finance system position us to break down some of these barriers both in terms of land use policies and in terms of opening up opportunities for housing development across neighborhood and city boundaries. The proposed activities will help us be more proactively and coordinated as we strive to build on the work we are already doing to address impediments to fair housing (as described in our regional Fair Housing Implementation Council’s collaborative Analysis of Impediments in 2021) and to equip communities to plan for and implement housing policies that better consider the needs of protected class and vulnerable groups. Notably, given the goals of PRO Housing overall and our proposal specifically, the first recommendation of the first goal in this Analysis of Impediments, is to “(c)hange existing land use and zoning laws, where possible, to allow for more types of affordable housing, such as Accessory Dwelling Units (ADUs), Single Room Occupancy (SRO) multi-family projects, or other low-cost models such as tiny homes.”

We are confident that we will succeed in our vision to go broader and deeper on land use and zoning changes, making the most of the policy and funding momentum already underway in our region. PRO Housing funds will catalyze this “bigger and better” approach and will result in more housing, more affordable housing and denser housing in more of our communities.

Grant Application Detailed Budget Worksheet	OMB Approval No. 2501-0017 Expiration: 1/31/2026
--	---

Detailed Description of Budget				
			Estimated Cost	Percent of Total
1	Personnel (Direct Labor)		735,000.00	14.7%
2	Fringe Benefits		220,000.00	4.4%
3	Travel		0.00	0.0%
4	Equipment		0.00	0.0%
5	Supplies and Materials		0.00	0.0%
6	Consultants		245,000.00	4.9%
7	Contracts and Sub-Grantees		3,800,000.00	76.0%
8	Construction		0.00	0.0%
9	Other Direct Costs		0.00	0.0%
10	Indirect Costs		0.00	0.0%
	Total:		5,000,000.00	100.0%



390 Robert Street North
St Paul, MN 55101-1805

651-602-1000

TTY 651-291-0904

public.info@metc.state.mn.us

metro council.org

Follow us on:

twitter.com/MetCouncilNews

facebook.com/MetropolitanCouncil