Thrive MSP 2040

HOUSING POLICY PLAN

2040

Creating options for safe, affordable homes

Thrive MSP 2040

ONE VISION, ONE METROPOLITAN REGION

2040

HOUSING POLICY PLAN

The 2040 Housing Policy Plan presents multiple strategies that advance the Metropolitan Council's overall housing policy priority: Create housing options that give people in all stages of life and of all economic means viable choices for safe, stable and affordable homes. The plan carries forward the vision of Thrive MSP 2040 for growth and development of the Twin Cities region toward economic success and vibrancy in the decades to come.

Adopted December 10, 2014
Amended July 22, 2015

A THRIVING REGION

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Executive Summary

This Housing Policy Plan describes multiple strategies that advance the Metropolitan Council's overall housing policy priority:

Create housing options that give people in all life stages and of all economic means viable choices for safe, stable and affordable homes.

A range of housing options across the region benefits individuals, families, and local governments. Viable housing choices allow households to find housing affordable to them in the communities where they want to live. Like a diversified portfolio, a diversity of housing types can increase local government resiliency through changing economic climates.

Why a Housing Policy Plan?

The Council has developed this Housing Policy Plan to provide leadership and guidance on regional housing needs and challenges, and to support *Thrive MSP 2040*, the regional development guide the Council adopted in May 2014. It is the first freestanding housing policy plan adopted by the Council since 1985.

This plan provides an integrated policy framework that unifies the Council's existing roles in housing. It also identifies opportunities for the Council to play an expanded role to support housing in the region. These roles include:

- Reviewing local comprehensive plans for the housing element, the housing implementation program, and minimum or maximum residential densities.
- Funding housing development through the Metropolitan Livable Communities Act (LCA) grant programs. Since the Act's enactment in 1995, the Council's LCA grants have helped create 18,660 units of affordable housing in communities across the region.
- Working with local governments to define their share of the metropolitan area need for low- and moderate-income housing.
- Administering the state's largest Section 8 Housing Choice Voucher program and providing rental assistance to 6,200 low-income households throughout Anoka, Carver, and most of suburban Hennepin and Ramsey Counties.
- Providing technical assistance to local governments to support orderly and economical development.
- Collaborating with and convening partners and stakeholders to elevate and expand the regional housing dialogue.

This plan addresses housing challenges greater than any one city or county can tackle alone. It recognizes that the future's increasingly complex housing issues demand more innovative strategies and greater collaboration. With both statutory responsibilities and local opportunities, local governments play a key role in translating regional policy and priorities into effective implementation within local housing markets; one size does not fit all.

Does the metropolitan region need more affordable housing?

- **Needs are growing:** Between 2010 and 2040, the region will add 367,000 households; roughly 40% will earn less than 80% of Area Median Income ($65,800 for a family of four).
- **People are paying too much for housing:** At present, one-third of the region's households pay more than 30% of their income on rent—they are "housing cost burdened." Even with the existing supply of affordable housing, more than 265,000 low- and moderate-income households in the region are paying more than 30% of their household income on housing costs, and nearly 140,000 of those are paying more than half their income on housing.
- **More people will need affordable housing options:** The Council forecasts that between 2020 and 2030, our region will add 37,400 low- and moderate-income households that will need additional affordable housing. For comparison, in the first three years of this decade, the region added just under 3,000 new affordable units, far under the need.

What are the priorities of this Housing Policy Plan?

Housing plays a key role in advancing all five of the outcomes the Council identified with the adoption of *Thrive MSP 2040*:

Stewardship | Prosperity | Equity | Livability | Sustainability

The Housing Policy Plan outlines housing strategies that advance the Thrive outcomes and identifies Council roles, local responsibilities, and local opportunities to implement these strategies. Many of our region's local governments—including counties, cities, and townships—are already putting many of these opportunities into practice. By identifying these strategies, the Council's goal is to catalyze the conversations and regional partnerships needed to advance housing policy in the Twin Cities region. Key priorities include:

- Managing, maintaining, and preserving the existing housing stock.
- Creating or preserving a mix of housing affordability around emerging transit investments, helping low-income households benefit from transit investments and expanding opportunities to reduce the combined costs of housing and transportation.
- Expanding housing options for people in all life stages and of all economic means through a balanced approach of expanding housing choices for low- and

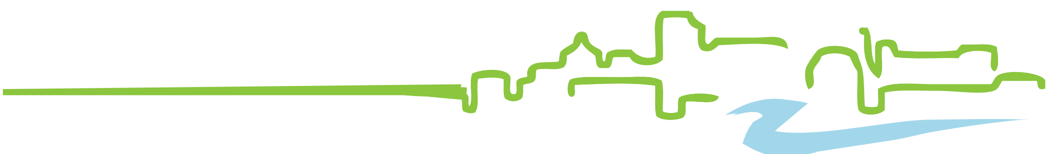
moderate-income households in higher-income areas and enhancing the livability of low-income neighborhoods.
- Providing housing choices for the region's changing demographics.
- Promoting environmentally sustainable and healthy buildings, construction techniques, and development patterns.
- Reducing barriers to the development of mixed-income housing to create vibrant, diverse communities that offer choices to a range of households.
- Using housing investments to build a more equitable region so that every Twin Cities resident can live in a community rich with opportunity.

How does the Metropolitan Council support the policies of this Housing Policy Plan?

The Metropolitan Land Planning Act and the Council's review authority give the Council a unique role with local governments. Dimensions of this role include:

- Developing the Allocation of Affordable Housing Need to inform local governments of their share of the region's need for low- and moderate-income housing. This tool assists communities to address the Need in their local comprehensive plans.
- Expanding technical assistance to local governments to improve the consistency and quality of the housing elements and implementation programs of local comprehensive plans.
- Providing technical support to cities with little experience in working with affordable housing developers.
- Sharing best practices developed by others.

The Council also supports affordable housing development through its funding. The Council uses its resources—including Livable Communities Act grants, investments in infrastructure, and other funding streams—to expand housing choices across the region and create and preserve mixed-income neighborhoods and communities. To advance housing choice, the Council uses Housing Performance Scores to give priority for funding to communities that are maintaining or expanding their supply of affordable housing and using fiscal, planning, and regulatory tools to promote affordable housing.



What are the next steps in implementing this Housing Policy Plan?

The process of developing this Housing Policy Plan has produced rich conversation and discussion. However, it has become clear that the region needs to have dialogues beyond what the Council was able to achieve in developing this plan. The Council will convene regional discussions to address housing issues that are broader and more complex than any single agency or organization can advance alone. These include:

- Reducing barriers to development of mixed-income housing and neighborhoods.
- Improving the alignment of housing policies and decisions made by school districts.
- Expanding the supply of housing options accessible to seniors and people with disabilities.
- Developing strategies to affirmatively further fair housing and address housing discrimination.
- Building wealth and expanding investment in Areas of Concentrated Poverty.

Nearly 30 years have passed since the Council last adopted a housing-focused policy document, 1985's *Housing Development Guide.* With the Council's various roles that affect housing, this plan furthers the alignment, consistency, and integration of the Council's own housing policy. But we cannot do this work alone. We look forward to present and future opportunities for collaboration to improve how the region collectively addresses housing challenges both today and tomorrow. We hope that this plan will advance the region's conversation about how to create housing options that give people in all life stages and of all economic means viable choices for safe, stable, and affordable homes.

2040

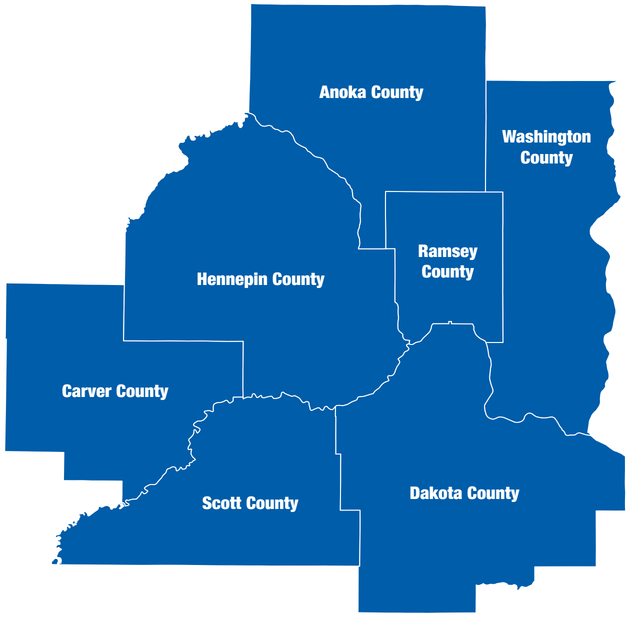
Part I: Housing for a Growing, Thriving Region

Our Twin Cities region, anchored by three great rivers and dotted by hundreds of lakes, has emerged as one of the nation's top metropolitan areas: a great place to live, work, and do business. Over the last 150 years, our region has grown and prospered, and is now well known for its high quality of life, strong economy, and many assets that attract and retain residents.

Today, the Twin Cities region—the jurisdiction of the Metropolitan Council—is a thriving region of nearly three million people living in 186 communities across the seven counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

The region offers residents a wide range of communities to call home—active downtowns, vibrant urban and suburban neighborhoods, healthy small towns, and protected rural areas. Housing here is more affordable than in comparable metropolitan areas. More than three in four of the homes sold in the region are affordable to households earning the median family income, more than in peer cities such as Atlanta, Denver, Houston, or Seattle.[1] When housing and transportation costs are combined, the Twin Cities remains one of the most affordable of the nation's largest metropolitan areas.[2]

Figure 1: The Twin Cities Region



Compact, connected regions like ours offer residents economic mobility and the opportunity for longer, safer, healthier lives. *Sperling's BestPlaces* has ranked the Twin Cities as "the most playful metro in America" for the health, happiness, and low stress of its residents. In survey after survey, residents have declared our metropolitan area better or much better than other regions around the country. The strengths that have made our region a success today will help us meet the challenges of tomorrow.

This Housing Policy Plan will describe multiple strategies that advance this overall policy priority:

Create housing options that give people in all life stages and of all economic means viable choices for safe, stable and affordable homes.

A range of housing options across the region benefits individuals, families, and local governments. Viable housing choices allow households to find housing affordable to them in the communities where they want to live. Housing choices let people stay in or move to their preferred neighborhood as their economic or life circumstances change. Like a diversified portfolio, a diversity of housing types can increase local government resiliency through changing economic climates. Housing choices that include a mix of homeownership and rental opportunities across sizes and price points can improve the economic diversity of a local community, providing local governments with a broader and therefore more stable tax base. Providing the full range of housing choices in a community offers many benefits, such as economic development, effective use of public dollars, improved property values, and stable families and communities.

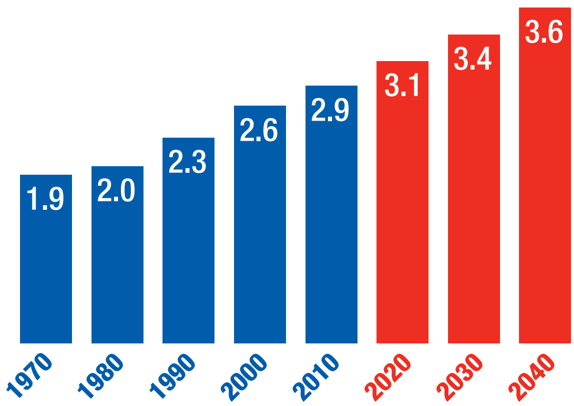
Housing is a critical part of health for residents across the region. Recent research has found that social and economic factors, health behaviors, and the physical environment together determine as much as 80% of health outcomes (genes, biology, and clinical care determine the remaining 20%).[3] Safe, stable, and affordable housing contributes to these health determinants by improving educational outcomes, allowing households to direct their budgets to other critical needs, minimizing exposure to environmental toxins, and encouraging residents to lead more active lives.

Housing affordable to low- and moderate-income households, including workforce housing, is a strong community asset. Safe, decent, and affordable housing often requires public subsidy to fill finance gaps and allow both nonprofit and for-profit housing developers to earn a competitive return on investment. However, the alternative—not enough housing to stabilize households—can require significantly higher public costs in terms of health care, education, and law enforcement. Spending public money to ensure that affordable housing is available across the region will stabilize households, create opportunities to generate wealth, and build healthy communities.

Demographic trends: Continued population and housing growth through 2040

More people. Over the next 30 years, our region is projected to grow by 783,000 residents, a gain of 27% from 2010. More births than deaths and longer life expectancies will account for three-quarters of this population growth. People moving here from other parts of the nation and world—attracted by our region's economic opportunities—will account for the remaining one-quarter of this growth. (For more information, see the Metropolitan Council's *MetroStats: Steady growth and big changes ahead: The Regional Forecast to 2040.)*

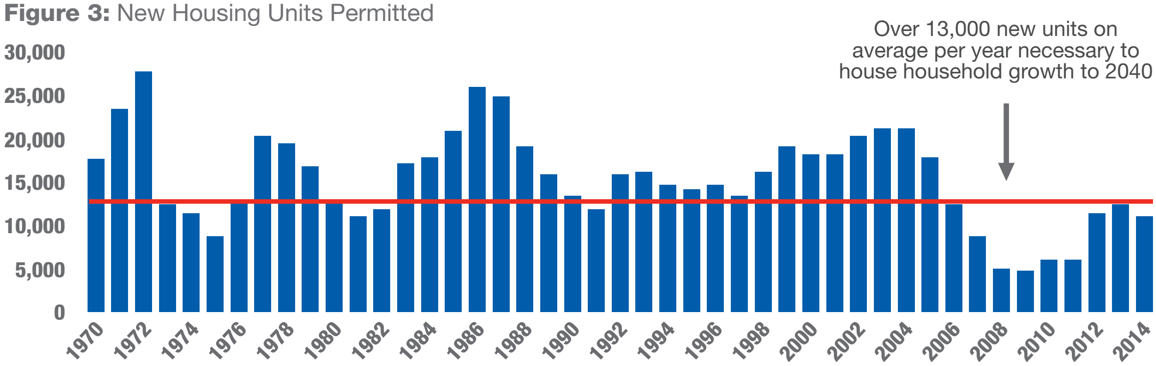
Figure 2: Twin Cities Population (in millions)



Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts

More housing needed. The region will gain 367,000 new households by 2040. Housing these new households will require nearly 13,000 new housing units a year on average between today and 2040. While this level of housing production is less than the annual average of the last 40 years, it is more than the region produced in the eight years following the housing boom years of the early 2000s.

Figure 3: New Housing Units Permitted

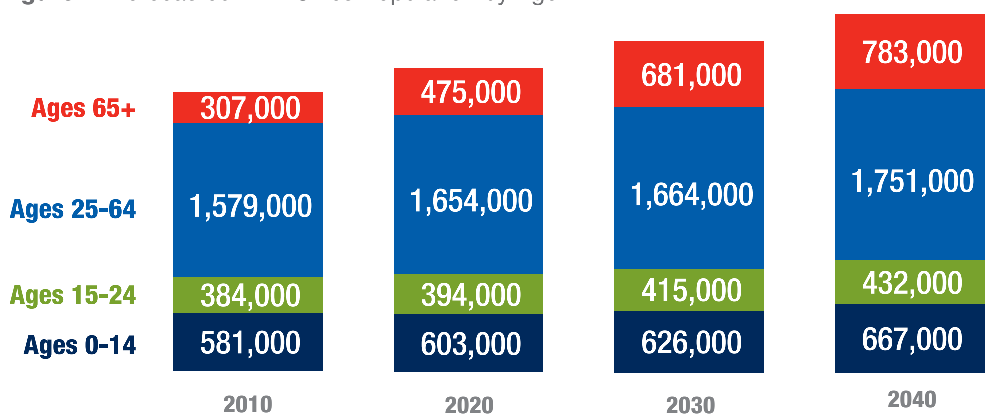


Source: Metropolitan Council Residential Construction Survey

Demographic shifts in age. Our region is aging rapidly. More than one in five residents will be age 65 and older in 2040, compared to one in nine in 2010. Furthermore, four-fifths of household growth between 2010 and 2040 will be among older households (those headed by individuals age 65 and older). Nearly half of net new households will be individuals living alone. These demographic changes will shape the location and type of real estate needed over the next three decades.

Older households and single-person households are more likely to prefer attached housing in walkable, amenity-rich neighborhoods. While many senior households want to age in place, the massive increase in the senior population will magnify the impact of those seniors who choose to move. Senior households are likely to want smaller, low-maintenance housing products, and easy access to services and amenities. Most senior households live on fixed incomes and have a greater interest in or need for rental housing; this preference for renting increases as seniors age.

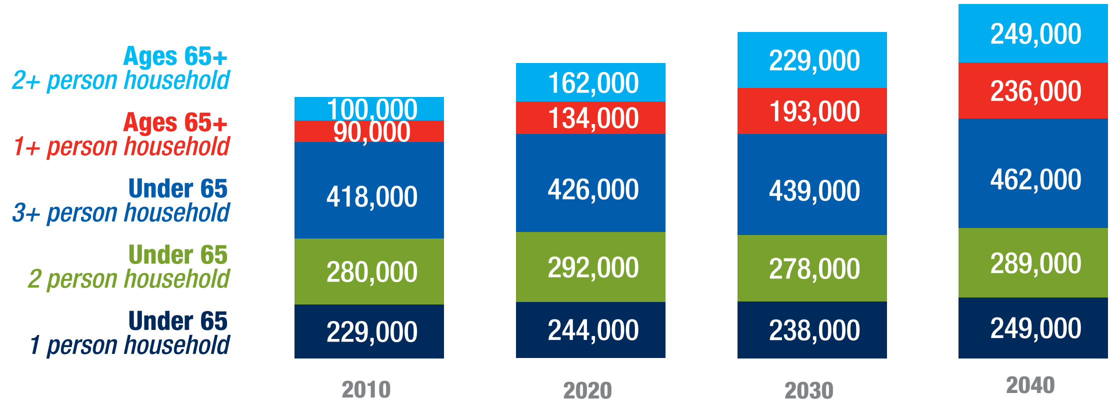
Figure 4: Forecasted Twin Cities Population by Age



Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts

Over the 20 years from 1990 to 2010, 91% of net household growth was among households in the peak home-buying years of age 35 to 65. In contrast, from 2010 to 2040, 80% of net household growth will be among households in the home-downsizing years of age 65 and above. Today, most baby boomers are still in the peak home-buying years. However, by the end of the next decade, the number of baby boomers likely to downsize their homes will be greater than the number of younger buyers looking to move into larger housing. Demand will likely remain high for attached and small-lot housing in walkable and amenity-rich neighborhoods.[4]

Figure 5: Forecasted Twin Cities Households by Age and Size



Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts

Demographic shifts in race and ethnicity. By 2040, 41% of the Twin Cities population will be people of color, compared to 24% in 2010. Significant disparities along racial and ethnic lines—in income, poverty, health, and homeownership—persist just as our region is becoming more racially and ethnically diverse. Concentrations of poverty magnify these disparities and seriously hinder access to opportunities for people of color, who are disproportionately represented in these impoverished areas. If today's disparities by race and ethnicity were to continue, our region would likely have 186,000 fewer homeowners and 274,000 more people living in poverty in 2040 when compared to the outcomes if residents of color had the same socioeconomic characteristics as today's white residents. Unchallenged, these disparities jeopardize the future economic vitality of our region. Expanding opportunity in more of our region's neighborhoods will improve outcomes for individuals, families, the economy, and the region as a whole.

Demographic shifts and land use. Looking ahead to 2040, the Council forecasts robust growth across a range of communities in various stages of development. Following World War II, the construction of the modern highway network surrounding the developed core of the Twin Cities region revolutionized accessibility and opened up a supply of new land for development. Historically, the region's urbanized footprint has grown as the highways expanded. However, the trend appears to have limits, and a new balance of regional growth is emerging with substantial redevelopment in the Urban Center (Urban Center is an example of a community designation; a map of community designations appears on pg. 42 and a definition of community designations is in the Glossary).

The maps at right highlight the communities that have seen the most household growth by decade since the 1970s. Eden Prairie, Maple Grove, and Plymouth have remained among the 10 highest-growth communities in all four decades.

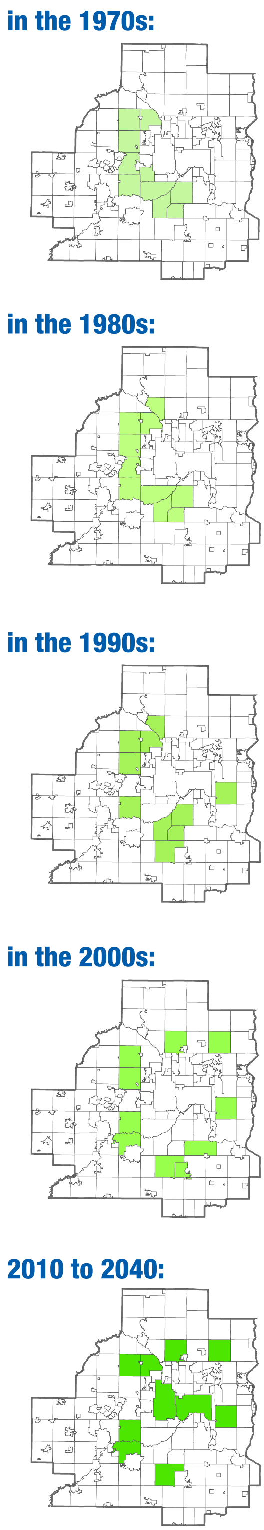
The Council's forecasts to 2040 anticipate that significant growth in households will continue in the Suburban Edge and Emerging Suburban Edge. Communities in these two designations have relatively ample supplies of undeveloped land and will attract almost half of the region's forecasted household growth. At the same time, Council forecasts project a significant pivot of growth back into Urban and Urban Center communities.

While these demographic shifts affect real estate demand, the region's available land supply is also changing and adjusting to limits. Land costs are lower in Emerging Suburban Edge communities than more centrally located sites. However, the minimal future growth in regional highways will limit the expansion of the region's urbanized area. As households weigh the tradeoffs between cost and location, the cost advantages of the suburban edge will diminish. Demand for central locations and accessibility will create opportunities that exceed the costs and challenges of redevelopment, and more growth will be in areas with higher levels of urban services, including neighborhoods along transitway corridors. Redevelopment, infill development, and higher densities in the older, urbanized, and most accessible parts of the region use existing regional infrastructure more efficiently, but can also be complex and costly for developers and local governments.

Housing challenges facing our region today and tomorrow

As we plan for the next 30 years, key challenges lie ahead—housing preservation, rising housing

Figure 6: Top 10 growing cities by decade



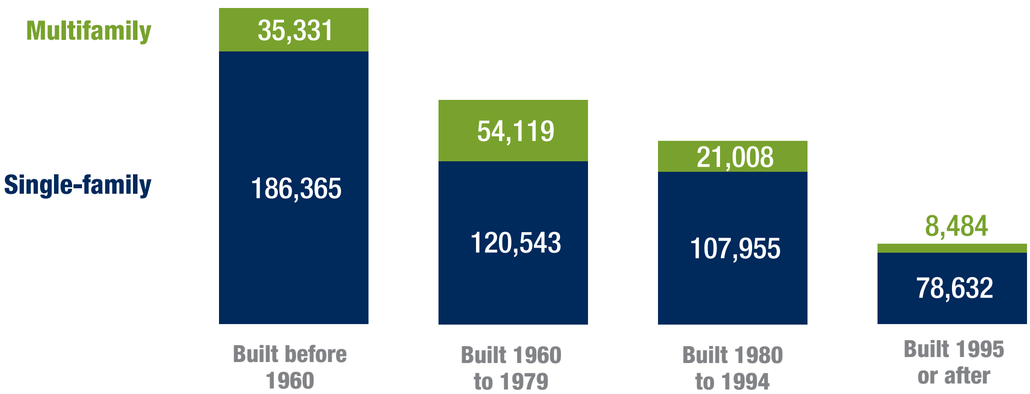
Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts

cost burden, a lack of affordable housing, and housing segregation—all in the face of limited public financial resources.

Growing need to preserve our existing housing stock

As the region's housing ages, more and more of it is ready for reinvestment. Roughly half of our total housing stock is 40 years old or more. An aging multifamily housing stock, including a large number of rental apartments built in the 1960s and 1970s, is ready for reinvestment. This is needed both to ensure structural integrity and to meet the housing preferences of households today and in years to come. Single-family homes may have greater longevity than multifamily buildings in general, but they also require additional investment to remain stable and desirable. Many of these aging units have become more affordable but may not be viable.

Figure 7: Units with Serious Maintenance Problems



Source: U.S. Census Bureau, American Housing Survey 2013 Metropolitan Public Use File[5]

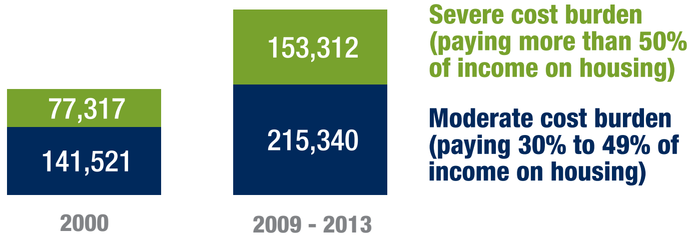
Over 490,000 single-family units and nearly 119,000 multifamily units have a serious maintenance problem, such as water leaks or holes in the floors. Of particular concern are roughly 186,000 single-family units and roughly 35,000 multifamily units built before 1960; many of these units have aged into affordability but are at risk of functional obsolescence. While multifamily units are less likely to have a serious maintenance problem than single-family units, they are important to maintain given the expected preferences of future households.

Additionally, there are over 87,000 newer units (those built in 1995 or afterward) with a serious maintenance problem. Preventing these units from further deterioration will help preserve the housing as it becomes more affordable with age.

Rising housing cost burden

Housing cost burden is an indicator of housing costs as a percentage of household income. Households that spend 30% or more of their household income on housing costs are considered "housing cost-burdened." Households paying more than 50% of their household income on housing are considered to be facing "severe housing cost burden." Since 1980, housing costs have increased faster than incomes for both owners and renters in the Twin Cities region.[6] As a result, rates of housing cost burden have increased across the region,[7] particularly between 2000 and the 2009-2013 period:

Figure 8: Rising Housing Cost Burden



Source: U.S. Census Bureau, Decennial Census and American Community Survey

- The number of households experiencing severe housing cost burden doubled between 2000 and 2009-2013.
- The number of households experiencing any housing cost burden grew by 68% over the same time period.
- By the most recent data period, nearly one-third of households in our region were paying at least 30% of their income for housing, and almost one in seven was paying at least 50% of their income for housing. This includes 126,000 metro households earning 50% of Area Median Income or less who are severely cost-burdened.[8]
- Households of color experience severe housing cost burden at twice the rate, and Black households at nearly 2.5 times the rate, of white, non-Latino households.[9]

Housing Cost Burden Example

The 30% rule of thumb that describes housing as “affordable” when a household pays no more than 30% of income on housing is pertinent across the full array of households. But it neglects to account for the remaining differences in income available for other life needs, as illustrated below.

HOUSEHOLD A (LOW INCOME)	HOUSEHOLD B (HIGH INCOME)
Family of four	Family of four
Monthly gross income: $3,500	Monthly gross income: $15,000
30% of income (housing costs): $1,050	30% of income (housing costs): $4,500
Income for other life expenses (transportation, food, clothing, child care, insurance, etc.) $2,450	Income for other life expenses (transportation, food, clothing, child care, insurance, etc.) $10,500

Presuming both households succeed in locating a unit at or below the 30% rule of thumb, we can reasonably say they are both affordably housed. Presuming their spending on other life essentials is on par—let’s say other life necessities cost both households an average of $1,800 per month—it becomes clear that not only does Household B enjoy much more discretionary income ($8,250 to Household A’s $650), it could theoretically spend an additional $7,600 per month on housing alone and still have the same amount of money left over as Household A for college funds, retirement savings, or an occasional vacation.

More people living in Areas of Concentrated Poverty

More than one in eight residents of the Twin Cities region lives in an Area of Concentrated Poverty, defined as census tracts where 40% or more of the residents have individual or family incomes that are less than 185% of the federal poverty level.[10] Living in Areas of Concentrated Poverty hurts people in many ways. Areas of Concentrated Poverty can suffer from high crime and tend to have schools with lower test scores and graduation rates.[11] Living in Areas of Concentrated Poverty can undermine physical and mental health.[12] It reduces the cognitive abilities of children,[13] making them more likely to struggle in school and have lower incomes as adults than their parents. Together these characteristics lower the economic mobility of residents who live in Areas of Concentrated Poverty, making them more likely to stay poor across generations.[14]

Table 1: Share of the Twin Cities population living in Areas of Concentrated Poverty, 1990 to 2009-2013

Year	Share of the population
1990	9.5%
2000	8.3%
2009-2013	12.8%

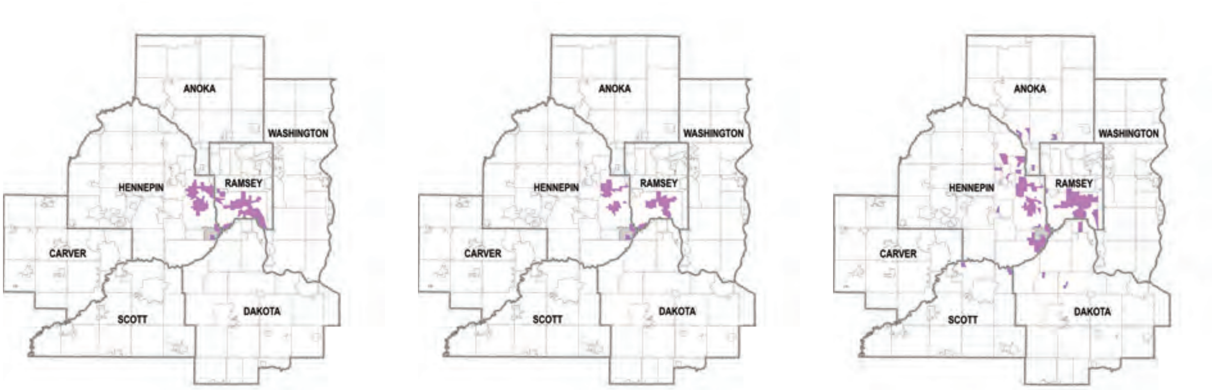
Source: U.S. Census Bureau, Decennial Census, 1990 and 2000; 2009-2013 American Community Survey

Figure 9: Areas of Concentrated Poverty in 1990, 2000, and 2009-2013

In **1990, 81** census tracts were considered Areas of Concentrated Poverty.

In **2000, 61** census tracts were considered Areas of Concentrated Poverty.

In **2009-2013**, **112** census tracts were considered Areas of Concentrated Poverty.

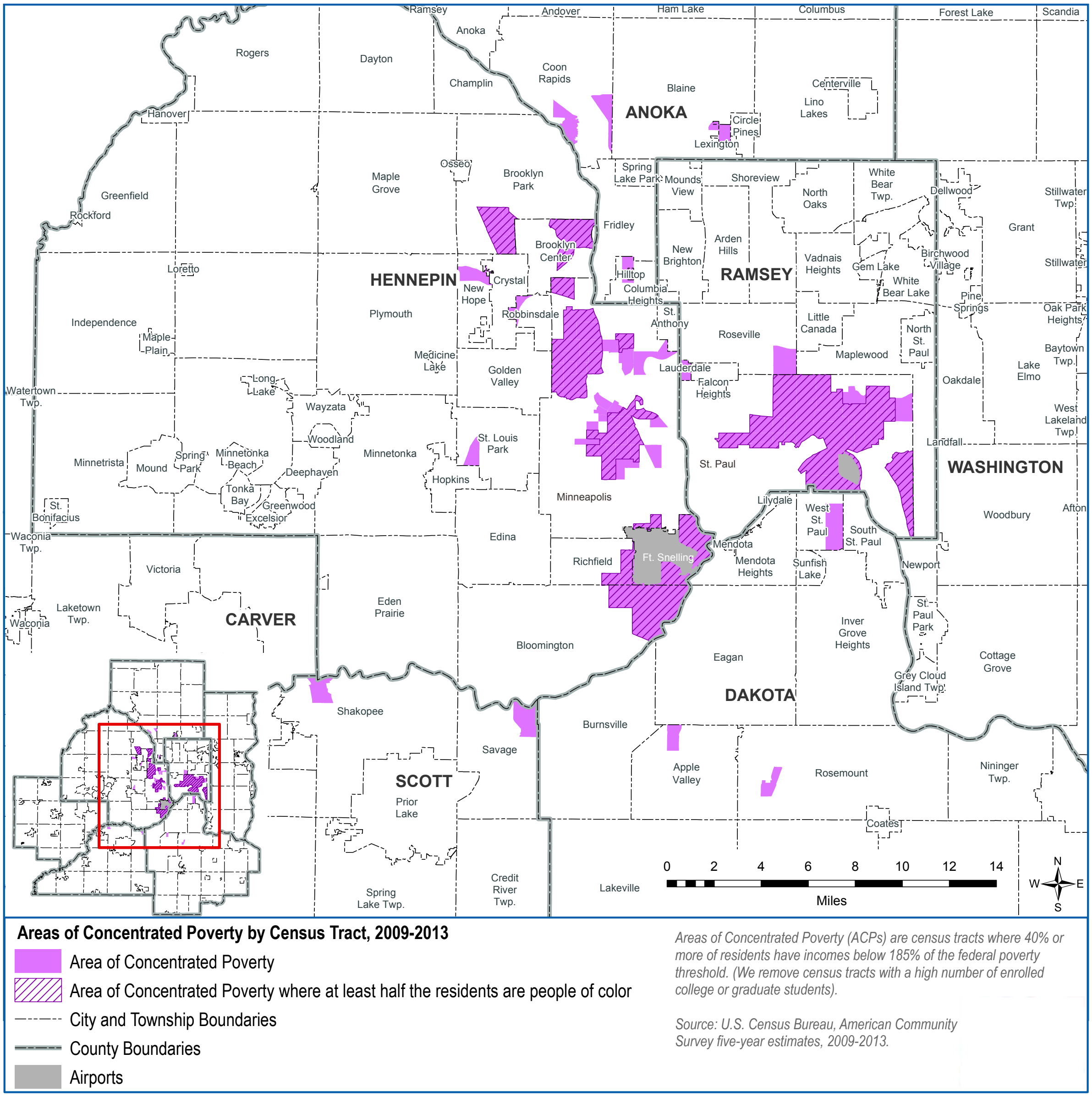


Source: U.S. Census Bureau, Decennial Census, 1990 and 2000; 2009-2013 American Community Survey

In the Twin Cities region, people of color are disproportionately harmed by Areas of Concentrated Poverty. Nearly two-thirds of residents living in Areas of Concentrated Poverty are people of color, and this cannot be explained by income alone. For instance, 45% of the region's low-income households of color live in concentrated poverty compared to only 12% of low-income white households. This pattern exists even among high-income households: 9% of the high-income households of color reside in these areas compared to only 3% of white households of the same income level.[15]

Limits on residential choice—such as discrimination by race or a lack of affordable housing in a variety of locations—hinder the ability of residents to move out of Areas of Concentrated Poverty. Moreover, systemic barriers challenge neighborhoods in attracting the resources and investment that would allow them to lift themselves out of poverty. These barriers contribute to the creation of Areas of Concentrated Poverty where at least half the residents are people of color—also known as Racially Concentrated Areas of Poverty (see Figure 10). In 1990, all of the region's Areas of Concentrated Poverty where at least half the residents are people of color were in Minneapolis and St. Paul. By the end of the 2000s, Areas of Concentrated Poverty where more than half the residents are people of color included both the original census tracts from 1990 and additional tracts in Brooklyn Center, Brooklyn Park, Richfield, and the federal lands constituting Fort Snelling. Since 1990, the share of the region's residents living in Areas of Concentrated Poverty where at least half the residents are people of color rose from 3% to 9%.

Figure 10: Areas of Concentrated Poverty



An inadequate supply of affordable housing

To address housing cost burden, the public sector invests in affordable housing development and provides rental assistance to low-income households. The seven-county region has 57,900 publicly subsidized affordable rental units, including public housing and units built with capital generated by Low-Income Housing Tax Credits.

In addition to the publicly subsidized affordable housing stock, there are also many units of unsubsidized affordable housing—housing whose rents or sale prices make them affordable to low- and moderate-income households. Using an affordability threshold of 80% of area median income, the region has 493,000 affordable owner-occupied units and 338,000 affordable rental units, including both subsidized and unsubsidized.[16] (There are also approximately 14,000 manufactured homes that are likely to be affordable.) However, many of these housing units are occupied by households earning more than 80% of area median income, increasing the gap in the supply of units affordable and available to lower-income households.

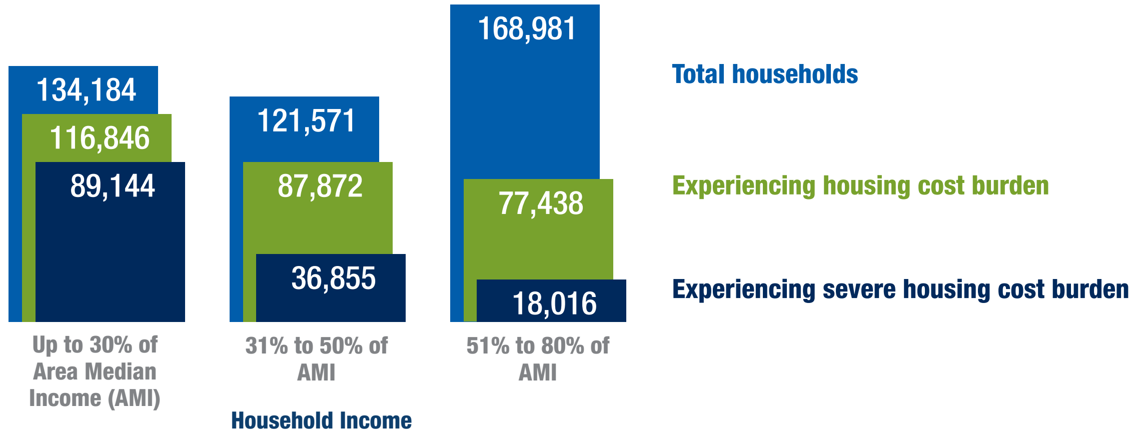
Table 2: 2014 Area Median Income (AMI) by household size, Minneapolis-St. Paul-Bloomington metropolitan statistical area

Household Size:	Extremely Low Income (at or below 30% AMI)	Very Low Income (at or below 50% AMI)	Low Income (at or below 80% AMI)
One-person	$18,200	$30,350	$46,100
Two-person	$20,800	$34,650	$52,650
Three-person	$23,400	$39,000	$59,250
Four-person	$26,000	$43,300	$65,800
Five-person	$28,410	$46,800	$71,100
Six-person	$32,570	$50,250	$76,350
Seven-person	$36,730	$53,700	$81,600
Eight-person	$40,890	$57,200	$86,900

Source: U.S. Department of Housing and Urban Development, FY 2015 Income Limits[17]

Even with the existing supply of affordable housing, more than 282,000 low- and moderate-income households in the region are paying more than 30% of their household income on housing costs, and nearly 144,000 of those are paying more than half their income on housing.

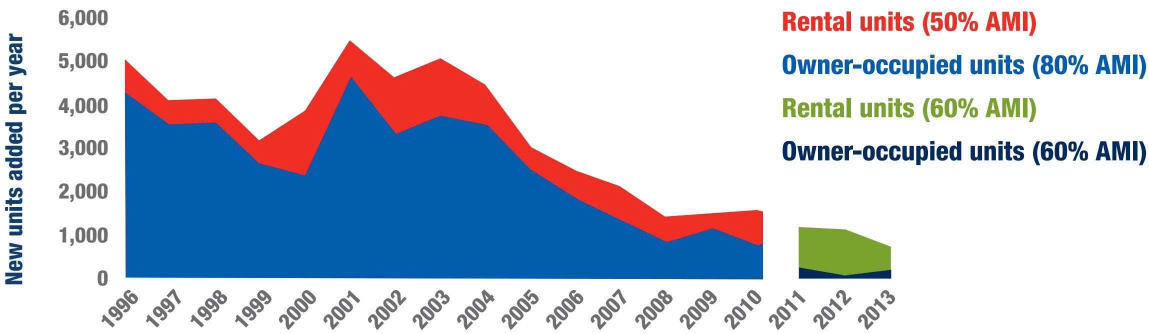
Figure 11: Housing Cost Burden by Income Level



Source: U.S. Department of Housing and Urban Development, 2009-2013 American Community Survey Public Use Microdata Sample

Furthermore, construction of new affordable housing has been dropping significantly. In 2006, the Metropolitan Council projected that the region should add 51,000 new units of affordable housing between 2011 and 2020 to accommodate the forecasted growth in low- and moderate-income households. (Note that this ignores the need for affordable housing that existed in 2010, that is, the 144,000 households paying more than half of their income on housing—much less the additional 138,000 who are paying between 30% and 50% of their income on housing. These are the low- and moderate-income households that currently experience housing cost burden.) Over the first three years of the decade the region added 2,993 new affordable units, meeting just over 5% of the decade-long need. At this pace, it will take the region more than four decades to meet only one decade's need for affordable housing.

Figure 12: Construction of New Units of Affordable Housing



Note: The Council changed its definition of affordability between 2010 and 2011. From 1996 to 2010, the Council considered owner-occupied units affordable if a household earning 80% of AMI could afford the housing costs and rental housing affordable if a household earning 50% of AMI could afford the rent. After 2011, the Council used a standard threshold of affordability to households earning 60% of AMI.

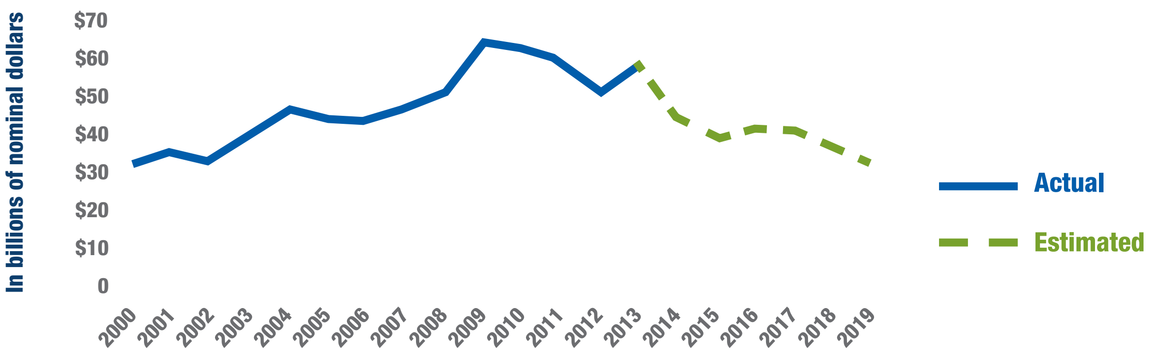
Source: Affordable Housing Production Survey, Metropolitan Council

Looking ahead, the Council forecasts that between 2020 and 2030, our region will add 37,400 low- and moderate-income households who will need new affordable housing.[18] Even if we are successful at addressing today's housing cost burden, the challenges will continue to increase with the region's ongoing population growth.

Scarce financial resources to address housing challenges

The funding available for existing housing programs and related services is inadequate to address the region's growing housing challenges. Future budget estimates for the U.S. Department of Housing and Urban Development (HUD) paint a bleak picture. Federal funding for core HUD housing programs such as Section 8, the HOME Investment Partnerships Program, the Community Development Block Grant (CDBG), and the Public Housing Program is waning. Although the Minnesota Legislature has tried to soften the loss of federal funding, the need for housing resources continues to grow. Moreover, the Low Income Housing Tax Credit Program (LIHTC)—the primary funding source nationwide for new construction and rehabilitation of affordable multifamily housing—is a target for reform that could seriously diminish its reach and impact.

Figure 13: Budget for the U.S. Department of Housing and Urban Development



Source: U.S. Office of Management and Budget[19]

The Consolidated Request for Proposals (also known as the Super RFP) is the state's largest single source for financing housing for low-income households. It includes contributions from federal, state, and nonprofit funding partners including Minnesota Housing, the Metropolitan Council, Department of Employment and Economic Development (DEED), Family Housing Fund, and Greater Minnesota Housing Fund. From 2011 to 2014, the Super RFP deployed all available resources to fund construction of less than 5,000 new affordable rental units in the seven-county region, far below the need. Many of these units received capital through LIHTC public-private partnerships. Nationwide, the LIHTC program has leveraged almost $100 billion in private investment capital since 1986 toward the development of more than 2.6 million affordable units. However, the long-term future of these significant LIHTC resources is at risk as the tax credit, one of the largest corporate tax expenditures, is vulnerable to elimination or substantial cuts under various proposals to lower corporate tax rates. (For more detailed descriptions of the Super RFP and the LIHTC program, see the Glossary in the Appendices.)

Counties and cities use federal and state funding, local funding collected through property taxes, and tax tools (such as tax abatement or tax increment financing) to support affordable housing development. Some local governments issue Multifamily Housing Bonds to raise capital for affordable housing projects. To use these bonds, projects must include at least 40% of units affordable to households with incomes at or below 60% of area median income, or 20% of units affordable to households with incomes of 50% of Area Median Income or less. Philanthropic sources, foundations, private banks, Community Development Financial Institutions (CDFIs, or financial intermediaries such as the Local Initiatives Support Corporation (LISC), the Family Housing Fund, and Enterprise Community Partners) supplement public sources, yet large funding gaps remain.

Affordable housing helps build communities

The quality and image of affordable housing has improved greatly in recent years. Many community leaders in both the private and public sector recognize the importance of more housing options for residents of all income levels and backgrounds. Housing affordable to low- and moderate-income households can stabilize neighborhoods and improve property values. Many working households have incomes that qualify them for “affordable” housing (see Figure 14). Having a variety of housing types, including housing affordable to very-low-income households or those with special support needs, is part of a well-balanced, economically resilient community and an economically competitive region.

Finding housing that is affordable and appropriate to an individual’s or household’s needs can be problematic for households across an array of incomes. As noted above, housing is generally regarded as affordable when a household pays no more than 30% of monthly gross income on housing, whether a mortgage payment and related costs of ownership or rent and utilities. Quality housing affordable to low- and moderate-income households can be even more difficult to secure in certain locations due to many factors, not the least of which is resistance in some communities to welcome and promote affordable housing development.

Figure 14: What does low- and moderate-income really mean?

$24,850 annual income for a family of four	**30%** of AMI	**$41,450** annual income for a family of four	**50%** of AMI	**$63,900** annual income for a family of four	**80%** of AMI
• **$621** is an affordable rent • Jobs at this wage include home health aides and funeral attendants		• **$1,036** is an affordable rent • Jobs at this wage include interior designer and bus driver		• **$1,596** is an affordable rent • Jobs at this wage include accountants and police officers	

Source: U.S. Bureau of Labor Statistics

While there is little argument over the need for housing affordable for lower-income households, there is less agreement about how to create affordable housing, where to locate it, what it should look like, and what populations it should serve. Proposed housing developments may meet strong resistance from neighbors who fear the unknown. Proposers and supporters can be forced to try to disprove or contextualize negative aspects of affordable housing, regardless of whether they are real or perceived.

Common concerns about affordable housing

Concern: Affordable housing lowers nearby property values.

Reality: Research has found that affordable housing has no long-term negative impact on surrounding property values.[20] A recent study on the relationship between affordable developments located in Dakota, Hennepin, Scott, and Washington counties and single-family home sales revealed: average sales prices rose by nearly 5%, demand remained stable, affordable developments did not make it more difficult for owners to sell, and market performance of homes near affordable development was at least as strong as that of more distant homes in 96% of cases.[21] Conversely, properly designed and managed affordable housing can have a positive impact on surrounding property values. The design, management, and maintenance of any residential property determine whether or not it is a detriment or asset to its neighbors, regardless of the income of its inhabitants.

Concern: Affordable housing leads to higher crime rates.

Reality: The relationship between crime rates and subsidized housing has been studied in many ways and in many parts of the country. It can be difficult to say exactly what impact a new affordable housing development might have on neighborhood crime. However, most available research finds no conclusive evidence that an increase in affordable housing (whether residents or units) leads to an increase in crime. For example, a study of three federally subsidized housing developments in Milwaukee and Washington D.C. found no increase in crime, in either the project's neighborhood or adjacent neighborhoods. The study, in fact, found decreases in crime a year after the affordable housing projects were constructed.[22] Another study looked at the impact of Section 8 Housing Choice Vouchers in 10 cities across the U.S. and found no association between the arrival of voucher holders in a neighborhood and the incidence of crime one year later.[23]

These are just two examples of research on various types of affordable housing and crime in various cities, but they illustrate a common conclusion: there is little evidence that affordable housing causes increased crime. While factors such as the quality of property management and the existing stability of a neighborhood prior to new affordable housing are more likely to impact crime rates, these conclusions are more qualitative.

Concern: Affordable housing does not belong here.

Reality: Some communities believe that affordable housing proposals would bring "new poor" to their neighborhood. However, people paying more than 30% of their income on housing (and making less than 80% of the Area Median Income) most likely live in the area. In our region, nearly every community has such residents. Additional affordable housing of all kinds is needed everywhere, from rural centers to emerging suburban subdivisions to older suburbs and the urban center.

This concern can also manifest itself in the sentiment that high-income neighborhoods do not have the social or public amenities that are often needed for low-income families to thrive. While not all types of affordable housing may be appropriate in all locations, every community in our region has people with disabilities, cost-burdened residents, and/or seniors with fixed incomes.[24] And many wealthy communities need services and amenities that employ workers who need affordable housing options near their jobs.

Concerns about density also can serve as a public proxy for apprehension about affordable housing development when neighbors express anxiety about height, traffic, and neighborhood character. Careful attention to design elements and proactive community engagement can help address this concern.

The opportunity of a regional approach and a regional Housing Policy Plan

As a region, we can react to these challenges, or we can plan for them. The coordinated regional planning approach underlying the Metropolitan Council and institutionalized in the Metropolitan Land Planning Act uniquely equips our region to transform challenges into opportunities to thrive.

In the late 1960s when the Metropolitan Council was created, community leaders saw value in collaborating to solve regional issues. At that time, the Minneapolis-St. Paul region was facing tough challenges resulting from rapid population growth and unimpeded urban sprawl. In 1967, the Minnesota Legislature created the Metropolitan Council and gave it responsibilities for coordinating the planning and development of the region's growth and setting policies to deal with regional issues. Upon signing the bill, then Governor Harold LeVander observed that the Council "was conceived with the idea that we will be faced with more and more problems that will pay no heed to the boundary lines which mark the end of one community and the beginning of another." A region-wide perspective provides the opportunity to address issues that:

- Are bigger than any one community can address alone.
- Cross community boundaries to affect multiple communities.
- Could benefit from an opportunity to share best practices.
- Require resources that are most effectively used at a regional scale.

For nearly 50 years the Metropolitan Council has played a key role in coordinating regional growth and planning, and convening partners to accomplish ambitious goals unrealistic for a single community but possible as a region. Thinking ahead—and working together with local governments, residents, businesses, philanthropy, and the nonprofit sector—helps us maintain a quality of life that other metropolitan areas envy.

Under the Metropolitan Land Planning Act, the Council is responsible for preparing a comprehensive development guide for the orderly and economical development of the seven-county region (Minn. Stat. 473.145). *Thrive MSP 2040* provides a framework for a shared vision for the future of our region over the next 30 years. This Housing Policy Plan serves as a chapter in the overall comprehensive development guide alongside *Thrive MSP 2040* and three metropolitan systems plans, the Regional Parks Policy Plan (Minn. Stat. 473.147), the Transportation Policy Plan (Minn. Stat. 473.146), and the Water Resources Policy Plan (Minn. Stat. 473.146 and 473.157). This Housing Policy Plan is the Council's first freestanding housing policy in nearly 30 years. The Council's *Housing Development Guide* was adopted in 1985, but Council actions in 1998 and 1999 eliminated those policies from the metropolitan development guide. To that end, this policy document supersedes and replaces any previous housing policy adopted by the Council (including comprehensive development guides).

Under the Metropolitan Land Planning Act, local governments must review and update their local comprehensive plans every 10 years. Housing, although not a metropolitan system under state statute, is already embedded in the local comprehensive plan requirements. For example, the Council reviews local comprehensive plans based on the requirements of the Metropolitan Land Planning Act to ensure that they include:

- "…a housing element containing standards, plans and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs, including but not limited to the use of official controls and land use planning to promote the availability of land for the development of low and moderate income housing." (Minn. Stat. 473.859, subd. 2) and
- "An implementation program shall describe public programs, fiscal devices and other specific actions to be undertaken in stated sequence to implement the comprehensive plan and ensure conformity with metropolitan system plans. An implementation program must be in at least such detail as may be necessary to establish existing or potential effects on or departures from metropolitan system plans and to protect metropolitan system plans. An implementation program shall contain at least the following parts:

  (1) a description of official controls, addressing at least the matters of zoning, subdivision, water supply, and private sewer systems, and a schedule for the preparation, adoption, and administration of such controls;

  (2) a capital improvement program for transportation, sewers, parks, water supply, and open space facilities; and

  (3) a housing implementation program, including official controls to implement the housing element of the land use plan, which will provide sufficient existing and new

housing to meet the local unit's share of the metropolitan area need for low and moderate income housing." (Minn. Stat. 473.859, subd. 4)

Through the policy direction in *Thrive MSP 2040* and this Housing Policy Plan, the Council assists local governments to create local comprehensive plans that advance local visions and help ensure efficient and cost-effective regional infrastructure. This plan addresses housing challenges greater than any one neighborhood, city, or county can tackle alone. It recognizes that the future's increasingly complex housing issues demand more innovative strategies and greater collaboration. With both statutory responsibilities and local opportunities, local governments play a key role in translating regional policy and priorities into effective implementation within local housing markets; one size does not fit all.

Unlike the three metropolitan systems which are built, owned, and operated by the public sector, housing is primarily built by the private sector working within a web of zoning, financial incentives, and public policy. Acknowledging this interdependence, this plan recognizes the primacy of the private market in building our region's housing stock.

This Housing Policy Plan provides an integrated policy framework that unifies the Council's existing roles in housing and opportunities for the Council to play an expanded role to support housing in the region. These roles include:

- Reviewing local comprehensive plans for the housing element, the housing implementation program, and minimum or maximum residential densities.
- Funding housing development through the Metropolitan Livable Communities Act (LCA) grant programs. Since the Act's enactment in 1995, the Council's LCA grants have helped create 18,660 units of affordable housing in communities across the region.
- Working with local governments to define their share of the metropolitan area need for low- and moderate-income housing.
- Administering the state's largest Section 8 Housing Choice Voucher program and providing rental assistance to 6,200 low-income households throughout Anoka, Carver, and most of suburban Hennepin and Ramsey Counties.
- Providing technical assistance to local governments to support orderly and economical development.
- Identifying opportunities to integrate housing effectively with the Council's work in regional parks, transportation, and water resources.
- Collaborating with and convening partners and stakeholders to elevate and expand the regional housing dialogue.

Adequately housing a region's population requires ongoing coordination among public and private plans, investments, and decisions. This plan outlines regional goals and aspirations to better align infrastructure investments, funder and investor priorities, and local planning.

This plan has five parts:

- Part I introduces the plan and outlines the demographic and socioeconomic challenges defining the region's housing future.
- Part II outlines Council roles, local responsibilities, and local opportunities to use housing to advance the five Thrive outcomes—stewardship, prosperity, equity, livability, and sustainability—within the framework of the three Thrive principles—integration, collaboration, and accountability. Part II includes the indicators that the Council will use to monitor the success of this plan.
- Part III delves more deeply into the core Council housing policies and functions.
- Part IV describes several opportunities for collaboration, that is, housing issues that are broader and more complex than any single agency or organization can advance alone.
- Part V identifies the next steps for the Council in implementing this plan.

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[18] This forecast looks at new households earning less than 80% of AMI and excludes seniors who own their home free and clear and are not cost-burdened. Including those, the number is 56,400.

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Special Supplement: The process of affordable housing production

Residential real estate development is a complex, interdisciplinary process. It involves various activities ranging from the rehabilitation of an existing home or multifamily property to the purchase of raw land and development of new housing. Owners/developers typically lead the process and act as the overall coordinator of a wide range of processes involving specialized firms and contractual arrangements.

In most cases, developers do not actually construct the project but have the responsibility to:

- Purchase land;
- Assemble adequate financing;
- Secure local approvals;
- Ensure compliance with funding sources;
- Develop affirmative fair housing marketing and lease-up plans;
- Execute contracts with a general contractor; and
- Oversee successful completion of the project, including project close-out and lease-up.

Some development projects are undertaken by a developer who intends to own and manage the project (asset management) after construction, while others coordinate and develop projects that will be sold immediately upon completion or at a targeted future date.

Housing development always involves similar major procedural and technical steps. Developers interact with government entities, city planners, architects, surveyors, engineers, contractors, and inspectors, among others. Generally, a development project will involve four or five distinct phases, each involving multiple action steps. But it all starts with a basic concept that may originate from several different sources, such as:

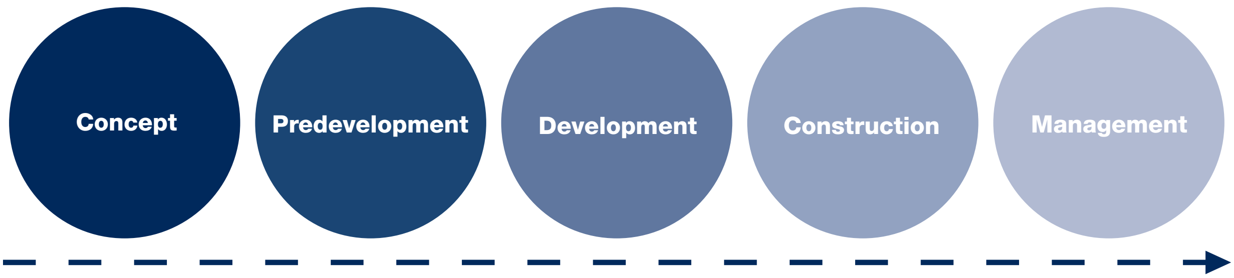
- A city interested in developing a particular parcel or within a certain zoning district, where the city owns the property or can help facilitate its purchase. Through a competitive process, the city awards development rights to the “best” proposal.
- A property owner seeking to exit the market or sell a property, where there is an opportunity for interested developers to purchase and redevelop or rehab the property.
- A state entity awarding funds through a competitive process to projects brought in by developers, but where neither the location nor project details are known when funding is advertised as available (competition for funding).
- A developer searching for a site, who then selects the most ideal location based on market and other research, and markets the opportunity to potential partners.

The particular circumstances and complexity of each project will influence the degree of time, energy, and money necessary to complete all tasks. Typically, however, these will fall into the following phases. It is important to note also that these phases are not always mutually exclusive. Rather, they can be somewhat fluid, where multiple activities are occurring simultaneously.

Figure 15: Development Timelines

Total Time to Completion: 24 to 60 Months*

*Highly dependent on project scale, financial complexity, construction activity type, and other factors



Generally speaking, activities for these various stages of development include:

CONCEPT/INITIAL PLANNING PHASE

- Determine target population(s)
- Locate a possible development site (and at times several alternatives)
- Assess local market conditions
- Analyze the local regulatory environment
- Contemplate funding sources
- Develop a strong project concept

PREDEVELOPMENT PHASE

- Assemble development team reflecting all needed disciplines
- Due diligence on the site (e.g., performing an environmental review, ensuring clean title)
- Conduct outreach to local governments, housing advocates, community groups, and neighborhood residents, among others
- Develop a site plan schematic
- Develop a project pro-forma and perform a cash flow analysis

- Obtain site control/enter into a sales contract or purchase agreement
- Conduct a detailed financial feasibility analysis
- Identify funding sources and prepare alternative financing strategies if necessary
- Obtain conditional financing commitments
- Modify development concept if necessary

DEVELOPMENT PHASE

- Complete working architectural drawings and cost estimates
- Submit applications for funding sources
- Secure construction and bridge (if necessary) loans, and permanent financing
- Purchase the property
- Obtain all required planning and zoning approvals and environmental clearance
- Assemble bid package for hiring of a general contractor or master builder

CONSTRUCTION

- Award construction and other contracts
- Hire construction manager/general contractor
- Oversee completion of construction (including inspections and construction draws)
- Develop a lease-up and marketing plan (if not already in place), including affirmative fair housing marketing plans
- Manage construction close-out
- Begin marketing to prospective tenants

MANAGEMENT AND OPERATION

- Identify qualified, experienced management firm if necessary
- Lease out units
- Complete any required compliance reports

The importance of relationships to the production of housing

Developers must assemble their development teams carefully, ensuring that their experience, qualifications, and capacity are adequate to the developer's expectations and the job's complexity. The developer also needs to be a careful nurturer of relationships, particularly if the development team intends to develop additional future projects.

Developers need to invest time and human capital into partnering and negotiating with a range of differently motivated actors at different moments in the process. They need to vet and enter into contracts with firms from fields such as architecture, engineering, title, insurance, legal, construction, and underwriting and finance. Primary finance firms such as banks, corporate investors, and government funders all need to be engaged to contemplate the cost, timing, and availability of pre-development, construction, or permanent loan financing, and all compliance obligations originating from receipt of funds.

The developer also needs to establish positive working relationships and build trust with local officials and staff, community groups, and citizens. A keen developer must understand federal rules pertaining to taxes and program restrictions, and find key equity investors that will bridge the gap between total development costs and what the first and any secondary or tertiary lenders will lend against the project.

Not surprisingly, because of the diversity of tasks that need to be well managed, each of which carries its own potential challenges, obstacles, and risks, developers (both for-profit and nonprofit) expect a competitive return on their investment. To achieve this, they must develop on budget and on schedule. For example, if the developer miscalculates or underestimates regulatory, political, or environmental hurdles, the result is time and money lost. When this occurs the viability and feasibility of the project suffer, and if the impact is too great, the developer may be forced to turn to another project, possibly in another community entirely.

Differences between market-rate and affordable housing development

On the surface, there is little difference between "market-rate" and "subsidized" development, as all projects involving construction or rehabilitation involve capital, workforce, guarantees, insurance, and local acceptance and approval. Beneath the surface, however, developers of affordable housing often need to be more creative, persistent, budget-conscious, and relationship-focused. For example, when compared with market-rate development, affordable projects:

- Typically require more financing sources (nonprofit or capital-poor private firms typically must rely on multiple finance sources, including government and private debt, deferred loans, intermediary financing, bridge loans, grants, etc.).
- May face more local political or community opposition than market-rate projects (costing time and money).
- May have limitations on return imposed by one or more funders or lenders.
- May be subject to conflicting public policy objectives and compliance requirements.
- Are subject to strict rent limits that affect cash flow, reserves, debt service capacity, and profit.
- May trigger mandated capital needs assessments or environmental or feasibility studies.
- Incur higher costs in developing master servicing agreements, negotiating subordinations, scheduling multi-party inspections, et al.
- Require more financial sophistication and specialized industries and niches such as low-income housing tax credit syndicators.

Development constraints and issues

With such a complex financial, technical, relational, and programmatic undertaking, any number of unexpected hurdles can arise. The challenge for developers, whether public, private, or nonprofit, is to ensure that they have not failed to anticipate issues such as:

- Funding gaps
- Construction cost overruns
- Inability to honor timeline
- Unanticipated holding costs
- Interest rate fluctuation
- Aligning funding commitments
- Unexpected environmental conditions
- NIMBY-ism (Not In My Back Yard)
- Excessive or exclusionary regulation
- Urban growth boundaries or infrastructure limitations
- Issues with local zoning
- Lot size and density potential
- Noncompliance with funding rules

Complexity of housing finance

As mentioned, housing development typically entails at least three financing sources: a first mortgage, a second mortgage, and an equity investment. For a large affordable housing project, however, there may be as many as 8, 10, or 12 sources. How the debt is structured (who injects capital into the project at what point and who gets repaid how and when) is critical to the project's success.

The government role

When federal, state, regional or local governments provide public benefits to develop housing, they engage with the private market, nonprofit organizations, and individuals in a public/private partnership in which the public commitment of tax dollars or tax benefits is exchanged for returned benefit per mutually agreeable terms and conditions, as shown below.

Government provides one or more of the following:

- Grants for housing construction, maintenance, rehabilitation, counseling, technical assistance, or support services.
- Low-interest (below market) loans for predevelopment, construction, bridge, or long-term financing, which may be amortizing or forgivable.
- Technical assistance to owners, developers, or sponsors of affordable housing pertaining to design, deal structure, application for funding, scope of work, rent and lease-up, management, and compliance with program requirements and with federal, state, or local ordinance and law.

Government expects all three of these in return:

- A guarantee of a specified level of physical condition and suitability for a predetermined amount of time that may be pegged to a mortgage term, term of outstanding bonds issued for the project, or other project characteristics.
- A guarantee that program-specific or priority-oriented income targets will be honored initially and ongoing per financing terms and project underwriting.
- A guarantee that rents will remain affordable to income-targeted households, such that households pay no more than 30% of income for housing.


2040

Part II: Outcomes: Using our housing resources wisely to create a prosperous, equitable, and livable region for today and generations to come

With the adoption of *Thrive MSP 2040*, the Metropolitan Council identified five desired outcomes that define our shared regional vision:

Stewardship Prosperity Equity Livability Sustainability

These five outcomes reinforce and support one another to produce greater benefits than any single outcome alone. Stewardship leads to decisions that advance prosperity, equity, livability, and sustainability. Prosperity provides more resources to support stewardship, equity, livability, and sustainability. Equity is crucial to creating greater prosperity and livability in the region. And so on.

Plans, policies, and projects that balance all five of these outcomes will create positive change, while efforts that advance only one or two at the expense of the others may fall short over the long term. Policymakers make tough decisions by weighing the benefits and costs of their options against these five outcomes.

Housing plays a key role in advancing all five of the Thrive outcomes. This part of the Housing Policy Plan outlines housing strategies that advance the Thrive outcomes and identifies Council roles, local responsibilities, and local opportunities to implement these strategies. Many of our region's local governments—including counties, cities, and townships—are already putting many of these opportunities into practice and should consider implementing other suggested opportunities within the context of their local housing markets. In many cases, the strategies defined in this part will require collaborations beyond the Council and its local government partners. By identifying these broad regional priorities in the Housing Policy Plan, the Council's goal is to catalyze the conversations and regional partnerships needed to advance housing policy in the Twin Cities region.

Stewardship

Stewardship advances the Metropolitan Council's longstanding mission of orderly and economical development by preserving the region's existing housing stock and leveraging housing investments with our existing infrastructure and planned investments. Because housing and residential land use patterns are durable, often lasting generations, it is critical that residential development advances the broader Council policy of orderly and efficient land use across our region.

KEY TAKEAWAY:

Maximizing use of the region's existing housing stock, and leveraging existing infrastructure and planned investments, provides the most cost-effective approach to meeting the housing needs of today and tomorrow.

Manage, maintain, and preserve the region's existing housing stock and housing choices

The most affordable housing is generally the existing housing stock. As a result, efforts to preserve the existing housing stock are critical. Addressing housing needs is not limited to new development and redevelopment. Maintenance and preservation of existing housing stock can meet many local housing needs, can offer housing choices closer to many job locations, and is generally less expensive than construction of new units. Selective infill housing (built on empty lots within otherwise developed neighborhoods), historic preservation, live/work units, appropriately designed accessory dwellings, and adaptive reuse are also strategies to protect and expand the region's housing stock.

Overall, the regional housing stock is in good condition compared to many of our peers, yet pockets of disinvestment and prolonged deferred maintenance still exist in parts of the region. A careful and appropriate strategy supports preservation, improvement, and modernization of structurally sound and functionally relevant structures. It also provides new opportunities that help individuals and families to move in or up to housing appropriate to their needs and preferences.

There are several distinct types of housing preservation. For example, preservation can mean:

- The physical upgrading of housing, which could range from moderate to substantial rehabilitation; this is the physical preservation of housing.
- Securing or extending long-term commitments from property owners to continue to participate in a program such as project-based Section 8; this is preservation of a federal subsidy that creates affordability.
- Establishing or continuing rent and income restrictions making units affordable over the long term; this is preservation of housing affordability.

Key priorities for preservation include the region's chronically underfunded public housing stock and the region's large stock of project-based Section 8 properties. Many of these are nearing the end of the useful life of major building systems or contractual obligations for affordability. In practice, particularly for existing publicly subsidized housing, failing to take action on a property in one or more of these "preservation dimensions" could have a harmful effect. For example, an owner of a multifamily property with existing project-based Section 8 assistance may have deferred maintenance requirements that must be addressed to pass the inspection required to participate in the Section 8 program. If the housing fails to pass inspection and is unable to continue in the Section 8 program, or if an owner prepays a maturing HUD mortgage and tenants are not provided housing choice vouchers, federal dollars that could come to our region are lost. Moreover, the owner now has a major decision to make:

- Let the property further deteriorate and hope that the low-income tenants will produce enough rental revenue to keep the property in operation, even when capital improvement needs go unaddressed and/or building operations and maintenance services are pared back.
- Upgrade the property and convert it to a "market-rate" property that produces higher unsubsidized rents that may price-out existing tenants.
- Sell the property on the open market. (This may or may not preserve the housing or the housing's affordability to low- and moderate-income households.)
- Seek public funds for the property's rehabilitation and keep the housing affordable.

If the owner chooses any one of the first three options, there may or may not be a financial profit or loss, but all three would likely result in the loss of subsidized units and the loss of federal project-based rental subsidy funds. Not only does this leave federal dollars that could have come to the region on the table, but under all three scenarios households will likely be displaced. Competition for the limited number of units affordable to lower-income households will intensify.

If, however, the owner can secure public financing to rehabilitate the property, all three types of preservation can be accomplished rather effectively. In this preservation example, one can see that a single public investment that enables a property owner to continue serving a vulnerable clientele, and earn a reasonable return on investment, provides a multifaceted public benefit. Furthermore, by securing these guarantees through legal documents pertaining to a rehabilitation loan or grant transaction, the public can take action against the owner if it reneges on one or more of the required conditions.

Council role

- Encourage preservation of existing housing where rehabilitation is a cost-effective strategy to maintaining housing.
- Collaborate with regional housing partners and funders to identify priorities for preserving affordable housing and available resources.
- Work with partners in the advocacy and public finance domains to monitor potential opt-outs (owners considering selling or renovating such that their units would no longer be affordable) and explore mutually beneficial alternatives.
- Administer Section 8 Tenant Protection Enhanced Vouchers provided by HUD for affected households in the event of a subsidy contract opt-out or mortgage prepay of a federally subsidized property.

Local opportunities

- Use local code enforcement to maintain the housing stock, preserve property values, and protect safe neighborhoods for their residents.
- Consider rental property licensing and other approaches to encourage landlords to preserve the quality of housing stock.
- Connect homeowners to tools and funding to maintain and rehabilitate their homes.
- Consider using the new legislative authority for Housing Improvement Areas.
- Provide resources for housing rehabilitation either directly or through funding programs such as Community Development Block Grants.
- Collaborate with partners, especially counties, to rehabilitate and preserve existing housing, especially affordable housing, when it is strategic and cost effective, including in rural areas.
- Provide property owners who have received citations for code violations with referrals to resources that support rehabilitation while preserving affordability.

- Support the continued participation of project-based subsidy programs by engaging property owners and emphasizing the community benefits of participation.
- Include preservation opportunities, goals, and incentives in the housing element of comprehensive plans and in the housing action plans for Livable Communities Act participants.

Address how "naturally occurring" or unsubsidized affordable housing meets the region's housing needs

In recent years, conversation in the housing industry has increasingly included what is known as unsubsidized affordable housing or "naturally occurring" affordable housing. The rents that the housing can demand in the private market given the properties' quality, location, age, size, or amenities remain low enough to be affordable to low- and moderate-income households, who might otherwise qualify to live in publicly subsidized housing. Unsubsidized rentals constitute nearly 6 in 10 units affordable to households at or below 50% of area median income, or approximately 120,000 housing units in the region.[25] Many of these properties also offer appealing locations, proximate to natural resources such as rivers, lakes, and parks. Because this proximity would be difficult to replicate in today's economic environment, preservation of these properties becomes important.

Much of this stock was built in the 1960s, 1970s, and 1980s when construction quality varied considerably. Many of these properties are now facing not just routine maintenance and repair but the need for replacement of major systems such as roofing and electrical, mechanical, and plumbing systems. While owners need infusions of capital to maintain these properties, many lack interest in securing or are unable to secure funding from the sources that create publicly subsidized affordable housing. As a result, a large share of our region's supply of existing unsubsidized affordable housing is at risk of loss.

Encouraging owners of unsubsidized affordable housing to keep their properties in good condition and to maintain their "natural" affordability is an important part of the region's overall strategy to maintain a range of housing choices. Strategies will likely involve a mix of light to deep public interventions. For example, the state's Low-Income Rental Classification (tax class 4d), an existing but underused tool that can provide favorable tax benefits for owners making property improvements, could possibly be tied to a guarantee of the ongoing use of properties as housing for low- and moderate-income households.

As many of these properties are in desirable locations, it will also be particularly critical to develop strategies for preserving unsubsidized affordable housing located in or near current or future transit areas and transportation investments, amenities such as natural features or parks, and with reasonable access to necessary services, jobs, and educational opportunities.

If public tools are provided to owners of unsubsidized affordable housing, leading to rent and income restrictions, the income level of existing tenants and what happens with units as households move out are particularly important. Many of these properties have high numbers of households with income sufficient to afford higher-rent housing. As identified in The Space Between, as many as 40% of unsubsidized units affordable to households earning at or below 50% of AMI are occupied by higher-income households.[26] The ideal moment to expand opportunities for lower-income households to move into these unsubsidized affordable units is when these higher-income households move out. On the one hand, improving the match of lower-income households to lower-rent units addresses the lack of affordable housing options for lower-income households. On the other hand, it may also reduce opportunities for naturally-occurring mixed-income developments. Nonetheless, improving the alignment of low- and moderate-income households to rental units they can afford will reduce the housing cost burden many households face.

Unsubsidized affordable housing is not only a rental asset but also an owner-occupied option. Many owner-occupied single-family homes, condominiums, and townhomes are affordable to households at less than 80% of AMI because of their size, age, or location. While the affordability of these units is not the result of public intervention, public low- or no-interest loans help low- or moderate-income homeowners maintain and rehabilitate their property. These tools allow these properties to stay in good condition and remain affordable to their owners. Similarly, various subsidies to provide down-payment or other assistance that makes homeownership an option for eligible households are an important resource that keeps unsubsidized but affordable homeownership viable. Many cities and counties administer or fund these rehabilitation and homebuyer assistance programs.

The region's approximately 14,000 units of manufactured housing offer an affordable alternative to low-income households. Manufactured housing offers some households their only realistic opportunity to become homeowners. In Minnesota, manufactured homes are classified as private property rather than real property, so that purchasers of manufactured homes often cannot access traditional mortgage financing and pay higher rates more akin to a car loan. Manufactured housing has dramatically improved in quality over the past several decades, becoming more durable and safe in inclement weather. Nearly all manufactured homes in the region are located in manufactured housing parks where homeowners lease a pad from the park owner to connect to utilities and a solid foundation.

Council role

- Provide technical assistance and tools to local governments for preserving unsubsidized affordable rental housing (see more in Part III).
- Work with partners in housing finance, development, advocacy, and other areas to explore

the potential for a right of first refusal or right of first offer by a specified state, county, or local entity or entities, local land banks, or nonprofit development firms, for unsubsidized affordable housing that is for sale (see the Glossary in the Appendices for definition of right of first refusal and offer).

- Acknowledge programs that enable or maintain unsubsidized affordable housing, including both homeownership and rental options, through the Housing Performance Score (see more in Part III).

Local opportunities

- Use housing code enforcement or rental licensing as tools to maintain unsubsidized affordable housing.
- Inform property owners of opportunities to maintain the affordability of their unsubsidized affordable housing properties.
- Communicate the value and importance of unsubsidized affordable housing, ensuring that property owners feel engaged and appreciated.
- Explore use of tax abatement, fee waivers, or other locally available financing tools to encourage the maintenance and preservation of unsubsidized affordable housing.
- Provide incentives such as reduced inspection fees or home rehabilitation grants that encourage the quality upkeep of unsubsidized affordable housing.

Leverage housing investments with our existing infrastructure

Orderly and efficient land uses lay the foundation for a prosperous region. The Council sets the framework for land use patterns and guides the overall development of the region, as directed by the Metropolitan Land Planning Act (Minn. Stat. 473.145). To be fiscally responsible, the Council guides new housing to locations that leverage the region's existing infrastructure investments. Directing new housing to enable the region's growth in places where infrastructure already exists reduces the need to add roads or expand the regional wastewater system, thus preventing additional expenditures. Making efficient use of land also reduces outward development pressures in rural and natural resource areas. Finally, residential density increases the potential for overall housing affordability by allowing more housing units per acre of land.

Table 3: Overall density expectations for new growth, development, and redevelopment (from Thrive MSP 2040)

Metropolitan Urban Service Area: Minimum Average Net Density	
Urban Center	20 units/acre
Urban	10 units/acre
Suburban	5 units/acre
Suburban Edge	3-5 units/acre
Emerging Suburban Edge	3-5 units/acre
Rural Service Area: Maximum Allowed Density, except Rural Centers	
Rural Center	3-5 units/acre minimum
Rural Residential	1- to 2.5-acre lots existing, 1 unit/10 acres where possible
Diversified Rural	4 units/40 acres
Agricultural	1 unit/40 acres

The region is able to provide cost-effective infrastructure and services when it can anticipate where, when, and to what extent growth will occur. The Council establishes overall density expectations for communities based on their Community Designation. Density thresholds are based on an understanding of future regional growth, market demand in different parts of the region, existing development patterns and redevelopment opportunities, and existing planned land uses in local comprehensive plans.

Each community's values are unique, so how and where density is guided is determined by each community consistent with regional policies. Communities in the Metropolitan Urban Services Area (MUSA) and Rural Center communities are expected to plan for achieving the overall minimum average density expectations* in their community across all areas identified for new growth, development, and redevelopment.

Council role

- Advance the Council mission of fostering orderly and economical development.
- Develop and update regional plans to manage forecasted growth by using regional systems and land efficiently and effectively.
- Coordinate major regional investment projects with local infrastructure and planning for residential development and redevelopment.
- Promote residential development patterns that protect natural resources, the quality and quantity of our water resources, and our water supply.
- Promote interconnected, compact residential development patterns.

Local responsibilities

- Plan for residential development to support forecasted growth at appropriate housing densities and in areas that make the most efficient use of existing (local and regional) infrastructure.

Local opportunities

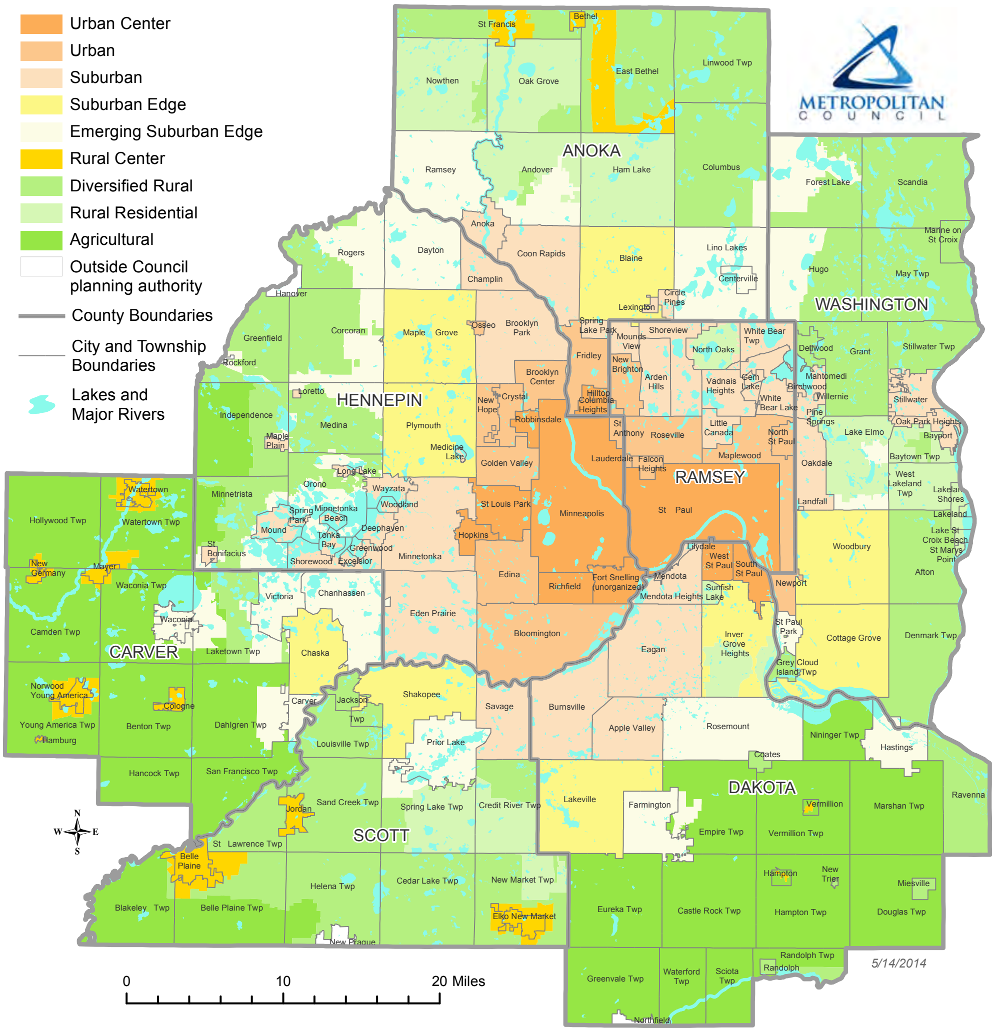
- Work with developers to design high-quality housing projects and neighborhoods that effectively incorporate density.
- Engage local residents to identify areas appropriate for higher density that support community resilience and provide connections to jobs, schools, and amenities.

Create or preserve a mix of housing affordability around emerging transit investments

The region has been building its highway system for more than 50 years, but only in the last decade have we started to build new fixed-route transitways, such as light rail and bus rapid transit, to supplement our extensive bus network. Opportunities to invest in transitways exist across the urbanized parts of our region, from Suburban communities like Eden Prairie and

* The Council measures minimum net density across all areas identified to support forecasted growth by taking the minimum number of planned housing units and dividing by the net acreage. Net acreage does not include land covered by wetlands, water bodies, public parks and trails, public open space, arterial road rights-of-way, and other undevelopable acres, such as steep slopes, identified in or protected by local ordinances.

Figure 16: Community Designations (from Thrive MSP 2040 as adopted May 28, 2014)



Brooklyn Park to Suburban Edge communities like Lakeville and Woodbury. We have learned that effective stewardship of public transit dollars requires a more strategic coordination of regional transit investments with surrounding land uses, connected development patterns, and urban form. Since much of our region developed around roads and private automobiles, the changes in land use and urban form required to make transit successful are significant. To leverage our regional transit investments, the Council will need strong local partners who are willing to plan and invest in their communities and coordinate with neighboring communities to develop around transit.

In addition, the *2040 Transportation Policy Plan* explicitly outlines expectations for locating higher-density residential and mixed-use developments that include a mix of housing affordability at transit stations and along transit corridors. Integrating housing development and transit planning creates development patterns that expand travel choices for households—allowing more people the options of driving fewer miles, not owning a car, or having fewer cars per household. This integration of residential development and transit planning also supports high transit demand.

As our region makes significant investments in transit, particularly transitways, we must also take steps to minimize and mitigate the impacts of neighborhood change along transit that can displace existing low-income residents. Taking proactive steps to preserve a mix of housing affordability protects housing options for existing low-income residents alongside the newer higher-income residents and rising housing costs that transit investments attract.

Council role

- Assist local governments in planning for increased residential density in strategic transit and transportation corridors.
- Focus transit investments where housing densities support transit already or are guided to support such densities through the comprehensive planning process.
- Provide technical assistance for station area planning that maximizes residential densities where appropriate (see more in Part III).
- Provide Livable Communities Transit-Oriented Development grants that support housing development along transit corridors to expand housing choices along transit.
- Define density expectations for new housing and mixed-use development and redevelopment at transit stations and along transit corridors.
- Expect local plans and programs to create or preserve a mix of housing affordability in transit station areas.
- Align Council resources and work with other partners to help create or preserve a mix of housing affordability along the region's transit routes and corridors, helping low-income households benefit from transit investments.
- Promote transit-oriented development that ensures a mix of housing affordability in transit station areas.
- Develop guidance based on existing best practices to aid cities (or coalitions of cities along a particular transit corridor) in the identification of high opportunity sites, districts, or areas.

Local responsibilities

- Plan for increased residential density in strategic transit and transportation corridors.
- Work with local and regional partners to plan for major transit investments.

Local opportunities

- Develop a focused strategy for preserving existing housing—particularly higher-density housing with a mix of housing affordability—located near current and future transit areas.

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[25] Minnesota Preservation Plus Initiative, *The Space Between: Realities and Possibilities in Preserving Unsubsidized Affordable Rental Housing* (2013). Retrieved from http://www.fhfund.org/wp-content/uploads/2013/06/Space_Between_Final_June-2013.pdf.

[26] Ibid.


Tyvek

Prosperity

Prosperity is fostered by investments in infrastructure and amenities that create regional economic competitiveness, thereby attracting and retaining successful businesses, a talented workforce, and consequently wealth. Housing plays a key role in economic competitiveness by providing homes for the workforce that keeps our region's economy growing and diversifying.

KEY TAKEAWAY:

Housing—both a range of housing options and housing situated close to transportation choices—can advance the region's economic prosperity and competitiveness.

Plan for the range of options to house the workforce and enhance regional competitiveness

Housing is an important issue for not only individuals, families, and local governments, but also businesses. A range of housing options with convenient access to jobs helps attract and retain workers in the region. Housing in close proximity to job opportunities reduces commute times and carbon emissions because of shorter travel distances and travel choices other than the automobile.

Employers locate worksites to maximize their accessibility and proximity to the workforce they need. Our region competes with other regions across the world to attract the talented young workers needed for the region's growing economy and to replace retiring baby boomers. To compete successfully for this generation, our region must provide the housing, transit, transportation, and quality of life amenities that will continue to attract and retain the talent needed by employers. The Council will help plan and invest in the infrastructure, amenities, and quality of life the region needs to be economically competitive.

Affordable housing choices at all income levels foster economic competitiveness by providing homes for the workforce needed by many businesses desirable to a thriving community. Furthermore, the development of any kind of housing leads to increased spending in the surrounding economy, in the short term by the workers building the housing and in the long term by the residents that will occupy it.[27] Affordable housing allows residents to spend more of their money in the local economy than they would if they were cost-burdened.

Council role

- Use its resources, including investments in transit, infrastructure, and redevelopment, to help create and preserve mixed-income neighborhoods and housing choices across the region.
- Collaborate with local partners to reduce the institutional barriers to mixed-income housing development (see more in Part IV).
- Encourage local governments to address gaps in housing choices within their local housing stock.
- Support existing efforts such as Urban Land Institute of Minnesota and Regional Council of Mayors' Redevelopment-Ready Guide that further the creation of a full range of housing choices.
- Expand viable housing options by investing in and encouraging new affordable housing in higher-income areas of the region, particularly in areas that are well connected to jobs and opportunity.

Local opportunities

- Provide resources for housing construction or rehabilitation either directly or through funding programs such as CDBG.
- Utilize existing resources such as the Urban Land Institute's Minnesota Housing Policy Toolbox to create strategies that encourage a range of housing choices at the local level.
- Work with local employers to understand and help support and promote the local housing choices their employees need.
- Communicate the importance of a range of housing choices to support prosperity.

Recognize the role of homeownership in creating wealth and prosperity

Owning one's own home is for many citizens the "American Dream." Homeownership is not only a source of status or success, but is positively associated with wealth accumulation, positive labor market and health outcomes, and educational attainment. Home construction is a major sector in the economy, and homes often represent households' most valuable asset. Many homeowners take pride in maintaining their residence and experience a greater sense of community as they have "put down their roots."

In 2013, the 16-county Minneapolis-St. Paul-Bloomington metropolitan statistical area had the highest rate of homeownership among the country's 25 most populous metropolitan areas at 69.5% (statistically tied with St. Louis; the national average was 63.5%). But our metro area also had the largest homeownership gap (nearly 37 percentage points) between white, non-Latino households and households of color. Only about one-quarter (26.3%) of

Black households own their homes, one of the lowest homeownership rates for Blacks in large metropolitan areas.[28] Numerous factors may contribute to these gaps in homeownership, including differentials in wealth and income, demographics, a lack of cultural awareness among lending institutions, and discriminatory practices in lending. Pre- and post-purchase homeownership counseling can help ensure that homebuyers understand the costs and upkeep responsibilities that accompany homeownership.

New alliances are also being formed to tackle this issue, bringing together real estate professionals, housing policy makers and practitioners, lenders, brokers, and advocacy groups. For example, the newly created Homeownership Alliance, led by the Minnesota Homeownership Center, has convened a working group to improve the industry's ability to deliver results. Early sessions have revealed that stakeholders feel the following are essential:

- Meaningful short- and long-term strategies to raise diversity in homeownership.
- Shared understanding of the gap and increased cultural competency.
- New financial tools to open doors to homeownership.
- Unique ownership models (e.g., community land trusts and tenant-owned co-ops can play a role).
- Shared understanding that narrowing the gap benefits everyone.

Providing the tools to create successful homeownership should be seen as an economic imperative for the region.

Community Land Trusts (CLT) are one model for helping low- and moderate-income households successfully enter homeownership. A CLT is a nonprofit-organization that typically purchases single-family homes (though multifamily CLTs do exist), makes any necessary repairs, and connects a low-income family to a new ownership opportunity. The model is unique in that the land trust continues to own the land, and rather than including that cost in the purchase price enters into a long-term lease with the homebuyer. This reduces the cost to the buyer and makes the home more affordable. When turnover occurs, the land trust is able, through its land ownership and organizing structure, to sell the home and lease the land to another low-income family, providing for long-term affordability.

Council role

- Participate in regional efforts such as the Homeownership Alliance to promote sustainable homeownership.

Local opportunities

- Connect homeowners to rehabilitation funding and other resources to maintain healthy, thriving neighborhoods of owner-occupied homes.
- Offer a range of housing options to households interested in homeownership.

Expand opportunities for households to reduce their combined costs of housing and transportation

The combined cost of housing plus transportation consumes a disproportionate amount of household income. By one recent estimate, eliminating an automobile can save a household more than $9,000 annually[29] —money that could otherwise be used to support the local economy. Even reducing miles driven can save a significant amount of money for a household. For many, considering housing plus transportation costs together provides a meaningful lens to evaluate tradeoffs. Some households may be willing to drive farther for work because they value having a large yard or want their children to attend a particular school district. Others may be indifferent to having a yard and find that stable good-paying employment requires a long commute. An affordable home in a desirable neighborhood and school district is not a viable option for a household unable to reach a job in a reasonable amount of time at a reasonable expense. As the regional transit system develops, more residents will have more transportation options. Considering housing plus transportation costs together can inform household decision-making as well as regional and local planning.

Council role

- Provide information on regional and sub-regional cost burden levels and trends, and housing and transportation costs.
- Encourage a full range of housing options in locations near job opportunities, shopping, and schools, and in places that support travel and commuting by walking, bicycling, or transit.

Local opportunities

- Consider both housing and transportation costs in local planning processes.
- Identify opportunities to improve links between existing housing clusters and job concentrations.
- Explore how to improve residents' ability to access jobs, services, and amenities without a personal vehicle.

- Target higher housing densities, including a mix of housing affordability, close to regional job concentrations.

Encourage redevelopment and infill development to meet the region's housing need

Healthy, thriving regions need both a strong periphery and a strong core. Development on undeveloped or agricultural land—greenfield development—typically costs developers or builders less because the costs of demolition or pollution remediation are minimal and land prices are lower. However, development on greenfields often has higher long-term public costs because it requires extending regional infrastructure to new areas.

In contrast, infill development and redevelopment require less new regional infrastructure but can be more challenging for developers, both in the direct costs of demolition and pollution remediation and in the increased complexity of integrating projects into existing neighborhoods. Over the long-term, proportionately more infill development and redevelopment compared to greenfield development will result in a denser, more compact region that efficiently utilizes existing infrastructure and reduces travel distances. The Council has a rich history of funding projects that improve the environmental condition of brownfield sites to promote their redevelopment, creating economic opportunity, expanding housing choices, and growing the local tax base.

Council role

- Work with cities and other regional partners to explore the need for new and additional tools to support and finance redevelopment.
- Use its role and authorities to encourage the streamlining of redevelopment processes and remove barriers to economically feasible development, thereby helping to equalize the playing field between redevelopment, infill development, and greenfield development sites.
- Provide grants to support brownfield and infill site redevelopment that can lead to a full range of housing choices.

Local opportunities

- Identify key brownfield and infill sites and provide a stable, predictable local regulatory process to attract developer interest.
- Consider how redevelopment contributes to and does not diminish a mix of housing affordability.

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[27] Center for Housing Policy, *The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature* (2011). Retrieved from http://www.nhc.org/media/files/Housing-and-Economic-Development-Report-2011.pdf.

[28] U.S. Census Bureau, 2013 American Community Survey.

[29] American Automobile Association, "Your Driving Costs" (2014). Available from http://newsroom.aaa.com/2014/05/owning-and-operating-your-vehicle-just-got-a-little-cheaper-aaas-2014-your-driving-costs-study/.


Sienna Green

Equity

Equity connects all residents to opportunity and creates viable housing options for people of all races, ethnicities, incomes, and abilities so that all communities share the opportunities and challenges of growth and change. Our region is stronger when all people live in communities that provide them access to opportunities for success, prosperity, and quality of life.

KEY TAKEAWAY:

All residents in the region—people of all races, ethnicities, incomes, and abilities—need viable housing options for safe, stable, and quality affordable homes and neighborhoods.

Create viable housing options that give people in all life stages and of all economic means viable choices for safe, stable, and affordable homes

While households at all income levels want options for safe, stable, and affordable homes, the private market tends to provide fewer choices for households at lower incomes. As outlined in Part I, the need for affordable housing is growing in the region. Housing is generally regarded as affordable when a household pays no more than 30% of its gross income for it. But being affordable is only part of the puzzle.

People want to live in places that reflect their values and goals around health, social engagement, and education. They need a home, not just an apartment, condo, townhome or single-family house. And perhaps above all, people need real choice in determining where they live, in what style, and with what amenities both inside and out. This is true along our blocks, in our communities as a whole, and across the metro.

A region with truly viable housing choice is one that allows households to secure housing affordable to them, in communities where they would like to live, while also:

- Matching their family size, whether growing, maintaining, or decreasing in size.
- Reflecting their household lifestyle, no matter where in the life cycle their household members are.
- Providing a high level of access to quality employment and educational opportunities without having to travel great distances.
- Offering reasonable proximity to essential services, amenities, and retail.
- Including features that make life easier, particularly for individuals requiring special care.
- Fostering a sense of inclusiveness and welcome for households of various types and origins.

Making such options a reality, particularly where private market activity may prove sparse at best, will take a careful calibration of public and private activities that can:

- Bring new jobs, people, development, and economic vitality into areas where historical or contemporary disinvestment has occurred or is occurring.
- Expand the range of market-rate and affordable housing options—across the full region and including its central communities—including mixed-income developments.
- Maximize linkages between housing needs of all types and available opportunities.
- Create incentives for equitable development.

Creating options means balancing competing priorities and needs. For example, while changing demographics suggest a need for more smaller units, many low- or moderate-income households seek larger housing units that can accommodate a large or multigenerational family.

Council role

- Provide technical assistance to communities to establish, encourage, expand, and preserve affordable housing options; and expand local knowledge of and access to funding assistance for housing, whether public, private, or philanthropic (see more in Part III).
- Strategically invest Council resources to assist communities to increase the variety of housing types and costs, attract and retain residents, create and preserve mixed-income neighborhoods, appropriately mix land uses, and leverage private investment.
- Expand viable housing options by investing in and encouraging additional affordable housing in higher-income areas of the region, particularly in areas that are well connected to jobs and opportunity.
- Work with housing partners and local governments to expand the supply of, and encourage increased resources for, affordable housing at the federal, state, regional, and local levels. The goal is to help close the gap between the region's affordable housing need and the supply, especially in areas underserved by affordable housing, and to house extremely-low-income households earning less than 30% of the area median income.

Local responsibilities

- Prepare a local comprehensive plan that addresses the housing planning requirements of the Metropolitan Land Planning Act. This includes guiding sufficient land to support a community's share of the regional affordable housing need, and creating housing element and implementation program sections that identify the programs, fiscal devices, and official controls that will be used to address a community's share of the regional need for affordable housing (see more in Part III).
- [For communities choosing to participate in the Livable Communities Act programs] Negotiate affordable and life-cycle housing goals that support regional and local housing needs, prepare a Housing Action Plan to address those goals, and become eligible to access grant funding to address local development and redevelopment objectives.

Local opportunities

- Assess the effectiveness of local regulatory, fiscal, and planning tools that can lower total development costs and make affordable housing more feasible while also meeting other fiscal and planning objectives.
- Provide resources that expand housing options for new housing construction or rehabilitation either directly or through funding programs such as CDBG.
- Review local ordinances, policies, and partnerships to ensure they encourage and facilitate the opportunity for the development or preservation of affordable and life-cycle housing.
- Consider strategies to expand owner-occupied housing affordable to low- and moderate-income households by developing partnerships with community land trusts and nonprofit models such as Twin Cities Habitat for Humanity.
- Acquire land where appropriate and feasible to support future mixed-income development.
- Assess fiscal and regulatory tools and incentives available to attract housing developers.
- Identify and analyze local markets, the existing and forecasted affordable housing need, and the location, condition, and availability of a variety of housing types, both publicly subsidized and unsubsidized, to inform the housing element of the local comprehensive plan.
- Utilize the Urban Land Institute-Minnesota and Regional Council of Mayors' Opportunity City Program's Community Site Principles, Housing Policy Tool Box, and other tools that foster best practices for maximizing land use and connecting with job and transportation networks.
- Work with developers to build connections among and enhance social capital of residents of newly-constructed affordable and mixed-income housing.

Use housing investments to build a more equitable region

By 2010, one in eight of our region's residents lived in an Area of Concentrated Poverty. Areas of Concentrated Poverty often suffer from a lack of private investment, poorer performing schools, an absence of job opportunities, higher crime rates, and lower-quality housing stock. But this does not necessarily make them undesirable places to live or invest. These neighborhoods often have many desirable qualities that are sometimes overlooked: access to a variety of transportation options, rich neighborhood history, deep community relationships, diverse housing stock, and proximity to downtown job concentrations.

Public interventions should increase the likelihood of private investment by addressing educational opportunities, crime, and the quality of the housing stock as well as by spreading the message that these neighborhoods have many assets, too. As this document is a housing plan, not a broader anti-poverty plan, the strategies described here will focus on housing investments alone.

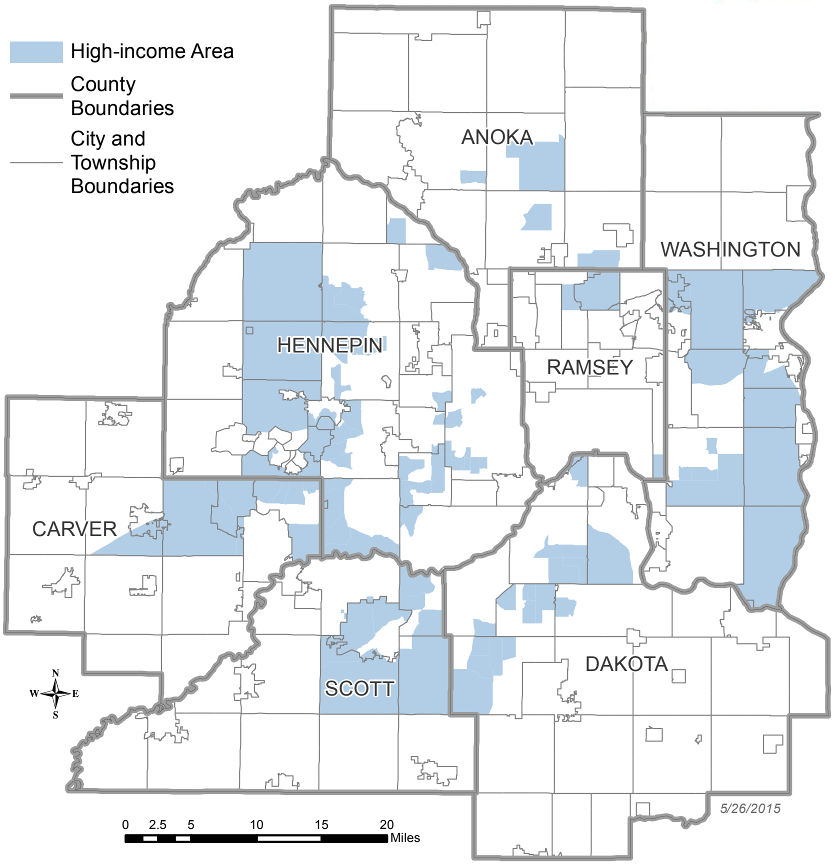
The decline of private investment is one of the most destructive outcomes facing a community with a high concentration of poverty. The social and supportive services that often arise to address the problems of the community (job programs, public assistance offices, supportive housing) only strengthen the perception that investment is a losing proposition. Thus a destructive cycle is created. Public and nonprofit investments—in both development and services—become concentrated in neighborhoods where the need now exists. Market-rate investment in neighborhoods with concentrations of low-income households comes to seem risky for both the private and public sectors.

Conversely, improvements to an impoverished neighborhood, such as transit investment, may inflate the cost of housing and displace residents living in poverty just as conditions are improving. While the scale of the actual problem may be less than what residents perceive, housing choices are reduced when households are priced out of their neighborhood. Moreover, the fear of gentrification reveals the real challenge of creating communities that provide a full range of housing options. Lower-income neighborhoods may be as wary of market-rate development as higher-income neighborhoods are of affordable housing. Magnifying these challenges are the very real market forces that resist investing in higher-income housing options in neighborhoods perceived to be declining and public resistance to subsidizing market-rate developments in areas deemed risky for private investment.

Equitable development creates healthy vibrant communities of opportunity where low-income people, people of color, new immigrants, and people with disabilities participate in and benefit from decisions and investments that shape their neighborhoods. Sustained authentic public engagement with all residents is key to equitable development (see more on p. 85).

In addition to attracting a mix of investment to Areas of Concentrated Poverty, creating a more equitable region requires simultaneously increasing housing choices for low- and moderate-income households outside of Areas of Concentrated Poverty. Providing a full range of housing choices throughout the region requires a balanced approach: adding affordable housing in higher-income areas, maintaining a mix of housing affordability in areas

Figure 17: High-income census tracts



where future public investments hold great untapped potential, and enhancing the livability of low-income neighborhoods. The Council is committed to creating safe, thriving communities, and improving the variety and location of housing options for all households, thus furthering fair housing choices across the region.

A particular challenge of this balanced approach is promoting more affordable housing development in the cities in the Suburban, Suburban Edge, and Emerging Suburban Edge designations.

The Council uses an array of tools, all described in greater detail in Part III of this plan, to encourage these cities to develop affordable housing:

- Allocating each growing city its share of the region's need for additional affordable housing.
- Using the Housing Performance Score as a scoring criterion for Livable Communities Act funds and the Regional Solicitation for federal transportation funding to incent local plans and policies to maintain and expand each city's stock of affordable housing.
- Negotiating affordable housing goals with communities participating in the Livable Communities Act programs.
- Collaborating with regional housing funding partners to provide financial support to affordable housing development.
- Working with local governments to develop effective housing elements and housing implementation programs in their local comprehensive plans.
- Reviewing local comprehensive plans to assure that local governments are guiding an adequate supply of land to meet their allocation of affordable housing need.
- Providing technical assistance to local governments interested in better understanding best practices around affordable housing.
- Helping local governments connect and work with affordable housing developers.

While access to transit can expand household transportation choices particularly for low-income households, access to transit should not constrain where additional affordable housing is constructed. Even among the lowest income households—those earning less than $30,000 a year—64% of all trips are by automobile.[30]

Local governments whose comprehensive plans do not guide an adequate supply of land to meet their allocation of affordable housing needs are not eligible to receive grants through any of the Livable Communities Act programs. Local governments that do not negotiate affordable housing goals with the Council are not eligible to receive grants through any of the Livable Communities Act programs or DEED's Contamination Cleanup and Investigation Grant Program.

While Not-In-My-Back-Yard sentiments persist among residents in different corners of the region (in both traditionally suburban locations as well as core center city neighborhoods), many local governments now recognize the importance of providing the full range of housing choices to their residents. In leveraging this interest, the Council's focus is to identify and address institutional challenges to suburban affordable housing development, whether lack of investor priorities or underdeveloped local government capacity, to navigate the complexities of affordable housing development.

Council role

- Work with communities to create a mix of housing affordability, including subsidies to strategically locate market-rate housing in areas that lack such options as well as affordable housing in areas that lack affordability.
- Use Livable Communities Act resources to both catalyze private investment in Areas of Concentrated Poverty and attract affordable housing to higher-income areas.
- Work with our partners and stakeholders to identify indicators to measure how projects, supported with Council resources, advance equity, including providing opportunities to residents of Areas of Concentrated Poverty, lower-income households, and people with disabilities.
- Identify and address institutional challenges and barriers, including a lack of funding, to affordable housing development in Suburban, Suburban Edge, and Emerging Suburban Edge locations.
- Encourage private market interest in these targeted areas through transit investments, education, and marketing support to local communities.

Local opportunities

- Plan for neighborhoods with a mix of housing affordability, including through the comprehensive planning process.
- Continue or expand efforts to mitigate Areas of Concentrated Poverty with crime reduction efforts, investment incentives, and placemaking initiatives (see more in Part IV).
- Provide or help fund counseling programs that support first-time homebuyers and homeowners at risk of foreclosure to create and sustain successful homeownership and wealth-building, particularly among lower-income households and households of color.

Advance fair housing

The federal Fair Housing Act declares the federal government's intention to address and prevent discriminatory practices in housing: "It is the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States."[31] The Act covers a broad range of prohibited housing and real-estate-oriented practices that may be undertaken by lenders, leasing agents, real estate brokers, and others including but not limited to:

- Refusing to sell or rent to any person on the basis of race, color, religion, sex, or national origin.
- Discriminating by offering differential terms on the bases above.
- Making, printing or publishing material pertaining to sale or rental of housing that includes any stated "preferences, limitations, or discrimination" excluding protected groups.
- Claiming to any person on the basis of race, color, religion, sex or national origin that a unit is not for sale or rent when in fact it is.
- Refusing to permit, at the expense of a person with disabilities, reasonable modifications that enable the tenant to have full enjoyment of the premises.
- Discrimination in real-estate-related transactions and in provision of brokerage services.

Additionally, the Minnesota Human Rights Act explicitly bans discrimination in housing and real estate:

> "Subdivision 1. Freedom from discrimination.
>
> (a) It is the public policy of this state to secure for persons in this state, freedom from discrimination:
>
> (1) in employment because of race, color, creed, religion, national origin, sex, marital status, disability, status with regard to public assistance, sexual orientation, and age;
> (2) in housing and real property because of race, color, creed, religion, national origin, sex, marital status, disability, status with regard to public assistance, sexual orientation, and familial status;
> (3) in public accommodations because of race, color, creed, religion, national origin, sex, sexual orientation, and disability;
> (4) in public services because of race, color, creed, religion, national origin, sex, marital status, disability, sexual orientation, and status with regard to public assistance; and
> (5) in education because of race, color, creed, religion, national origin, sex, marital status, disability, status with regard to public assistance, sexual orientation, and age.
>
> (b) Such discrimination threatens the rights and privileges of the inhabitants of this state and menaces the institutions and foundations of democracy. It is also the public policy of this state to protect all persons from wholly unfounded charges of discrimination. Nothing in this chapter shall be interpreted as restricting the implementation of positive action programs to combat discrimination." (Minn. Stat. 363A.02)

There are several key types of housing discrimination:

- Mortgage lending discrimination results from lending practices that disproportionately limit the access of households of color to mortgage products compared to similar white households. Mortgage lending discrimination can include predatory marketing of high-cost subprime loans to prospective homeowners of color, higher loan denial rates for households of color, and more limited access to prime mortgages for properties in neighborhoods of color.
- Real estate steering is a discriminatory practice where real estate agents discourage households of color from pursuing homes in white neighborhoods, or where agents show homebuyers homes only in areas that are economically, racially, ethnically, or culturally similar to the buyer.
- Barriers to qualification include poor credit rating, insufficient resource for down payment and closing costs, linguistic and cultural factors, and at times outright discrimination, where a household of color is deemed a higher credit risk than a white household despite having a roughly equivalent qualification profile.
- Discrimination in rental housing affects households of color, households of different national origin, people with disabilities, and other populations. Federal law prohibits refusing to rent to a tenant on the basis of race, color, national origin, religion, mental or physical disability, gender, or family status; but proving rental discrimination can be challenging, and regulatory enforcement mechanisms are weak.

In summer 2015, two important pieces of federal guidance relating to the Fair Housing Act were released.

In June 2015, the Supreme Court ruled in Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc. that disparate impact claims are valid under the Fair Housing Act. The court ruling established that proven discriminatory intent is not necessary to determine that a disparate impact has occurred in violation of the Fair Housing Act. However, the Court's decision does allow policies with disparate impact if they are necessary to achieve a valid interest.

In July 2015, HUD issued a final rule on Affirmatively Furthering Fair Housing. The rule reads:

> Affirmatively Furthering Fair Housing (AFFH) means taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, AFFH means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.[32]

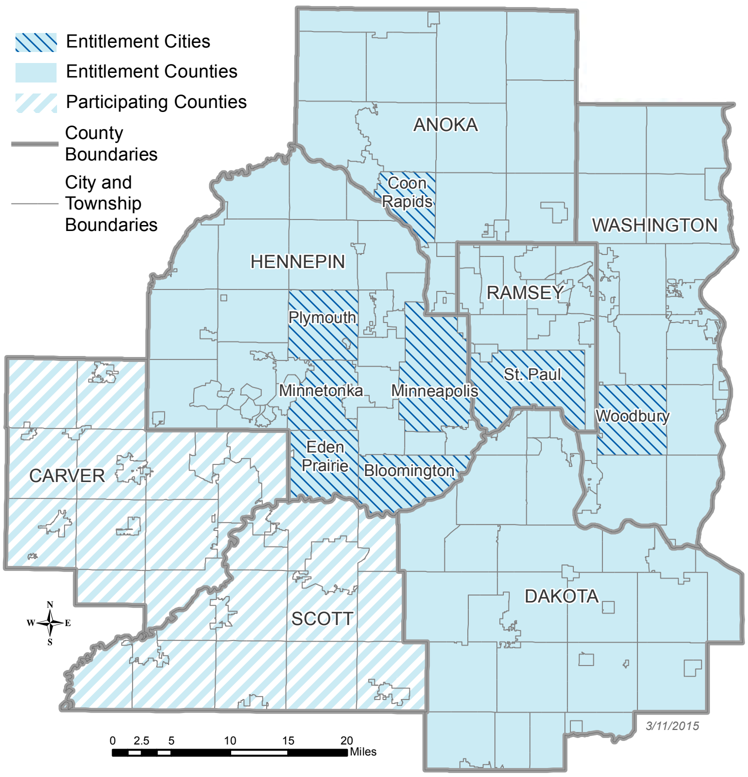
This rule clarifies that all entities receiving HUD funding—such as the Council through the activities of the Metro HRA—are accountable to affirmatively further fair housing. Other

Council programs and policies, including the review of comprehensive plans, Livable Communities Act activities, and Housing Performance Scores, are not funded through HUD programs. Nonetheless, the Council will continue to advance and advocate for fair housing through the Council roles articulated throughout this Plan.

Both the HUD rule on Affirmatively Furthering Fair Housing and the Supreme Court ruling on disparate impact and housing discrimination contain interpretations of the Fair Housing Act that support a "both/and" approach toward the challenges of providing housing choices to all regardless of race, ethnicity, and income. HUD's release of the rule noted, "By encouraging a balanced approach that includes targeted investments in revitalizing areas, as well as increased housing choice in areas of opportunity, the rule will enable program participants to promote access to community assets such as quality education, employment, and transportation."[33] This Plan advocates for both increasing opportunities for low-income households to find housing in higher-income and opportunity-rich neighborhoods AND improving outcomes and opportunities for households living in all Areas of Concentrated Poverty.

Established in 2002, the region's Fair Housing Implementation Council (FHIC) provides a venue for local entitlement communities[34] to voluntarily cooperate to develop a regional response to the HUD-required Analysis of Impediments (AI) to fair housing choice and to leverage their use of federal CDBG and HOME funds to affirmatively further fair housing. The current signatories to the 2012-2015 FHIC Cooperative Funding Agreement are the Anoka County Housing and Redevelopment Authority, Dakota County, Hennepin County, Ramsey County, Washington County, and the cities of Coon Rapids, Woodbury, Minneapolis and St. Paul. In developing an AI, jurisdictions examine the impediments or barriers to fair housing, housing choices, and the availability of housing choice that affects protected classes* within a geographic region. The essential components of an AI include:

Figure 18: Jurisdictions participating in or considering participation in the 2014 Regional Analysis of Impediments to Fair Housing Choice



* As detailed above, protected classes under Minnesota law are race, color, religion, sex, disability or handicap, familial status, national origin, creed, sexual or affectional orientation, marital status, and receipt of public assistance.

- Reviewing the state's or the entitlement jurisdiction's laws, regulations and administrative policies, procedures, and practices.
- Assessing how those laws affect the location, availability, and accessibility of housing.
- Evaluating conditions, public and private, affecting fair housing choice for all protected classes.
- Assessing the availability of affordable, accessible housing in a range of unit sizes.

The FHIC has produced AIs in 2001, 2009, and 2015. As prepared, the 2015 AI covers the jurisdictions receiving direct funding from HUD—that is, the cities of Bloomington, Coon Rapids, Eden Prairie, Minneapolis, Minnetonka, Plymouth, St. Paul and Woodbury, as well as Anoka, Dakota, Hennepin, Ramsey and Washington counties. In addition to the 13 entitlement jurisdictions, the Carver County Community Development Agency, the Scott County Community Development Agency, and the Metropolitan Council participated in and helped fund the AI to ensure that the process encompassed all seven counties of the metropolitan area. (The Council itself does not receive either CDBG or HOME dollars and is therefore not required to complete an AI. However, the Council contributes funding, participation, and technical support to the work of the FHIC to identify and develop strategies that address impediments to fair housing in the region.)

The State of Minnesota's AI—led by DEED in coordination with Minnesota Housing and the Minnesota Department of Human Services (DHS) —also addresses the seven-county metro area. These organizations jointly certify that they will affirmatively further fair housing when using HUD resources and that such responsibility will be extended to downstream recipients of the funding, such as local program administrators or developers.

Under the new Affirmatively Furthering Fair Housing rule, a new Assessment of Fair Housing will replace the Analysis of Impediments process. While HUD has not yet released all of the details of or the expected timelines for the Assessment of Fair Housing, the approach clearly builds on the work that the Council conducted to develop *Choice, Place, and Opportunity: An Equity Assessment of the Twin Cities.*

Council role

- Elect to adopt a Council-wide Fair Housing Policy.
- Require Livable Communities Act grant recipients to have fair housing policies and provide best practices to support local government efforts.
- Require housing projects funded through the Council Livable Communities Act grants to have affirmative fair housing marketing plans.
- Recognize local efforts to further fair housing by including Fair Housing elements in the Housing Performance Scores (see more in Part III).
- Participate in the Fair Housing Implementation Council and provide both data tools and technical assistance to support the 2015 Regional Analysis of Impediments and future Assessments of Fair Housing.
- Support local fair housing planning and decision-making with data tools, best practices, and technical assistance.

- Encourage local comprehensive plans to align with the Regional Analysis of Impediments to Fair Housing and the statewide Analysis of Impediments to Fair Housing.
- Collaborate with the authors of the statewide AI to ensure consistency with the housing priorities of the Twin Cities region.
- Complete an Assessment of Fair Housing within the timelines prescribed by HUD and use the Metro HRA's Public Housing Agency Plan to affirmatively further fair housing within Metro HRA's operations.

Local responsibilities

- Adopt local fair housing policies to be eligible to receive Livable Communities Act grants to support housing development.

Local oppportunities

- Develop and adopt standards or policies to promote fair housing and equal opportunity.
- Report any evidence of discriminatory housing practices to the appropriate federal and state authorities.
- Encourage new multifamily housing developments to develop affirmative fair housing marketing plans (see fairhousingmn.org for resources).

Use federal Housing Choice Vouchers to expand housing choice for low-income residents

The Council's Metropolitan Housing and Redevelopment Authority (Metro HRA) administers the state's largest HUD Section 8 Housing Choice Voucher Program. The program provides rent assistance to 6,200 households throughout Anoka, Carver, and most of suburban Hennepin and Ramsey counties. In total, the region is served by 14 Section 8 administrators with a total of approximately 19,500 vouchers. All administrators have lengthy waiting lists of additional eligible households.

Once a household receives a voucher, it can be used to help pay the rent for its current unit or for another unit in the private rental market. The family must rent a unit within the established rent limits and find a landlord willing to work with the program requirements. The chosen unit must also pass a housing inspection to ensure that it is safe. After some initial use requirements, vouchers are useable anywhere in the region, state, or country where there is a housing authority administering the Section 8 program.

Research shows that information and services provided to voucher holders about housing in opportunity-rich neighborhoods reap benefits. These include higher employment rates for adults and higher graduation and college attendance rates for the children. Mobility programs are staff intensive and include landlord recruitment, pre-move counseling, housing search assistance, and post-move counseling. These programs help families be successful in locating new housing, transitioning to a new neighborhood, and remaining stable and housed.

Council role

- Develop and provide tools, including competitive rent limits in higher-cost communities, to enable Housing Choice Voucher holders to choose the location that best meets their needs.
- Encourage ongoing coordination among metro agencies administering voucher programs to promote greater Section 8 mobility for voucher holders.
- Develop and provide mobility counseling for participants of the Metro HRA's Housing Choice Voucher Program to help ensure access to opportunity-rich communities and neighborhoods.
- Make project-based Section 8 Housing Choice Vouchers available through the Super RFP process to support project feasibility and provide stability in long-term operation for select projects in opportunity-rich locations.

Local opportunities

- Market the Section 8 Housing Choice Voucher program to local landlords and provide program information when issuing rental licenses and/or conducting property inspections.
- For local governments that distribute tenant-based rental assistance—including Section 8 Housing Choice Vouchers—implement approaches that create mobility options for recipients. These include offering competitive rent limits in higher-cost neighborhoods and providing mobility counseling.

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[30] Metropolitan Council, 2010 Travel Behavior Inventory.

[31] Fair Housing Act, 42 U.S.C. §3601.

[32] https://www.hudexchange.info/resources/documents/AFFH-Final-Rule.pdf, p. 305.

[33] http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2015/HUDNo_15-084

[34] For a full definition of entitlement communities, see the Glossary in the Appendices. Entitlement communities in our region are Anoka, Dakota, Hennepin, Ramsey, and Washington counties and the cities of Bloomington, Coon Rapids, Eden Prairie, Minneapolis, Minnetonka, Plymouth, St. Paul, and Woodbury.


POLAR

Livability

Livability focuses on the quality of the lives and experiences of our region's residents and how places and infrastructure create and enhance the quality of life that makes our region a great place to live. With abundant and beautiful open space, an active arts community, a range of housing options, and a reasonable cost of living, the Twin Cities region is widely recognized for its high quality of life. The Council's focus on livability is on creating and renewing vibrant places and underlying infrastructure, expanding housing choices, and collaborating with partners to achieve the full range of possibilities that help our region thrive.

KEY TAKEAWAY:

Our region's ongoing prosperity depends on ensuring the continued livability of our region for our changing demographics.

Livability adds value to our region by helping to attract and retain a talented workforce, increasing living choices, building community identity, highlighting the unique qualities of local places, and supporting individual lifestyle preferences. The Council is committed to increasing livability for people of all ages, races, ethnicities, incomes, national origins, and abilities in the region through its authorities, its investments in infrastructure, and its collaboration with others to sustain and increase a high quality of life.

Provide housing choices for a range of demographic characteristics

Communities throughout the region recognize the significance of housing quality, choice, and affordability. The region is expecting 367,000 new households by 2040. In addition to population growth, other factors influence housing need. These include the changing composition of families, disparities in household income and wealth generation, and an aging population that on average will be living longer, spending more on health care, and that may not be able to afford their current housing due to limited incomes. Recently demand has increased for multifamily housing, among both seniors and younger residents. This is particularly true in the central cities, fueled by demographic changes and market interest in areas well served by transit and amenities.

Over time, our region has grown into a variety of communities and neighborhoods with a wide range of housing. Single-family detached homes constitute 58% of our region's current housing stock. Demand for this housing stock is projected to continue, but the segments of our population that are growing will consist of households that may increasingly prefer neighborhoods that differ from historical patterns.

Recent trends support this shift. Since 2000, only 43% of our region's building permits have been for single-family detached homes. In both 2012 and 2013, the region issued more building permits for multifamily units than for all housing units in 2008, 2009, 2010 or 2011. Much of this recent multifamily construction has been in Minneapolis, reinforcing the disproportionate concentration of multifamily housing in our region's largest two cities. Together, Minneapolis and St. Paul have nearly 4 in 10 of the region's multifamily units. The livability challenge around these shifts is to create communities that offer satisfying experiences and meet the daily needs for living, shopping, working, and recreation for all of our region's demographic groups, not simply housing developments that offer a place to own or rent.

Growing cohorts of residents, including international immigrants and young professionals living alone, may need housing and transportation choices beyond what our region now offers. New Americans move to our region from across the globe, bringing with them unique cultural histories that enhance the richness and vibrancy of our region. Some of these new Americans also bring preferences for more multigenerational living than our current housing stock supports.

Culturally sensitive housing can provide flexible spaces that accommodate the variety of uses culturally diverse residents desire. Kitchens that can be opened or hidden from view as needed, dining areas that can be expanded for large gatherings, and compartmentalized bathrooms that can be used by multiple people are just some examples of the kind of design elements that are culturally sensitive. In addition to design elements, culturally sensitive lending practices are also necessary to expand homeownership among groups whose religion prohibits paying interest.

As new residents come to the region, will they find places that facilitate their settlement, allow them to be connected and healthy, provide affordability, community and employment, and offer opportunities to prosper? Going forward, each jurisdiction should examine whether it offers satisfying living options to attract and maintain a competitive workforce and meet the needs of current residents as they age. For example, does the local housing stock:

- Provide a range of sizes, from studios and one-bedrooms to units with three, four, or five

bedrooms that accommodate larger families as well as multigenerational living?
- Vary among housing type, ranging from single-family detached to multistory multifamily?
- Offer housing options for seniors at varying stages of independence?
- Include multiple tenure options, such as ownership, renting, or cooperative forms of ownership?
- Serve a range of incomes?
- Incorporate flexible design and reflect special attention to accessibility?
- Adapt to changes in demand, preferences, or lifestyle?
- Create attractive places with aesthetic and architectural diversity?

Housing preferences and needs are not “one size fits all.” While living comfortably under one roof is important to some multigenerational households, other residents would prefer opportunities for smaller housing. Some cities are currently examining accessory dwelling units as a way to accommodate small housing units to create additional affordable housing opportunities and potential income streams for owners. Other local zoning changes could allow for reduced housing and lot sizes to maximize affordability and acknowledge changing needs and expectations for housing. The key to a livable region is a mix of housing options that include and value all households.

The Millennial generation, born in the 1980s and 1990s, is the largest generation demographically. Many in this generation have different lifestyle preferences than their parents. Millennials are more likely than older Americans to favor urban amenities, access to transit and bicycling options, and more dense and active neighborhoods than the auto-oriented subdivisions of their youth.[35] With often stagnant entry-level wages, higher student loan debt, and delayed marriage and child-rearing, Millennials are financially constrained and are moving into homeownership at later ages than previous generations.[36] Having places that retain and attract these individuals and households is critical to the region’s future prosperity, particularly as their living preferences and economic conditions continue to diverge from their parents’ generations.

Council role

- Encourage and invest in a wide variety of housing options throughout the region to serve an increasingly diverse population, including viable housing choices for low- and moderate-income households and senior households.
- Promote the importance of culturally sensitive housing and community design.
- Provide data and analysis to support local housing analysis and local comprehensive planning.

Local opportunities

- Provide localized knowledge to help identify key housing opportunities to a broader group of stakeholders and potential developers.
- Incorporate policies that contemplate a variety of housing options in the housing element of comprehensive plans.
- Consider zoning changes that allow more flexible housing options such as accessory dwelling unit ordinances and reduced lot and size minimums.

Align investments to support placemaking, transit-oriented development, and walkable places

Vibrant communities express their natural, cultural, economic, and historical uniqueness in the built environment, creating memorable places that reinforce local identity. Places that capture this potential can differentiate themselves in the larger public imagination and in the real estate market. Placemaking can happen through private building, public infrastructure, and events and activities if there is a shared understanding of the uniqueness of the location. The Council's investments in infrastructure and housing can help this process.

Mixed-use developments aim to commingle a range of uses, usually including residential and commercial uses in close proximity. A diversity of uses—whether in a single development or small area such as a transit station area—enhances walkability and healthy living opportunities, reduces automobile reliance, and creates a greater sense of community. While mixed-use development is popular among local elected officials and planners, the mix of uses presents a challenge to traditional development finance streams.

A key type of placemaking in the 21st century is transit-oriented development (TOD). TOD is walkable, moderate- to high-density development served by frequent transit that can include a mix of housing, retail, and employment choices designed to allow people to live and work with less or no dependence on a personal car. Promoting these vibrant, mixed-income places creates development patterns that support high transit demand and expands travel choices for households, allowing more people the option to live without a car or with fewer cars per household.

Both mixed-use development and TOD should be created with full awareness of the unique qualities and characteristics of the community in which they are being built. The layout of the site, design of the building, and public engagement and marketing efforts should all integrate placemaking strategies that strengthen and cultivate the community's identity.

Council role

- Participate in regional efforts to reduce the institutional barriers to mixed-use development.
- Support and lead local and regional efforts to foster TOD through the Council's Office of Transit-Oriented Development, which will lead Council efforts to:
  - Prioritize TOD in the planning, engineering, and operation of transit and in the

development of Council-owned land and facilities.
  - Pursue private sector and local government partnerships to accelerate development and land acquisition for transit-oriented development.
  - Develop and share technical resources and education materials to improve capacity in the region for TOD.
  - Provide clear policy guidance to local partners concerning the types of plans and local controls that will be needed to effectively implement TOD.
  - Collaborate with partners, including local governments and private sector stakeholders, in TOD activities including policy development, specific Council-led development projects, site-specific TOD resources and opportunities, and station area planning to enable TOD.
- Provide Livable Communities Act grants to local government to support TOD projects.
- Explore the expanded use of local planning assistance grants, loans, and technical assistance for local station area planning efforts in support of TOD.
- Encourage transit-friendly development patterns, including increased density and concentration of uses, to expand walkability and healthy living opportunities and lay the groundwork for future transit-readiness.

Local opportunities

- Plan for development patterns and site plans that encourage walkability, especially between housing, jobs, and services, and TOD.

[35] National Association of Realtors, “National Community Preference Survey” (2013), pp. 14, 47-49. Retrieved from http://www.realtor.org/sites/default/files/reports/2013/2013-community-preference-analysis-slides.pdf.

[36] Richard Fry, “Young Adults, Student Debt and Economic Well-being” (2014), retrieved from http://www.pewsocialtrends.org/files/2014/05/ST_2014.05.14_student-debt_complete-report.pdf; Richard Fry, “Young Adults After the Recession: Fewer Homes, Fewer Cars, Less Debt” (2013), retrieved from http://www.pewsocialtrends.org/files/2013/02/Financial_Milestones_of_Young_Adults_FINAL_2-19.pdf.

Sustainability

KEY TAKEAWAY:

Compact residential patterns and environmentally sustainable housing can help reduce our region's contributions to climate change.

"Our greatest responsibility is to be good ancestors," Dr. Jonas Salk once said. And that responsibility calls us to live and act sustainably. Sustainability means protecting our regional vitality for generations to come by preserving our capacity to maintain and support our region's well-being and productivity over the long term. The region's investments in prosperity, equity, and livability will fall short over the long term if the region exhausts its resources without investing in the future. Housing contributes to environmental sustainability in three ways:

- Compact residential development patterns (community or neighborhood level).
- Environmentally-sensitive building design and construction techniques (building level).
- Lifestyles and conservation habits of residents (occupants).

The Council and local governments can influence overall community and neighborhood development patterns; local governments can influence how buildings are designed and constructed.

Promote residential development patterns that contribute to reducing harmful emissions, increasing water sustainability, and growing resiliency to the impacts of climate change

Compact development patterns, integrated natural resources, and interconnected local street networks all add to the livability of our communities. Effective land use planning provides a community with the tools needed to better address climate change locally. Encouraging land use policies that create a more compact land use pattern can increase choices to residents, reduce energy consumption, protect public investments in infrastructure, lessen development pressures on habitat and open space, provide benefits to public health, and create more sustainable communities. Innovative land use policies can create a more compact region resulting in more efficient use of our infrastructure investments, cost-effective extension of urban services, and preservation of natural and agricultural areas within the region.

Development can harm both the quantity and quality of the region's water resources. As more land area is paved over, less water percolates into the ground to recharge aquifers. Greater volumes of stormwater runoff and the pollutants in that runoff impact water quality. Land use patterns that integrate natural areas into development at the site level add to livability, and help avoid costly stormwater management projects. Planning and development processes must consider what affects our groundwater resources to ensure that we do not deplete those resources and that we take advantage of opportunities to recharge our groundwater.

The effects of climate change transcend community boundaries and are felt throughout our region, whether as flooded farmlands, modified growing seasons, rising energy costs, or storm or even sanitary sewer systems overloaded by intense summer storms. The built environment is a primary contributor to climate change, resulting from the energy used in homes and businesses, and our travel behaviors which result from our pattern of regional land use development.

Communities are reducing their contributions to climate change and mitigating its impacts through a variety of measures, including: energy use, managing and reusing stormwater, mitigating inflow and infiltration into sanitary sewers, developing in more compact land use patterns, and reducing automobile dependency. These measures help communities better prepare for more frequent extreme weather events and other expected climate impacts that can drain limited local resources and threaten the region's competitiveness and viability.

Council role

- Incorporate water sustainability considerations in all areas of Council policy and actions, including overall development patterns and housing planning.
- Use the Council's investments and planning authorities to help meet statutory goals for reductions in regional greenhouse gas emissions.
- Collaborate with the Environmental Initiative, chambers of commerce, and others to work to keep the metropolitan air out of non-attainment status.

- Develop, collect, and disseminate information about climate change, including energy and climate data, GreenStep Cities best practices, and the next generation of the Regional Indicators data.
- Give funding consideration in Livable Communities Act grants to projects that meet and exceed the policies and requirements of the Minnesota Pollution Control Agency for surface water management.

Local opportunities

- Plan land use patterns that facilitate groundwater recharge and reuse, and reduce per capita water use to protect the region's water supply.
- Identify and pursue local measures that would result in household reductions in water use, energy consumption, and air emissions.
- Participate in programs that evaluate and share city practices and provide technical support, such as the GreenStep Cities program and the Regional Indicators Initiative.

Encourage and promote environmentally-sustainable and healthy buildings and construction techniques

While compact development patterns can improve environmental sustainability, much of housing's impact on sustainability happens at the individual building level, whether through the use of sustainable construction techniques or efforts to ensure healthy building operations.

A critical challenge is a housing stock free from harmful toxic materials such as lead-based paint, asbestos-containing materials, and radon gas. When chewed or swallowed by children under seven, lead-based paint can cause brain damage, slow growth and development, and lead to learning and behavioral problems. Asbestos fibers, once commonly used to manufacture building materials, can potentially cause lung cancer, scarring of lung tissue, or mesothelioma (cancer of the lining of the lung cavity) if not handled, controlled, or removed properly. Radon gas, a colorless, odorless radioactive gas found in nearly all soils, can, with long-term exposure, damage the cells that line human lungs. The Twin Cities metropolitan region falls into the EPA's highest risk category for radon exposure.

The building industry in the last few decades has increasingly used sustainably manufactured and environmentally friendly building materials, and as a result these products are becoming more widely available and more cost effective. The use of nontoxic and sustainably produced materials can produce healthier indoor air environments. Construction practices can reduce

particulate emissions and stormwater runoff. Sustainable building practices can reduce the energy impact of housing construction and rehabilitation.

Council role

- Provide Tax Base Revitalization Account funding to mitigate asbestos.
- Continue implementing energy efficiency efforts for the 150 Council-owned Family Affordable Housing Program units, including the purchase of energy efficient equipment and supplies.
- Give funding consideration in Livable Communities Act grants to projects that use cost-effective, energy savings elements promoted by Green Communities criteria, the Minnesota Sustainable Building Guidelines, or other green and sustainable building practices.

Local opportunities

- Consider distributing low-cost testing kits to identify homes with dangerous levels of radon or lead-based paint.
- Consider funding lead or asbestos testing services.
- Consider participating in the Property Assessed Clean Energy (PACE) program to make energy conservation and renewable energy financing alternatives available to residents through a voluntary property assessment.
- Adopt zoning ordinances that protect and encourage renewable energy investments (e.g., protect solar access and facilities) and to encourage urban forestry.


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Part II: Principles: Advancing integration, collaboration and accountability

The five outcomes of stewardship, prosperity, equity, livability, and sustainability describe the "why" of *Thrive MSP 2040* and this Housing Policy Plan. Equally important is the "how"—the principles that guide how the Council carries out its housing policies to advance those outcomes. The Council has identified three principles to carry out its work:

Integration | Collaboration | Accountability

These principles reflect the Council's understanding of its roles in integrating policy areas, supporting local governments and regional partners, and promoting and implementing the *Thrive MSP 2040* regional vision. These principles govern how the Council will implement this Housing Policy Plan and how the Council advances these outcomes.

Unlike the previous section of Outcomes, this section does not include a local role. The action items in this section describe how the Council itself will live out these principles.


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Integration

Integration is the intentional combining of related activities to achieve more effective results, and leveraging multiple policy tools to address complex regional challenges and opportunities. Housing is central to this integration, but is not a statutory metropolitan system (like transportation or regional parks). As a result, the Council endeavors to advance housing policy in a collaborative spirit of partnership and an environment of high aspiration.

Incorporate housing policy into the full spectrum of regional issues

The region faces a growing challenge of diminishing funding. As funding decreases while the region continues to grow, the Council must be even more efficient with each dollar it invests. That efficiency increasingly lies at the intersections between different systems. By integrating its activities, the Council can produce more benefit from each investment. The Council will pursue this approach within and among its divisions to advance the five Thrive outcomes, find greater efficiencies in investments, and address problems that single approaches cannot address.

Better understanding of the interdependencies among housing, water, and transportation is needed, especially considering the infrastructure systems owned and operated by the Council (transit and wastewater treatment) as well as investments funded through the Council (such as regional parks). Any Council policy, investments or technical assistance related to housing must be filtered through the lens of its systems and policy plans. Conversely, housing will be woven into planning and decision making as it relates to water management, transportation, and regional parks strategies and investments.

Council role

- Create opportunities for interaction and integration among the Council's specific policy areas.
- Incorporate Housing Performance Scores as a scoring element in the Regional Solicitation for Transportation Funding (see more in Part III).

Integration

Integrate housing into transitway planning and development

The most recent criteria for evaluating transitway investments for federal New Starts and Small Starts funding through the Federal Transit Administration (FTA) include a housing component. Existing affordable housing is among key scoring criteria. Existing affordable housing, as well as plans and policies to maintain or increase affordable housing in a proposed transitway, are used to determine the award of federal resources to fund the build-out of a regional transitway system. In its review processes, the FTA rates how a transitway corridor's share of affordable housing compares with the region's overall share of affordable housing. In addition, the FTA is looking for transit-supportive plans, policies, and tools to preserve and expand affordable housing along the transitway, including:

- Evaluation of corridor-specific affordable housing needs and supply.
- Plans and policies to preserve and increase affordable housing such as:
  - Inclusionary zoning and/or density bonuses for affordable housing.
  - Employer-assisted housing policies.
  - Voluntary or mandatory inclusionary housing policies.
  - Rent or condominium conversion controls.
  - Zoning to promote housing diversity.
  - Affordability covenants.
- Adopted financing tools and strategies to preserve and increase affordable housing such as:
  - Target property acquisition, rehabilitation, and development funding for low-income housing within the corridor, including:
    - Low Income Housing Tax Credits.
    - Ongoing affordable housing operating subsidies.
    - Weatherization and utilities support program.
    - Local tax abatements for low-income or senior housing.
    - Local or state programs that provide mortgage or other home ownership assistance for lower-income and senior households.
  - Established land banking programs or transfer tax programs.
  - Local or regional affordable housing trust funds.
  - Targeted tax increment financing or other value-capture strategies for low-income housing.
- [Evidence of] developer activity to preserve and increase affordable housing.[37]

In addition, FTA considers the "extent to which the plans and polices account for long-term affordability and the needs of very- and extremely-low-income households in the corridor."[38]

The Council is seeking to use its planning role to help local transitway projects succeed in the competition for millions of dollars in federal New Starts and Small Starts funding. Among the technical investment factors for setting regional transitway priorities are several housing-related criteria, including:

- Population living within one-half mile of proposed stations.
- Number of affordable housing units within one-half mile of proposed stations.
- Housing Performance Score (see more in Part III).
- Land use plans supportive of transitway residential densities.
- Zoning, building codes, and ordinances supporting affordable housing.
- Program for maintenance/preservation of affordable units.

In addition, the *2040 Transportation Policy Plan* outlines expectations for residential density for new housing, mixed-use development, and redevelopment around transit stations and high-frequency transit service. Integrating housing development and transit planning creates development patterns that expand travel choices for households, allowing more people the option to live without a car or with fewer cars per household, and support high transit demand.

Council role

- Include housing criteria in the land use and development measures for transitway prioritization.
- Define density expectations for new housing and mixed-use development and redevelopment around transit stations and high-frequency transit service.
- Expect local plans and programs to create or preserve a mix of housing affordability near transit stations.

[37] Federal Transit Administration, U.S. Department of Transportation, "New and Small Starts Evaluation and Rating Process: Final Policy Guidance" (August 2013), p. 11. Retrieved from http://www.fta.dot.gov/documents/NS-SS_Final_PolicyGuidance_August_2013.pdf.

[38] Ibid., p. 18.


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Collaboration

Collaboration recognizes that shared efforts advance our region most effectively toward shared outcomes. In particular, the region's housing issues require collaboration because of the many partners in housing, ranging from residents to developers to cities to funders. Even when one entity is the primary funder or investor in a housing project, success requires the coordinated collaboration of a range of public and private entities to realize the full benefit to the region. No single entity has the capacity or the authority to do this work alone. Collaboration is essential.

Provide a regional perspective on housing policy

The Council is well positioned to provide a regional perspective on the housing needs, opportunities, and challenges in the metropolitan area. While local governments address housing based primarily on the needs of their residents, the opportunities and impacts of housing development do not stop at city boundaries. The Council can articulate a regional perspective beyond local borders and provide financial resources and technical assistance to local governments.

The Council also looks broadly at the region to identify common challenges and opportunities for impact. Given limited financial resources, focusing efforts toward the opportunities with the greatest chance of success is critical while continuing to recognize the need for regional balance.

Council role

- Convene regional and local housing stakeholders including practitioners, funders, and advocates, to refine policies and develop programs to respond to the housing needs of low- and moderate-income households throughout the region.
- Participate in the Metropolitan Housing Implementation Group (MHIG), along with Minnesota Housing and other government and nonprofit stakeholders that fund housing, to align priorities and investments to meet the housing needs of the region.

- Expand and promote greater communication between traditional housing partners and underrepresented housing stakeholders.
- Share regional and Council perspectives at housing policy and finance forums such as the MHIG, the Interagency Stabilization Group, and the Super RFP selections process.

Promote the alignment of local comprehensive plans with state and local consolidated plans

Sound, coordinated planning is essential to create a thriving region. Leveraging opportunities to align planning among public entities can help stretch scarce resources and create more predictable funding expectations for high-priority projects.

HUD requires all state, county, and local recipients of CDBG, HOME, Emergency Solutions Grants, and Housing Opportunities for Persons with AIDS (HOPWA) funding to produce a Consolidated Plan for their respective jurisdictions every five years. According to HUD, the Consolidated Plan serves as the comprehensive housing affordability strategy, community development plan, and submission for funding. Additionally, the State of Minnesota's Consolidated Plan—led by DEED and Minnesota Department of Human Services (DHS) in coordination with Minnesota Housing—also covers the seven-county area.

Jurisdictions preparing Consolidated Plans must consult with other public and private agencies that provide assisted housing, health services, and social and fair housing services. More specifically, jurisdictions must consult on strategies and services benefitting children (including removal of lead-based paint hazards), elderly persons, people with disabilities, people with HIV/AIDS and their families, and people experiencing homelessness. Jurisdictions must also:

- Notify adjacent local governments of priority non-housing community development needs.
- Submit the non-housing community development plan to the state, and, if the jurisdiction is a CDBG entitlement grantee other than an urban county, to the county.
- Consult with adjacent units of local government, including local agencies with metropolitan-wide planning responsibilities, particularly for problems that go beyond a single jurisdiction.
- Prepare a metropolitan-wide strategy for addressing the needs of persons with HIV/AIDS and their families living throughout the statistical area. (This applies to the largest city in each eligible metropolitan statistical area that is eligible to receive a HOPWA formula allocation.)
- Consult with the local public housing agency about public housing needs and planned programs and activities, including description of the manner in which it will address the needs of public housing.

The Consolidated Plan is supplemented annually by an Annual Action Plan, which is defined by HUD as a concise summary of the actions, activities, and the specific federal and non-federal resources that will be used each year to address the priority needs and specific goals identified by the Consolidated Plan.

Council role

- Provide technical assistance and support to local efforts to align the housing elements of comprehensive plan updates and Consolidated Plans.
- Collaborate with the authors of the statewide Consolidated Plan to ensure consistency with the housing priorities of the Twin Cities region.

Expand technical assistance to and share best practices with local governments to support development of a mix of housing options

The Council already provides technical assistance to local jurisdictions to support the local comprehensive planning process and the effective implementation of regional policies. This technical assistance addresses issues as diverse as preserving natural resources, ensuring that land uses are compatible with airport operations, and reducing the excess flow of clear water into the regional wastewater collection system to save capacity for future growth.

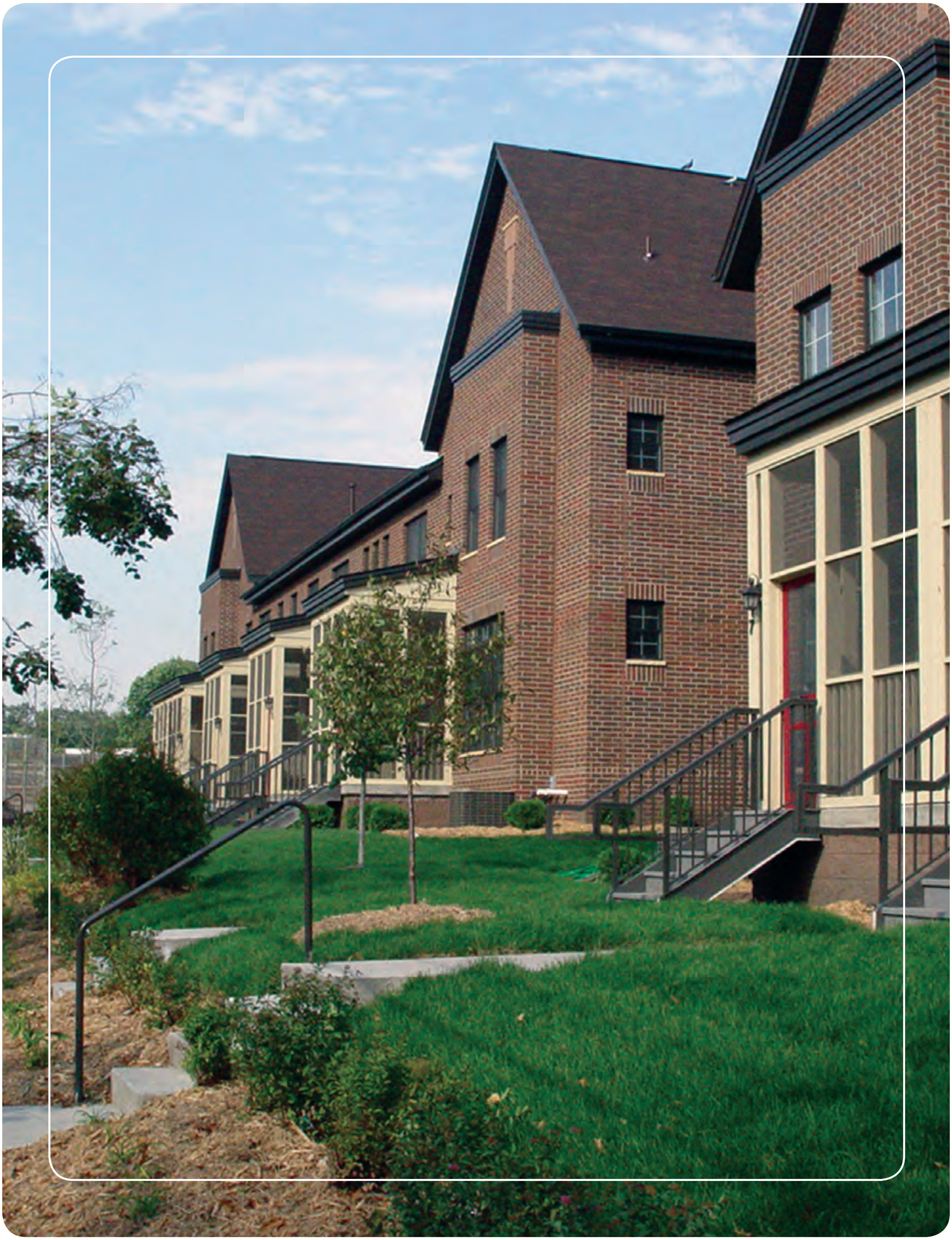
To supplement its traditional role of reviewing local comprehensive plans, the Council intends to expand this technical assistance and its information resources to support local government in advancing regional outcomes and addressing today's complex housing challenges. Supporting local governments in their efforts to diversify their housing stock is a new opportunity for the Council. Part III of this plan will outline these efforts in more detail.

Foster robust, authentic public engagement

As called for in *Thrive MSP 2040*, the Council is creating a Public Engagement Plan that will establish policy for all Council engagement activities. The plan will outline how the Council will work collaboratively with constituencies to assess and plan community engagement by setting shared outcomes and expectations. Council staff and funding will support these processes to assure access for all identified constituencies, but particularly those that are traditionally underrepresented in regional and local planning efforts. When possible and appropriate, the Council may support community organization work with financial resources to engage appropriate constituencies. Each engagement project will require a tailored process, but the Public Engagement Plan establishes principles that will be consistently applied across the Council.

Council role

- Convene local government and community partners to continue addressing significant issues around regional poverty and race-based disparities.
- Proactively engage local government partners in problem solving around issues with regional implications.



Accountability

Results matter. For the Council, accountability includes a commitment to monitor and evaluate the effectiveness of our housing policies and practices to achieve shared outcomes, and a willingness to adjust course to improve those outcomes.

Adopt a data-driven approach to measure progress

Accountability focuses on measuring and managing progress toward outcomes. With *Thrive MSP 2040*, the Council has adopted an outcomes orientation to its regional policy and is challenging itself, local governments, and its regional partners and stakeholders to describe how their work advances the five Thrive outcomes. Outcomes describe how our investments and our policies are improving the region for our residents and businesses. For example, an outcome-oriented approach measures not only the units of new housing built with public resources, but also how affordably, effectively, and efficiently our region's residents are housed. Managing to achieve outcomes helps us ask not only "Are we effectively implementing our housing policies?" but also "Are we implementing the most effective housing policies, the policies that will help our region and our residents thrive today and tomorrow?" What does success look like?

The Housing Policy Plan Indicators will quantitatively assess regional progress on the outcomes and strategies in this plan. The Council will use the Housing Policy Plan Indicators as a foundation for continuous improvement and public accountability. What do the indicators tell us about the state of housing in the region and the Council's policies? Which policies are working well? How might we revise our policies where performance is less than our expectations? The Council will use the insights that emerge from analyzing the Housing Policy Plan Indicators to guide the Council's future decisions. Most importantly, the focus on the Thrive outcomes creates the foundation for public dialogue with partners and stakeholders. What can and will the Council do to advance these housing outcomes, and what will others do to advance these outcomes? And where are the gaps, overlaps, and opportunities?

These indicators will provide the objective measures that hold the Council and the region publicly accountable for the housing goals, strategies, and policies in this plan. While personal stories should supplement these indicators, their objective nature can provide an initial assessment of the success of this plan's housing policies and inform a richer conversation about our progress (or lack thereof) in meeting the region's serious housing challenges. Measuring these indicators regularly will identify any need to amend policies and plans to optimize the region's progress toward our shared goals.

For each of the Housing Policy Plan Indicators presented in the following table, the Council has identified three zones with which to evaluate future results:

- Moving in an undesirable direction from the most recent data point (the "red zone")
- Stability from the baseline or movement that continues recent trends (the "yellow zone")
- Moving in a positive (whether upward or downward) direction significantly beyond a continuation of recent trends (the "green zone")

When the Council updates these indicators annually, the report will note where each indicator falls within the red, yellow, and green zones relative to the trendlines set with the adoption of this plan in 2014.

Council role

- Prepare and share annual updates of the Housing Policy Plan Indicators, providing clear, easily accessible information about regional progress and Council housing policies.

Measure local progress toward meeting the region's affordable housing goals

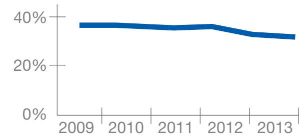
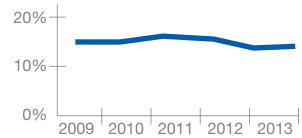
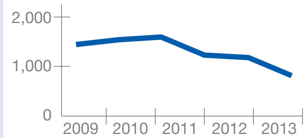
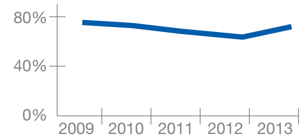
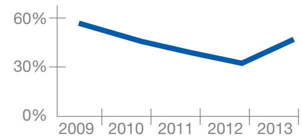
The Housing Policy Plan Indicators described on the previous pages and documented on the next pages examine the progress of the region against the policies of this plan. The Council also measures the progress of individual cities and townships toward local affordable housing goals. From an accountability perspective, the Council maintains several key measures at the local level:

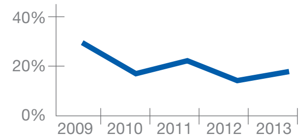
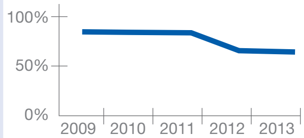
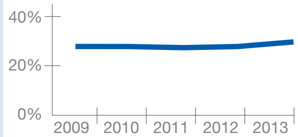
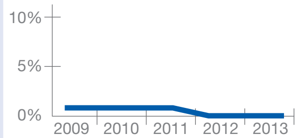
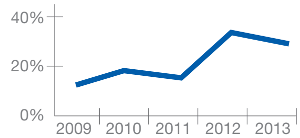
- How many new housing units, both owner-occupied and rental, meet the Council's criteria of affordability?
- How many existing housing units are affordable, including both owner-occupied and rental, and subsidized and unsubsidized units?
- What is each local jurisdiction's Housing Performance Score? (See more in Part III.)

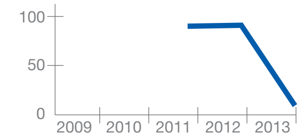
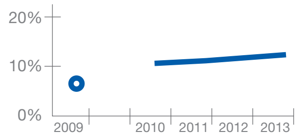
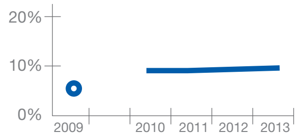
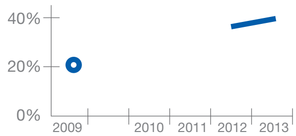
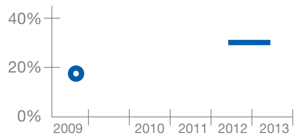
Although the definitions of affordability have changed, the Council has been reporting the count of new affordable housing units added in the region annually since 1996.

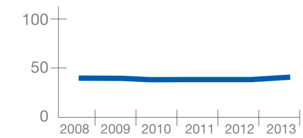
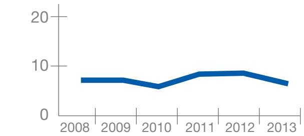
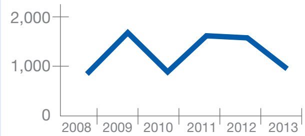
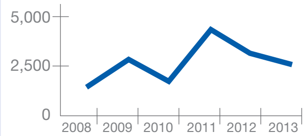
Council role

- Track all new housing constructed in the region and determine its affordability.
- Maintain an annual Inventory of Affordable Housing that documents the existing affordable housing stock.
- Calculate and report on each local jurisdiction's annual Housing Performance Score.

Measure and strategy being measured	2000	2008	2009	2010	2011	2012	2013	
1. Housing cost burden: Encourage and invest in a wide variety of housing options, including viable housing choices for low- and moderate-income households								
1a. Moderate or severe housing cost burden (share of households paying at least 30% of income on housing costs)	23.9%	35.9%	35.3%	35.5%	34.7%	31.2%	29.7%	
1b. Severe housing cost burden (share of households paying at least 50% of income on housing costs)	8.4%	14.1%	14.2%	15.0%	14.5%	12.6%	12.9%	
2. New affordable housing created: Support housing development, including the construction of affordable housing								
2. Number of new units affordable at the Council's affordability thresholds	3,855	1,416	1,529	1,571	1,170	1,118[1]	721[1]	
3. Balance of low-income households and affordable housing: Create and maintain housing choices across the region								
3a. Percent of communities lacking sufficient affordable housing options[2] for their households with income at or below 30% of AMI	N/A	N/A	84%	81%	78%	73%	80%	
3b. Percent of communities lacking sufficient affordable housing options[2] for their households with income at or below 50% of AMI	N/A	N/A	59%	49%	40%	34%	46%	

Measure and strategy being measured	2000	2008	2009	2010	2011	2012	2013	
3c. Percent of communities lacking sufficient affordable housing options[2] for their households with income at or below 80% of AMI	N/A	N/A	28%	15%	20%	12%	16%	
4. Balance of low-income households and affordable housing in transit station areas[3]: Ensure a mix of housing affordability along the region's transit routes and corridors								
4a. Transit station areas lacking sufficient affordable housing[2] for their households with income at or below 30% of AMI	N/A	N/A	84%	86%	84%	67%	63%	
4b. Transit station areas lacking sufficient affordable housing[2] for their households with income at or below 50% of AMI	N/A	N/A	22%	21%	21%	22%	23%	
4c. Transit station areas lacking sufficient affordable housing[2] for their households with income at or below 80% of AMI	N/A	N/A	1%	1%	1%	0%	0%	
5. Share of regional residential development in transit areas: Foster transit-oriented development								
Total number of permitted housing located within one-half mile of a transit station or one-quarter mile of a hi-frequency bus line	N/A	N/A	8.9%	13.4%	12.7%	32.0%	26.3%	

Measure and strategy being measured	2000	2008	2009	2010	2011	2012	2013	
6. New affordable housing units in higher-income areas: Encourage new affordable and mixed-income housing in higher-income areas of the region								
Number of new affordable units in higher-income areas	N/A	N/A	N/A	N/A	93	94	6	
7. Share of region's population living in Areas of Concentrated Poverty: Increase wealth, increase income diversity, and expand housing options for people with lower incomes to reduce the share of the population living in Areas of Concentrated Poverty								
7a. Share of population living in Areas of Concentrated Poverty	6.6%	N/A	N/A	10.9%	11.3%	12.4%	12.8%	
7b. Share of population living in Areas of Concentrated Poverty where at least half of the residents are people of color	5.7%	N/A	N/A	9.2%	9.1%	9.6%	9.7%	
8. Share of Section 8 Housing Choice Voucher holders living in Areas of Concentrated Poverty: Promote greater Section 8 mobility for voucher holders and greater participation in Section 8 among property owners across the region								
8a. Share of Section 8 Housing Choice Voucher holders living in Areas of Concentrated Poverty	21.0%	N/A	N/A	N/A	N/A	35.3%	37.5%	
8b. Share of Section 8 Housing Choice Voucher holders living in Areas of Concentrated Poverty where at least half of the residents are people of color	17.9%	N/A	N/A	N/A	N/A	29.2%	30.0%	

Measure and strategy being measured	2000	2008	2009	2010	2011	2012	2013	
9. Regional increase in Housing Performance Scores: Cities across the region making a clear and demonstrable commitment to provide affordable housing								
9a. Average score	N/A	34.8	32.5	32.0	32.4	32.4	34.7	
9b. Number of cities with scores over 80	N/A	7	7	6	9	9	7	
10. Affordable housing units funded with Council programs: Council resources help create and preserve housing choices across the region								
10a. Affordable housing units funded through the Livable Communities Act	1,698	793	1,715	883	1,665	1,589 (1)	916 (1)	
10b. All housing units funded through the Livable Communities Act	3,643	1,163	2,609	1,431	4,175	2,916	2,288	

(1) Only includes units affordable to households at or below 60% AMI.
(2) Lack of sufficient affordable housing units is defined as having at least 10% more households at a certain income level than housing units affordable at that level.
(3) Transit station areas are defined as one-half mile around Light Rail Transit or Bus Rapid Transit stations, either existing or planned, with an approved Locally Preferred Alternative.

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Part III: Council Policies and Roles to Expand Viable Housing Options

Housing policy is embedded in the roles and functions of the Council. This Housing Policy Plan provides an integrated policy framework that unifies the Council's existing roles in housing and opportunities for an expanded Council role supporting housing across the region. These roles include:

- Reviewing local comprehensive plans for the housing element, the housing implementation program, and minimum or maximum residential densities.
- Funding housing development through the Livable Communities Act programs.
- Working with local governments to define their share of the metropolitan area need for low- and moderate-income housing.
- Administering the state's largest Section 8 Housing Choice Voucher program and providing rental assistance to 6,200 low-income households throughout Anoka, Carver and most of suburban Hennepin and Ramsey counties.
- Providing technical assistance to local governments to support orderly and economical development.
- Identifying opportunities to integrate housing effectively with the Council's work in regional parks, transportation, and water resources.
- Collaborating with and convening partners and stakeholders to elevate and expand the regional housing dialogue.

Part III of this Housing Policy Plan addresses key areas where this plan is refining existing Council policies and defining new and expanded roles for the Council, including:

- Three critical affordable housing measures:
  - Allocation of Affordable Housing Need (the Need).
  - Livable Communities Act Goals for Affordable and Life-cycle Housing (the Goal).
  - Housing Performance Scores (the Score).
- Council funding of housing development.
- Review of local comprehensive plans.
- An expanded role in providing technical assistance around housing.
- Convening and partnering to elevate the regional affordable housing dialogue.

This part does not include the Council's Housing and Redevelopment Authority (Metro HRA) because it has a well-established role in the region.

Affordable housing Need, Goals and Scores: three critical measures

The Council uses three quantitative measures to inform the regional understanding of affordable housing needs:

- Allocation of Affordable Housing Need (the Need)
- Livable Communities Act Affordable and Life-cycle Housing Goals (the Goal)
- Housing Performance Scores (the Score)

These three indicators serve different functional roles that are often confused.

KEY TAKEAWAY:

Need: Each community's share of the future regional need for affordable housing

Goal: A Livable Communities Act participating community's goal for new affordable and life-cycle housing

Score: The measure evaluating a local government's efforts toward creating affordable housing opportunities

Table 4: Affordable housing Need, Goals, and Scores

Council Role	Allocation of Affordable Housing Need (the Need)	Livable Communities Act Affordable and Life-cycle Housing Goals (the Goal)	Housing Performance Scores (the Score)
Why	Metropolitan Land Planning Act	Livable Communities Act	Council Policy
Who	All sewered municipalities with projected growth	Livable Communities Act participating communities	All communities
Required	Yes	No	N/A
How	Calculated by the Council using forecasted household growth and applying methodology specific to the need for affordable housing	Negotiation between Council and communities choosing to participate in the Livable Communities Act programs	Determined by public data on housing construction and preservation, plus voluntary local surveys
What	City must address the Need in the housing element of their comprehensive plan, including the guiding of sufficient land for multifamily housing and other programs, and fiscal devices to address need, including an implementation program	Strengthen and elevate participating communities' commitment and focus on creating affordable and life-cycle housing	Scores are factored into funding criteria for the Livable Communities Act programs and the Regional Solicitation for transportation funding
When	Every 10-year planning cycle	15 years (1996-2010) 10 years (2011-2020) 10 years (2021-2030)	Annually
Policy Issues	Regional Need methodology Individual community Need methodology Quantitative and qualitative review by Council of strategies identified in local comprehensive plan housing elements and implementation programs	Factors considered when negotiating LCA goals while acknowledging the region's affordable housing need: availability of resources, existing concentrations of poverty, market conditions, cost and availability of land	What indicators to use to measure community efforts to encourage and promote broader opportunities for affordable housing and to advance the strategies identified in local comprehensive plan housing elements and implementation programs

Allocation of Affordable Housing Need (the Need)

Under the Metropolitan Land Planning Act, local comprehensive plans must include:

"…a housing implementation program, including official controls to implement the housing element of the land use plan, which will provide sufficient existing and new housing to meet the local unit's share of the metropolitan area need for low and moderate income housing." (Minn. Stat. 473.859, subd. 4)

The Need attempts to provide the most objective, accurate prediction possible of the number of new low- and moderate-income households that will need affordable housing without considering the cost of, resources available for, or barriers to building that housing. Looking ahead, the Council forecasts that between 2020 and 2030, our region will add 37,400 low- and moderate-income households that will need new affordable housing.[39] (For more information on the calculations, see Appendix B.) The Need measures future affordability demand and does not incorporate existing unmet demand for affordable housing. It is determined every 10 years as a precursor to the decennial comprehensive plan updates.

Over the last three years, resources distributed through the Consolidated Request for Proposals have supported the seven-county development of:

- 2012: 763 new multifamily rental affordable housing units
- 2013: 422 new multifamily rental affordable housing units
- 2014: 1,182 new multifamily rental affordable housing units (including units funded with the Housing Infrastructure Bonds that Minnesota Housing received in 2014)

Multifamily rental units funded through the Consolidated Request for Proposals are generally affordable to households earning 50% of AMI with some units reserved for households earning 30% of AMI. While not all new affordable rental units in the region receive funding through the Consolidated Request for Proposals, these numbers provide some sense of scale—fewer than 2,500 new affordable rental units over three years.

Looking at projects selected to receive funding in 2014, overall per-unit total development costs varied from $110,000 for single-room occupancy facilities such as the proposed Catholic Charities Higher Ground St. Paul to $259,000 for family townhomes such as the proposed Morgan Square Townhomes in Lakeville. Excluding single-room occupancy facilities and recognizing the range of pro formas, the average subsidy—including tax credit equity and public grants—is $185,000 per affordable unit. This suggests that meeting the 2021-2030 need for housing units affordable to households earning 50% of AMI and below would require over $5 billion in subsidy over the decade or over $500 million a year, far more than the available resources.

As currently deployed, existing state and federal funding sources are inadequate to subsidize the regionwide need for additional housing for low- and moderate households. While local governments can and do support affordable housing development through financial contributions, fee waivers, and policies such as density bonuses, the Council does not expect local governments to underwrite the unmet need for additional affordable housing.

Local governments are responsible for guiding adequate land at minimum densities necessary to allow affordable housing development to meet their share of the region's Need. The availability of land that can support affordable housing gives developers a variety of geographic choices to consider for affordable housing development; developers building affordable housing across the region give low- and moderate-income households viable options as to where they live.

Threshold of housing affordability

With this Housing Policy Plan, the Council is moving to an upper threshold of income for housing affordability of 80% of Area Median Income (AMI)—or an annual income of $63,900 for a family of four in 2014. Compared to the previous upper limit of 60% of AMI, increasing the upper threshold to 80% of AMI increases the overall number of households represented in the Need but better reflects the range of housing types that can successfully provide affordable housing options, including homeownership.

Table 5: Thresholds of affordability used by the Council

1996-2010	50% of Area Median Income for renters 80% of Area Median Income for owner-occupied housing
2011-2020	60% of area median income
2021-2030	30% of Area Median Income 31%-50% of Area Median income 51%-80% of Area Median Income

Households earning 80% or less of the AMI range from working families and empty nesters to households experiencing long-term homelessness. These households have a wide variety of needs and preferences for the types and locations of their housing. Recognizing the significant variation in households earning less than 80% of AMI, the Council will move from a single threshold defining affordable housing to a three-level allocation providing three Need numbers to cities and townships in the region:

- Need for housing units affordable to households earning 30% or less of area median income.
- Need for housing units affordable to households earning 31%-50% of area median income.
- Need for housing units affordable to households earning 51%-80% of area median income.

The three levels of Need provide nuance and flexibility for local planning for homeownership and rental housing across a range of incomes and housing types.

This distinction also provides an opportunity to more accurately reflect the population trends driving the Need. For example, a large portion of the growth in households making between

51% and 80% of the AMI will be baby boomers whose incomes decline with retirement. While these households fall below the "low-income" threshold, many will own their homes outright and not require the production of new affordable units. The three allocation levels allow the Need for units affordable between 51% and 80% of AMI to be reduced accordingly while leaving the Need for units affordable at less than 51% of AMI relatively unchanged.

Overview of allocation methodology

Appendix B provides a detailed methodology to the Allocation of Affordable Housing Need for 2021-2030. This updated methodology has three main steps:

- Part I forecasts the proportion of 2021-2030 net growth in households that will need affordable housing, resulting in a regional Need of 37,900 additional affordable housing units:
  - 18,900 housing units for households earning at or below 30% of AMI
  - 9,450 housing units for households earning from 31% to 50% of AMI
  - 9,550 housing units for households earning from 51% to 80% of AMI (assuming a 5% vacancy rate in this band)
- Part II allocates that regional Need to each community in the region with sewer service in alignment with the Council's policy of limiting growth in areas without sewer service. Additional adjustment factors allocate relatively more new affordable housing where the housing will help expand housing choices the most.
- Part III distributes each community's adjusted allocation into the three bands of affordability. Each community's share of existing affordable housing within each band of affordability affects how much of its Need is distributed into each band.

Figure 19: Allocation methodology overview

Part I
Forecast the number of new affordable units needed in the region

Part II
Develop the total allocation for each community

Part III
Break down communities' total allocations into "bands of affordability"

Rather than allocate a Need number to communities that is simply the same share of their total forecasted growth as the overall Need for the region, two specific key adjustment factors are used to better reflect unique characteristics of each city that impact the Need:

- **Ratio of low-wage jobs to low-wage workers:** The ratio of low-wage jobs in the community to low-wage workers who live in a community indicates whether a community imports low-wage workers to fill its low-wage jobs and could therefore use additional affordable housing for those workers.
- **Existing affordable housing:** Placing additional affordable housing in communities where existing affordable housing is scarce expands choice for low-income households.

The existing affordable housing stock has twice the impact on a community's allocation as its ratio of low-wage jobs to low-wage workers because the existing housing stock is a more stable and place-based indicator; workers are more likely to move than is housing stock.

Table 6: Adjustment factors to the Allocation of Affordable Housing Need

Adjustment factors	Need is increased for communities that have:	Need is reduced for communities that have:
Ratio of low-wage jobs to low-wage workers	Relatively more low-wage jobs than low-wage workers living in the community	Relatively more low-wage workers living in the community than low-wage jobs
Existing affordable housing	Lesser share of existing affordable housing than the average sewered community	Greater share of existing affordable housing than the average sewered community

So that local jurisdictions can plan toward a stable number in developing their local comprehensive plan updates, the Council does not presently plan to revise the Need numbers for 2021-2030. However, the Council adjusts the Allocation of Affordable Housing Need for individual communities when the Council revises household forecasts as a result of either comprehensive plan updates or amendments. If unforeseen shifts in the landscapes of population growth and/or affordable housing need occur, the Council will consider an update to the Allocation of Need for 2021-2030.

Council actions:

- Distribute the local Allocation of Affordable Housing Need to each jurisdiction with System Statements in fall 2015.
- Review 2040 local comprehensive plan updates and subsequent amendments to verify that each community is guiding an adequate supply of land to accommodate its share of the region's need for low- and moderate-income housing, i.e., the Allocation of Affordable Housing Need.

Goals for Affordable and Life-cycle Housing (the Goal)

The 1995 Livable Communities Act (LCA) funds community investment that revitalizes economies, creates viable housing options, and links land use and transportation. Under state statute, communities choosing to participate in the program are eligible to receive LCA funds. The LCA's voluntary, incentive-based approach requires a negotiation between the community and the Council to determine long-term affordable and life-cycle housing goals. The Council uses the community's Need as the base for negotiating the Goal, but the community and Council may also consider availability of resources to develop affordable housing, market conditions, land costs, and existing concentrations of poverty as factors in the negotiation process.

As mentioned previously, the Need and the Goal are frequently confused. Where the Need is a proxy for demand for additional affordable housing that should be addressed in local comprehensive plans, the Goal is a mechanism for participants of the Livable Communities Act to show their commitment and effort to produce affordable and life-cycle housing. With their Goal expressing a desire to expand housing choices, the LCA-participating communities are aided and rewarded by access to the LCA funding discussed on page 104. The two measures are products of different legislation with different purposes and requirements. One of the desired outcomes of this Housing Policy Plan is to improve the understanding of the roles of these measures in the regional housing conversation.

Council actions

- Enter into Goal negotiations with communities with the intent that communities feel more ownership over their negotiated Goals.
- Improve understanding of the difference between the Need and Goal measures.

Housing Performance Scores (the Score)

The Council currently uses Housing Performance Scores (the Score) to give priority for funding to communities that are maintaining or expanding their supply of affordable housing and using fiscal, planning, and regulatory tools to promote affordable housing. The Council uses the Score in two of its three LCA programs to reward high-scoring communities that have a clear and demonstrable commitment to provide affordable housing options. Local Housing Performance Scores also constitute 7% of the total points available in the 2014 round of the Regional Solicitation for Transportation Funding.

At the same time, the Council assists affordable housing development in cities struggling with housing performance. The Council gives preference to cities having lower Housing Performance Scores in funding decisions for the Local Housing Incentives Account, which has funded more than one-third of the affordable units funded through the Livable Communities Act programs. Furthermore, when communities with lower Housing Performance Scores apply for Livable Communities Demonstration Account funding for projects that help meet their affordable and life-cycle housing goal, proposals are held harmless by assigning the higher of the community's actual Score or the average Scores from all proposals being evaluated.

The Housing Performance Scores are the legacy of Policy 39 from the Council's *1985 Housing Development Guide.* Policy 39 indicated: "In reviewing applications for funds, the Metropolitan Council will recommend priority in funding based on the local government's provision of housing opportunities for people with low and moderate incomes, and its plans and programs to provide such housing opportunities in the future." Policy 39 was itself the legacy of the previous Policy 13, which leveraged the federal Office of Management and Budget Circular A-95 review that required the Council to review, evaluate, and coordinate projects in the region that were applying for federal funding. Note, however, that President Ronald Reagan's Executive Order 12372 in 1982 eliminated the A-95 review process.

Local governments use a variety of tools to encourage affordable housing. These range from providing local funding to affordable housing projects to granting flexibility in zoning to reduce the cost of housing development.

Emerging from this Housing Policy Plan will be a new set of scoring criteria the Council will use to develop local Scores annually. This methodology replaces the Guidelines for Housing Performance developed in 2002 and updated in 2012. The goals of the revisions to the Housing Performance Scores are to:

- Better recognize local variations in their fiscal, technical, and human resource capacity, existing built environments, cost and availability of land, and existing level of developer interest.
- Provide all cities and townships a real possibility of achieving high Housing Performance Scores if they are active in providing affordable housing or related services.
- Make the scoring process more transparent.
- Minimize the administrative burden on cities by leveraging information from sources such as applications to the Consolidated Request for Proposals and county housing investments.

The Council expects that these refinements to the Scores will lead to both a better ability to evaluate local performance on expanding affordable housing and also a greater opportunity to help cities connect tools, ideas, and resources with development opportunities, potential partners, and a larger pool of funding and technical options.

Council actions

- Use the approach outlined above and detailed in a separate policy to calculate Housing Performance Scores annually.
- Discontinue the calculation of county Housing Performance Scores and embed county activities into city and township Housing Performance Scores.
- Review the methodology for the calculation of the Housing Performance Scores every two years, starting in 2016.
- Implement the transition from the 2002 Housing Performance Scores methodology to the 2015 Housing Performance Scores methodology with a hold harmless that no city will receive a 2015 score lower than 80% of the average of their 2010-2014 Housing Performance Scores.
- Use the mechanism of collecting data for the Housing Performance Scores to refer jurisdictions to best practices, technical tools, and funding opportunities.
- Institutionalize local government review and comment on their preliminary Housing Performance Scores and create a formal structure for local governments to provide the Council additional information.

Council as a Funder of Housing

In an environment of inadequate financial resources to meet the need for affordable housing development, the Council seeks to invest its finite financial resources for maximum impact. For the Council, just like other public entities, ensuring that resources not only align with desirable planning outcomes but deliver bigger "bang for the buck" is essential, as demand for resources in housing vastly outpaces supply.

KEY TAKEAWAY:

The Council will use its resources—including Livable Communities Act grants, investments in infrastructure, and other funding streams—to expand housing choices across the region and create and preserve mixed-income neighborhoods and communities.

The Livable Communities Act

Enacted in 1995, the Livable Communities Act (LCA) aims to stimulate housing and economic development in the seven-county region. The LCA authorizes the Council to:

- Levy taxes to create affordable housing;
- Promote redevelopment through environmental clean-up efforts;
- Develop neighborhoods that are pedestrian- and transit-friendly; and
- Invest in innovative strategies to lower construction costs and reward communities that actively try to meet "fair share" affordable housing goals.

Four distinct accounts exist in the Metropolitan Livable Communities Fund:

- Tax Base Revitalization Account (TBRA) funds the cleanup of polluted land.
- Livable Communities Demonstration Account (LCDA) funds development and redevelopment projects that connect housing, jobs, and services and that maximize the development potential of existing or planned infrastructure.
- Local Housing Incentives Account (LHIA) funds the expansion and preservation of affordable rental and ownership housing to help municipalities meet their negotiated Goal.
- Inclusionary Housing Account (IHA) funds new housing construction with a variety of prices and designs to serve families with a range of incomes and housing needs.

Since the inception of the program, the LCA accounts have helped fund the construction and rehabilitation of over 40,000 housing units, of which nearly half are affordable. (See Table 7.)

LCA grants are available to participating cities and townships or to metropolitan counties and development authorities (e.g., Housing and Redevelopment Authority, Economic Development Authority, or Port Authority) to fund projects in participating municipalities. Grant applications are scored on the basis of how the proposed development or redevelopment project meets the scoring criteria outlined in the Council's Annual Fund

Distribution Plan—i.e., innovation in the Livable Communities Demonstration Account or cleanup of the most contaminated sites for the Tax Base Revitalization Account.

The LCA not only provides access to Council funding opportunities but also aims to elevate engagement and awareness of affordable housing need among participating cities. As a result, participation also requires local matching funds, known as the affordable and life-cycle housing opportunities amount (ALHOA). The amount of the match is determined by the municipality's share of the property tax levy that supports both the Livable Communities Demonstration Account and the Local Housing Incentives Account. Cities must certify that they have spent at least 85% of their ALHOA toward the creation of affordable and life-cycle housing opportunities to be eligible for LCA funding. A review of what local expenditures may count toward ALHOA and how it is certified helps the Council ensure that the purpose and intent of the match is being met.

Table 7: Housing Units Assisted with Livable Communities Act Grants Since 1995

Fund	Affordable Housing Units	Other Housing Units	Total Housing Units	Awards
Inclusionary Housing Account (IHA)	374	262	636	$4,577,700
Livable Communities Demonstration Account (LCDA)	7,501	6,672	14,173	$142,407,522
Local Housing Incentives Account (LHIA)	6,987	1,330	8,317	$29,145,706
Tax Base Revitalization Account (TBRA)	3,798	13,793	17,591	$109,500,549
Total	18,660	22,057	40,717	$285,631,477

Source: Metropolitan Council, Livable Communities Act

The Inclusionary Housing Account was funded by a one-time legislative appropriation that supported grant rounds in 1999 and 2000 but has been unfunded since. Funding for the Inclusionary Housing Account would support both this Housing Policy Plan and regional efforts to expand choice and opportunity because the Account:

- Is flexible in terms of types of projects (e.g., single- or multifamily development), award size, and how funds can be used (e.g., loans or grants).
- Is limited to new construction that will lead to wholly new affordable opportunities.
- Funds mixed-income development with affordability provisions that allow market-rate-heavy mixed-income scenarios.
- Focuses on lowering the cost of affordable housing construction and reducing local impediments to affordable housing.
- Works within existing statutory authority and the administrative structure of the other Livable Communities Act funding streams.

Council actions to expand the role that Livable Communities Act resources play in housing

- Explore how to fund the Inclusionary Housing Account, which has been unfunded since 2000.
- Work with our partners and stakeholders to identify indicators to measure how projects supported with Livable Communities Act resources advance equity, including helping

residents of Areas of Concentrated Poverty, lower-income households, and people with disabilities.
- Work with local partners to update eligible activities for the ALHOA and identify the best method for certifying its use.

Leveraging other funding streams

Regional Solicitation for Transportation Funding

The Council uses the Regional Solicitation for Transportation Funding to distribute millions of dollars from three major federal transportation programs—the Surface Transportation Program (STP), Congestion Mitigation and Air Quality (CMAQ), and Transportation Alternatives. The Solicitation's main objective is to help advance regional policies and priorities by allocating federal transportation funds to a variety of locally initiated transportation projects. For context, the distribution for fiscal years 2018-2019 (to be completed in 2015) is expected to total approximately $150 million. Proposed projects implement the Transportation Policy Plan and *Thrive MSP 2040* and support the region's economic vitality and quality of life.

The Regional Solicitation process has long used an applicant's affordable housing performance as a scoring element, although the specific measure used has varied among the Housing Performance Scores, performance against the Livable Communities Act Goals, or counts of new affordable units. The Score, however, is a more comprehensive indicator of a city's progress and commitment toward expanding housing choices. To encourage communities to expand affordable housing options and to be consistent across the Council, the Regional Solicitation released in October 2014 is using the Housing Performance Scores for 7% of an application's total points.

Council actions to leverage the Regional Solicitation for Transportation Funding to elevate the importance of housing performance:

- Use the Housing Performance Scores as a scoring element in the Regional Solicitation for Transportation Funding.

Sewer Availability Charge

The Sewer Availability Charge (SAC) is a one-time fee imposed by Metropolitan Council Environmental Services (MCES) on local communities for each new connection made or an increase in capacity demand to the Metropolitan Disposal System. The SAC fee is assessed per residential unit, including multifamily. SAC fees for businesses and other types of structures are prorated based on the estimated potential capacity of wastewater demand a building's occupants may require. Some multifamily dwellings of four or more units can also receive discounts on the SAC, ranging from 20% for a 'typical' multifamily apartment building without individual laundry facilities, to 40% for publicly owned or publicly subsidized multifamily properties with no individual laundry facilities, garbage disposals, or dishwashers. Local governments may waive, add to, or pass the SAC fee along to developers but, regardless, remain obligated for the payment made to the Council.

The SAC system is a complex structure governed by state statutes and administrative procedures. As a result, it is both politically and financially challenging to leverage SAC to promote affordable housing. Through outreach and engagement in 2015, the Council will determine if there is a viable opportunity to promote affordable housing production through its handling of SAC.

Council actions to leverage the Sewer Availability Charge structure to expand affordable housing

- Collaboratively explore opportunities to promote affordable housing production through its handling of SAC, and, if any are identified, include those in the Sewer Availability Charge Procedure Manual.

Transit-Oriented Development

Transit-oriented development (TOD) is walkable, moderate- to high-density development served by frequent transit. TOD includes a mix of housing, retail, and employment choices designed to allow people to live and work with less or no dependence on a personal car. Existing Council policy provides a framework for the Council to play a leadership role across sectors and political subdivisions in the planning and implementation of TOD throughout the region. In 2014, the Council created a Transit Oriented Development (TOD) office within Metro Transit to support and lead local and regional efforts to foster TOD.

The Council has an important stake in maximizing the potential of TOD along existing and proposed transit corridors and ensuring this development provides opportunities for people of all income levels, races, ethnicities, and abilities. Ensuring sites are available for affordable housing development in station areas and other efficiently located sites requires intentional land acquisition strategies and resources. The Council also acknowledges the many existing single-family neighborhoods near transitways and high-frequency bus routes, some of which offer affordable options for low- and moderate-income households. In cases where important housing options are at real risk of losing their affordability due to transit investments, the Council will focus efforts on preserving affordability and maintaining choice.

Council actions to leverage the Office of Transit-Oriented Development to expand affordable housing

- Work with our community partners to develop and provide the mechanisms and financial resources to strategically acquire property for future development of affordable housing that provides TOD-supportive land use and leverages private investment.
- Track and protect unsubsidized affordable housing near transit investments.

Preferred Sustainability Status

As part of the federal Partnership for Sustainable Communities, the U.S. Department of Housing and Urban Development (HUD) created Preferred Sustainability Status. City applicants for some federal grants, particularly through HUD, may apply to the Council—which was the recipient of the Sustainable Communities Regional Planning Grant—for two additional bonus points. Preferred Sustainability Status is intended to encourage ongoing sustainability efforts beyond the HUD-funded projects. Under current federal policy, Preferred Sustainability Status is scheduled to sunset at the end of 2016.

To be eligible for Preferred Sustainability Status points, the application must demonstrate consistency with the six livability principles developed by the federal Sustainable Communities Partnership, one of which is promoting equitable affordable housing. To this end, Council staff reviews applications and determines if the livability principles are being met.

Council actions to leverage Preferred Sustainability Status to support affordable housing

- For city applicants, grant Preferred Sustainability Status only to those that have at least the median Housing Performance Score unless the proposed funded activity would expand affordable housing.

Housing Requirements for Local Comprehensive Plans

Cities, townships, and counties in the seven-county area prepare local comprehensive plans as required by the Metropolitan Land Planning Act. These plans must include a housing element and a housing implementation program. Local governments will begin this decade's round of local comprehensive plan updates following Council adoption of *Thrive MSP 2040* and the system and policy plans (including this Housing Policy Plan) and the September 2015 distribution of Systems Statements. Comprehensive plan updates must be submitted to the Council in 2018. The Council assists local governments to create consistent, compatible, and coordinated local comprehensive plans that achieve local visions within the regional policy framework.

The Council reviews updated local comprehensive plans based on the requirements of the Metropolitan Land Planning Act and the comprehensive development guide (*Thrive MSP 2040* and the system and policy plans). The Council considers each local comprehensive plan's compatibility with the plans of other communities, consistency with adopted Council policies, and conformance with metropolitan system plans. If the Council finds that a community's local comprehensive plan is more likely than not to have a substantial impact on or contain a substantial departure from metropolitan system plans, the Council can require the community to modify its local plan to assure conformance with the metropolitan systems plans (Minn. Stat. 473.175).

Under the Metropolitan Land Planning Act, local comprehensive plans must include a housing element that:

- Contains standards, plans, and programs for providing adequate housing opportunities to meet existing local and regional housing needs;
- Contains standards, plans, and programs for providing adequate housing opportunities to meet projected local and regional housing needs;
- Acknowledges the community's share of the region's need for low- and moderate-income housing (the Need); and promotes the availability of land for the development of low- and moderate-income housing; and
- Includes an implementation section identifying the public programs, fiscal devices, official controls, and specific actions the community will use to address their existing and projected needs (Minn. Stat. 473.859, subd. 2 and 4).

With the development of this Housing Policy Plan, the Council has identified an opportunity to improve the consistency and quality of the housing elements and implementation programs of local comprehensive plans. While communities are now guiding enough residential land at densities to support affordable housing development to address their Need, the Council did not provide specific guidance to local communities in the last planning round on other housing element requirements in the Metropolitan Land Planning Act.

Figure 20: Components of the housing element of local comprehensive plans

Existing housing needs

Under the Metropolitan Land Planning Act, local comprehensive plans must include a housing element that addresses existing housing needs in the community—in other words, the need for increased affordability for the people who already live (and already vote) in the community. The existing housing assessment serves as the starting point to determine a community's existing housing needs. Complete housing elements analyze the existing housing assessment through the lens of local knowledge and priorities, identifying clear, specific housing needs to be addressed in the housing implementation program. Housing elements must contain an assessment of existing housing, including at minimum:

- Number of existing housing units within the three bands of affordability:
  - 30% or less of Area Median Income (AMI)
  - Between 31% and 50% AMI
  - Between 51% and 80% AMI
- Split of rental and ownership housing
- Split of single-family and multifamily housing
- Units of publicly subsidized housing
- Number of existing households at incomes at or below 80% AMI that are experiencing housing cost burden
- A map of owner-occupied housing units identifying their assessed values, differentiating the values above and below what is affordable to a family of four at 80% AMI (see Table 8)

This minimum information is both easily available and informative for existing housing needs. While the Council will provide communities with basic data for their existing housing assessments, the Council encourages communities to include any additional reliable data that enhance their existing housing assessments.

Table 8: Affordable home prices by household income (2013)

Household Income Threshold	Household Income for a family of four (2013)	Affordable Home Price[40]
115% of area median income	$94,650	$325,000
80% of area median income	$64,400	$217,000
50% of area median income	$41,150	$133,000
30% of area median income	$24,700	$74,000

Projected affordable housing needs

The Council provides the projected affordable housing needs for each community through the Allocation of Affordable Housing Need, described earlier in Part III. Allocating future need within the three bands of affordability allows communities to focus on the kinds of affordable housing that are most needed in their community. These future needs must be considered as communities guide future land uses in their comprehensive plan updates. The Metropolitan Land Planning Act specifically states that housing elements contain "land use planning to promote the availability of land for the development of low and moderate income housing." (Minn. Stat. 473.859, subd. 2(c))

Land availability is measured in comprehensive plans by having enough land guided at high enough densities to support the creation of affordable housing sufficient to meet a community's Need. Higher density promotes the availability of land for affordable housing in several ways:

- Increased density correlates with reduced costs of developing new housing by reducing the per-unit cost of land and fixed infrastructure. With limited resources for developing affordable housing, mechanisms that reduce development costs promote new affordable housing.
- Increased density creates more housing units overall. New market-rate or luxury units can still promote the availability of affordable housing by increasing the supply of all housing units.
- Sites with higher density signal to affordable housing developers where communities are more likely to support affordable housing proposals.

For context, of the multifamily affordable units built between 2003 and 2013 in developments with at least four units affordable at 60% AMI or less, the average project density was more than 39 units per acre. The Council recognizes that flexibility is an important component of housing elements and that the minimum densities provided below are significantly lower than that average of 39 units per acre. The Council strongly encourages communities to consider densities higher than these minimums. The Council will provide technical assistance to local governments to demonstrate what different densities can look like in different kinds of communities. With the right design, higher density development can fit well in almost any community.

Communities should guide an adequate supply of land at appropriate minimum densities to meet their Allocation of Affordable Housing Need. Communities have two ways to address the need for the 2021-2030 decade:

- Option 1: Guide sufficient land at a minimum density of 8 units/acre to meet the community's total Need.

OR

- Option 2: Guide sufficient land at a minimum density of 12 units/acre to meet Need at 50% or less of AMI (that is, the two lower affordability bands) and a minimum density of 6 units/acre to meet need at 51%-80% AMI.

These options allow communities flexibility in how they guide land use to meet statutory requirements within the range of community characteristics. Only enough land sufficient to address the Need must be guided—for example, a Need of 100 units could be addressed by 12.5 acres guided at 8 units/acre, or 2.5 acres guided at 40 units/acre.

Additionally, communities that choose Option 2 and have a demonstrated history of creating affordable units at densities lower than 6 units/acre may guide land at lower minimum densities (as low as 3-6 units/acre) when promoting land availability at the 51%-80% band of affordability.

Communities that do not guide an adequate supply of land at appropriate densities to meet their Allocation of Affordable Housing Need—that is, communities that are not fulfilling their statutory role to plan for their share of housing affordable to low- and moderate-income households—will be considered inconsistent with Council policy and therefore will not be eligible to participate in, and receive funding from, the Livable Communities Act programs. The Council fully acknowledges that land guided at higher densities may develop at higher price points. (Communities that are not meeting their Goal for affordable and lifecycle housing remain eligible to receive funding from the Livable Communities Act programs and will continue to receive priority in selection for funding from the Local Housing Incentives Account.)

In addition to meeting the requirements of the Metropolitan Land Planning Act, these minimum densities help create opportunities across the region for new affordable housing rather than only in the older parts of the region that have higher densities.

Figure 21: Options for guiding land to meet projected need for affordable housing

Option 1:
Guide sufficient land at a minimum density of:

- 8 units/acre to meet a community's total need

Option 2:
Guide sufficient land at a minimum density of:

- 12 units/acre to meet need at 50% or less AMI (combines the two lower affordability bands)
- 6 units/acre to meet need at 51%-80% AMI

Implementation program

Communities have a variety of additional tools at their discretion to encourage, incent, and even directly create affordable housing opportunities; guiding land at higher densities alone is insufficient to meet the existing or projected needs for affordable housing. Complete implementation programs must identify a community's "public programs, fiscal devices and other specific actions to be undertaken in stated sequence" (Minn. Stat. 473.859, subd. 4) to meet housing needs as stated in statute, and clearly and directly link which tools will be used, and in what circumstances, to explicitly address the needs previously identified.

The Council recognizes that this is a more robust application of the statutory language than in the last round of comprehensive plan updates. The Council will ensure that technical assistance is available to help communities identify and direct their resources. Complete housing implementation programs do not have to commit every available tool to meet housing needs, but must identify and consider all reasonable resources.

The Council will provide local planners a list of recognized tools and resources to support affordable housing development through the Local Planning Handbook. While the Council may not require a community to adopt a particular tool, a community must describe which tools it will implement and describe the sequence for their implementation. In the Council's review of the community's plan, the Council may provide comments regarding the community's plan but will not judge the tools proposed by the community. By providing a list of tools that many communities successfully use, the Council hopes that local comprehensive plans will be clear, transparent policy documents that provide road maps to address housing needs for planners, local leaders, developers, and citizens alike. In addition to meeting the statutory requirements of the Metropolitan Land Planning Act, these comprehensive plans will signal to developers where communities are likely to support affordable housing and thereby make affordable housing development a less risky proposition.

Council actions to review comprehensive plan updates to expand housing choices

- Include updated housing requirements and review criteria in the 2015 update of the Local Planning Handbook.
- Provide technical assistance to communities desiring more detailed discussion about requirements and review criteria.
- Provide communities basic data to inform their existing housing assessments.
- Provide technical assistance to communities desiring support identifying and understanding available tools to meet existing and projected affordable housing needs.
- Review the housing element of 2040 Comprehensive Plan updates for completeness with updated requirements.
- Provide technical assistance to communities desiring ways to get the most out of their housing element beyond minimum requirements, both in the Local Planning Handbook and in direct assistance if requested.

Expanded technical assistance to local governments around housing

The Metropolitan Land Planning Act and the Council's review authority give the Council a unique role with local governments. The Council already provides technical assistance to local jurisdictions to support the local comprehensive planning process and the effective implementation of regional policies.

To supplement its traditional role of reviewing local comprehensive plans, the Council will expand the technical assistance it provides to local governments around housing. The Council hopes that expanded technical assistance will lead to 1) stronger housing elements and housing implementation programs in local comprehensive plans and 2) support affordable housing development in cities with little experience in working with affordable housing developers.

In addition to existing forms of planning technical assistance, Council staff has the ability and capacity to provide planning expertise to communities seeking deeper understanding of housing's role in planning. Council staff can assist in station area planning, small area planning, corridor planning, and implementation planning, specifically integrating local and regional housing need into the work. Council staff can help ensure that adopted plans are not only consistent with but contribute to the implementation of their housing elements. Staff can provide regional perspective on the strategies, challenges, and opportunities that are facing all communities in the region.

The Council can also play a significant role in sharing best practices developed by others. One example is the Minnesota Housing Policy Toolbox. Another is the award-winning initiative of the Center for Urban and Regional Affairs and the Housing Preservation Project, which identifies opportunities for cost savings and local means for lowering total development costs. Rather than reinventing the wheel, the Council will look for practical opportunities to direct local governments to and supplement these types of offerings. Topics that may be of particular interest include:

- Accessory dwelling units
- Cost-effective affordable housing preservation
- Preservation of unsubsidized affordable housing
- Access to unsubsidized affordable housing for low-income households
- Mixed-income development and neighborhoods
- Advancing equity in housing
- Flexible, resilient, and culturally sensitive design
- Community engagement
- Placemaking and housing
- Sustainable practices in housing design, rehabilitation, and construction

Council staff will continue to serve as a resource to communities seeking research and best practices on housing strategies, tools, and opportunities.

Additional technical assistance can be provided beyond planning and information sharing. Cities have widely varying levels of sophistication around development. In an environment where development deals are difficult for even the most experienced city staff, many smaller communities are at a disadvantage when it comes to encouraging the construction of new housing. Council staff is positioned to assist interested communities in identifying key housing sites, districts, or areas in their community.

Table 9: Fiscal and zoning tools used by cities in 2012 to expand housing choice and a mix of housing affordability

Fiscal and zoning tools used by cities in 2012	Cities using the tool
Tax Increment Financing (TIF)	66
Community Development Block Grant (CDBG)	52
Rental housing maintenance code	49
Collaboration with Community Land Trust (CLT) or other non-profits	45
Owner-occupied housing maintenance code	44
Set-back reductions	39
Livable Communities Act (LCA)	34
Reduced lot sizes or widths	30
Parking variances	22

Source: Metropolitan Council, "MetroStats: 2012 Affordable Housing Production in the Twin Cities Region"

Council staff can also provide support to evaluate strategies for site control (including acquisition, assembly, and funding sources), connect with the development community, and market housing opportunities. The Council sees an opportunity to provide technical assistance to support communities that desire to expand their housing choices but lack the experience to attract developers.

Council staff can further assist in the development process by sharing knowledge of the complex development finance world that dictates so much of what is possible in housing. Evaluating the financial reality of housing development and the potential solutions or tradeoffs to consider is crucial to determine a community's priorities. Furthermore, awareness of the financial products that exist to create or preserve housing, and the requirements or conditions of such products, will allow communities to make informed decisions about how to focus their efforts. The Council will partner with other subject matter experts and funders to ensure the assistance offered is accurate and current.

A final area for expanded Council assistance is community engagement. Meaningful community engagement continues to be a challenge for governmental entities, and its importance only continues to rise along with the difficulties and challenges of doing it effectively. While the Council does not have all of the answers to the riddle of successful community engagement, Council staff do have experience and valuable perspective on methods and strategies for community engagement. This includes partnering with other organizations whose mission it is to empower communities to engage. The Council's Public Engagement Plan and the vast and varied individual community engagement experience of Council staff can provide resources to communities that would like to elevate their engagement with their stakeholders around housing issues.

Council actions to expand technical assistance to support housing choices

- Provide technical assistance to improve the alignment between local comprehensive plans—especially the housing element and implementation program—and the Need at all levels of affordability.
- Identify opportunities for local governments to improve their Housing Performance Score by implementing additional tools or programs to support affordable housing.

- Disseminate best practices, model ordinances, development guides, and local examples to support expanding housing choices through both the Local Planning Handbook and direct technical assistance with local governments.
- Offer workshops for local planners on how to expand housing choice through comprehensive planning.
- Work with local staff to identify housing development sites—especially those that would address the Need, the Goal, and the Score of that local government—or expand housing choice.
- Identify resources to accomplish site assembly or site control, including the development of Requests for Proposals, grant and loan application assistance, and market information.
- Provide technical assistance to local governments to create an attractive development environment that minimizes risk for, and builds relationships with, experienced developers.

Convening and partnering to elevate regional housing dialogue

As a regional entity, the Metropolitan Council was formed to address issues that transcend local government boundaries and cannot be adequately addressed by any single governmental unit. The Council will use its regional role to be a convener of regional conversations, both in areas where the Council has statutory authority and around issues with regional significance. The Council can make a significant contribution by identifying the key stakeholders, framing the scope of a conversation, and facilitating the dialogue that will collectively develop regional or subregional solutions. This includes fostering collaboration among cities or among organizations working on similar issues. Topics that have emerged as priorities for Council convening include:

- The intersection of housing policy and education policy.
- Meaningful, ongoing dialogue around housing topics with historically underrepresented communities such as communities of color, low-income households, people with disabilities, and new immigrants.

Council actions to convene, collaborate, and partner to support expanded housing choices

- Convene, collaborate, and partner in conversations and visioning sessions to promote housing choice within the region, contemplate innovative policies, programs, or projects, or take on challenging and contentious issues around affordable housing.
- Participate in the development of technical tools and best practices in partnership with other organizations.

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[39] This forecast looks at new households earning less than 80% of AMI and excludes seniors who own their home free and clear and are not cost-burdened. Including those, the number is 56,400.

[40] Affordable home prices are Metropolitan Council staff calculations of the purchase prices at which estimated monthly mortgage payments—including principal, interest, property taxes, and insurance—are no more than 29% of the monthly income for a household of four with the given income. The Council assumed a 3.97% interest rate (the Midwestern average for 2013) and other standard mortgage assumptions: a 3.5% downpayment, a property tax rate of 1.25% of property sales price, mortgage insurance at 1.35% of unpaid principal, and $100/month for hazard insurance. Household income values are the income limits for 2013 calculated by the U.S. Department of Housing and Urban Development based on the median family income for the 13-county Minneapolis-St. Paul-Bloomington metropolitan statistical area.


2040

Part IV: Opportunities for Collaboration

The process of developing this Housing Policy Plan has produced rich conversation and discussion over the last year. However, it has become clear that the region needs to have broader, richer dialogues beyond what the Council was able to achieve in developing this plan. This part of the plan describes areas where the Council intends to convene collaborative regional discussions on how to move ahead in the coming years:

- Reducing barriers to development of mixed-income housing and neighborhoods.
- Improving the alignment of housing policies and decisions made by school districts.
- Expanding the supply of housing options accessible to seniors and people with disabilities.
- Assessing the feasibility of risk-sharing strategies.
- Increasing housing variety and affordability through common interest communities.
- Developing shared regional strategies to affirmatively further fair housing and address housing discrimination.
- Building wealth and expanding investment in Areas of Concentrated Poverty.

If appropriate, the Council will amend the Housing Policy Plan to reflect any new policy direction emerging from these discussions.

Reduce barriers to development of mixed-income housing and neighborhoods

Mixed-income housing development holds the potential to create vibrant, diverse communities that offer choices to a range of households. Moreover, mixed-income development can be more politically viable and appealing to neighbors than developments of solely affordable units. The financing of mixed-income housing, however, presents several special challenges. How the region collectively overcomes these barriers will have important implications for the prospects of households of varied incomes within properties, districts, and neighborhoods such as transit station areas.

What is mixed-income housing?

Mixed-income housing, in its strictest sense, refers to developments that mix market-rate or income-unrestricted units and subsidized units affordable to low- and moderate-income households. One previously common approach is the so-called “80/20.” In these developments 80% of units are market rate and 20% are affordable, and the market-rate rents are expected to help cross-subsidize the rental revenue “lost” by including the affordable units. This approach, however, inappropriately polarizes the market-rate and affordable components by creating the presumption that the market-rate rents are high and achievable and that the rents of the affordable units are low, deeply targeted, and deeply subsidized. In practice, however, there are a number of additional ways that mixed-income projects are possible beyond the 80/20. For example:

- A project that has less than 20% affordable units but requires some number or proportion might still be called mixed-income.
- A project that has 80% income-targeted, subsidized units might have 20% market-rate units and be called mixed-income.
- Even a project that is 100% affordable can and usually does still serve mixed incomes with some units reserved for households earning 60% of AMI, some reserved for households earning 80% of AMI, and some targeted to households at or below 30% of AMI.

"Mixed-income" can have a variety of potential meanings and any number of combinations of income targets within or across projects, neighborhoods, or corridors. Indeed, funders increasingly recognize the value of building not only affordability into market-rate projects but also of market- or moderate-rate units into mostly affordable projects. Similarly, market-rate does not always equate to rich households. Rather, market-rate simply means the rate that potential renters will pay for housing. In the same way, affordable does not equate to households earning extremely modest incomes. In other words, the perception of mixed-income as a potential clash of very high and very low incomes is often incorrect.

What are the barriers to developing mixed-income housing?

A 2013 report commissioned by Minnesota Housing, "Expanding Mixed Income Housing Opportunities," identified a number of concerns expressed by members of the development and finance communities about the challenges inherent in mixed-income development:[41]

- Most are familiar with mixed-income housing objectives, but have less experience in practice.
- Developer interest in affordable housing reflects a desire to diversify portfolios and minimize risk.
- There is a clear need for "mission-driven" capital to support mixed-income development, especially transit-oriented development.
- Regional sub-market variations make "one-size-fits-all" approaches difficult.
- Market-rate amenities add to development costs and challenges.
- Jurisdictions see the need for education and outreach to developers on affordable finance tools.
- Specific challenges exist with some Minnesota Housing programs for mixed-income housing.

One chief impediment to developing mixed-income housing is the real or perceived risk involved. Risk, a factor in any housing proposal, is perceived differently across projects based on elements such as level of demand in the local housing market, the location of the property, and the value of comparable nearby properties. Investors or lenders evaluating a market-rate proposal will pay particular attention to whether local market

demand is sufficient to support the planned rent levels. An investor or lender considering investing in the rehabilitation or construction of affordable housing is likely to focus more on the number of lower-income households who need the subsidized housing. In both of these cases, demand can be expressed with relative certainty.

In a mixed-income proposal, however, two or more types of demand must be accounted for—the demand for the market-rate units and the demand for the subsidized units.

If questions lead potential investors to believe that demand for either the market-rate or subsidized units, or both, may be questionable, the perceived risk increases. When the perceived risk increases, investors expect a higher rate of return, the housing becomes more expensive to build, and the project becomes less feasible. For example, public entities can often provide financing on highly favorable terms and conditions to locally significant projects. But those public entities, too, have their limits; they must be effective stewards of taxpayer resources and invest them in developments that are likely to succeed and in time repay the public investment.

What are potential strategies to develop mixed-income housing?

Despite the challenges of mixed-income development, national and local success stories show where mixed-use development has met with little resistance, has improved access to amenities and services, and has been effectively matched with other public policy goals. For example, Austin, Texas launched the S.M.A.R.T. (safe, mixed-income, accessible, reasonably priced, transit-oriented) Housing Program, which offers developers a schedule of incentives based on the level of affordable housing. The schedule also incorporates local controls such as a density bonus to encourage affordable development and secure other community benefits including parking, open space, or streetscape improvements.[42] In our region, many cities require affordable units when tax increment financing is provided to projects. They may also deploy other fiscal, regulatory, and planning incentives and tools.

Potential strategies to reduce the impediments to mixed-income development include:

- Dividing the property into two distinct projects. This strategy runs counter to the typically used criterion of a project as being a set of activities “under common ownership, management, and financing,” and almost undoubtedly will result in increased soft costs. But the premise is relatively simple—find one investor that is interested in the market-rate component and another for the affordable units.

- Connecting by breezeway or other architectural element. This approach entails building two separate structures—one for market-rate units and the other affordable, but connects them through a functional architectural element such as a breezeway. The physical linkage allows it to be a single project under common oversight. However, this dilutes the income mixing sought.
- Building on two or more separate sites. This concept would allow a developer to contemplate financing for two parcels, or perhaps to use a scattered-site approach, but to bundle them together such that they are still under a set of activities under common ownership, management, and financing. This approach may allow more financial flexibility if the developer can build a more profitable structure at the most lucrative site and use a portion of the proceeds to “cross-subsidize” the affordable building that will be constructed nearby.
- Adjusting use of public financing. When a mixed-income development involves tax credits, one approach could be to award a higher level of tax credits to very strong project proposals that are also located in strong markets; and to use other more direct, less complicated financing tools to fund projects in markets where investor interest is lacking. Over time, if investments are soundly made, investor confidence may follow the movement of public capital into such markets—leading to a healthier overall finance environment.

Another means to develop mixed-income properties is through inclusionary housing strategies, including inclusionary zoning. Inclusionary zoning policies originated as a response to discriminatory practices such as exclusionary zoning and redlining. In its purest form, inclusionary zoning is a “mandatory mixed-income” requirement. This approach typically requires that any development receiving local funding or needing local approvals include a specified amount of housing affordable to low- and moderate-income households, often 20% of units but ranging from 5% to 30%.[43] Inclusionary strategies can also take a voluntary form, where certain local controls or fees might be adjusted or waived in exchange for building mixed-income elements into development plans.

Cities nationally and locally have used inclusionary housing policies and programs to deliver high-quality mixed-income development. Developments that are intended to be mostly affordable are blending in market-rate units, and mostly market-rate developments are including affordable units. Inclusionary strategies share common goals with mixed-income development, including the following:

- Creating mixed-income neighborhoods and properties where residents benefit equally from public investment.
- Incorporating affordable housing into housing of comparable quality and with similar amenities.
- Leveraging private investment to encourage affordable unit provision or to provide site-specific or local investments in infrastructure for use and enjoyment of all residents.
- Making local requirements around affordable housing more predictable and therefore efficient.
- Using local regulatory and review controls to supplement scarce financial resources.
- Combining local controls, exceptions, or waivers with finance-oriented strategies such as tax abatement or fee waivers to lower the overall cost of affordable components of projects and make inclusion of affordability more financially and physically possible.

Though few would dispute the validity of such goals, mandatory inclusionary zoning has come under intense scrutiny from those who believe it detracts from future development. The pushback in many jurisdictions has led to an increasing desire to achieve greater income diversity while minimizing political contentiousness. Some of the creative approaches that have emerged include:

- Use of voluntary systems. Instead of requiring that affordability be built into every development, which could make some projects unfeasible if the required percentage is too high, many jurisdictions use voluntary approaches under which developers who choose to meet or exceed affordability standards receive financial or regulatory incentives, such as a density bonus allowing more market-rate units to be built on site.
- On and off-site options. In certain locations and market contexts, it may be more financially feasible or logistically practical to split the market-rate units from the affordable units rather than physically combining them into a single structure. This may run the risk of diluting the mixed-income public policy objective.
- Cross-typology approaches. This approach allows a mix of housing types—such as single-family, townhome, or multifamily rental—in the same development. Depending on the local price and availability of land, the local desire to expand housing types available, and other factors, cross-typological strategies may or may not be desirable.
- Mixed-income bonus “a la carte.” For cities with strong capacity and experience in using local planning, land use, and finance-oriented tools and controls to benefit housing and community development, it may be desirable to offer developer choice in what benefits, provided at which key points in the project’s life, make the most financial sense given other project dynamics.
- “As of right” approach. Developers value predictability and go to great lengths to identify potential delays in a project’s schedule. Growing construction finance interest and other holding costs can become deal-breakers or at least eat into profit. A city that is interested

in encouraging affordable or mixed-income development might explore developing a package of incentives that, when certain parameters are met (for example, other finance sources are secured, the developer has site control, the project has passed environmental review, etc.), the developer receives the incentives “as of right” and does not have to make special efforts or applications to receive the mixed-income-focused set of financial or procedural benefits.

- Payment in lieu strategies. Allowing a participant under a voluntary or mandatory policy structure to effectively “buy out from” the scheme, on a limited basis or for an agreed-upon period of time, with proceeds funding affordable or mixed-income development elsewhere.
- Promoting the availability of land. Not all local jurisdictions have the same level of financial and technical resources, but most communities can promote suitable parcels. Some may be able to offer land at reduced prices. Promoting the availability of parcels that can support density and affordability and make the development overall both feasible and profitable can make a big difference in the likelihood of attracting development interest. In addition, where public acquisition or conveyance of a site is possible, a community may achieve affordability objectives—and possibly secure developer investments in community infrastructure—by significantly reducing costs and making the parcel available to developers on a competitive basis.

The track record and literature on mixed-income strategies is growing over time, as is the number of cities employing some form of these approaches. While questions remain about their effectiveness, the important public policy objectives of achieving greater social, economic, and community integration will likely keep these potential tools at the fore over the long term.

Council role

- Participate in conversations with the housing finance community, tax credit investors and syndicators, private lenders, local officials, and other stakeholders about reducing the financial, institutional, and regulatory barriers to the development of mixed-income housing.
- Provide local governments with data, research, and best practices on the development of mixed-income housing and related strategies.
- Continue to encourage mixed-income development by reflecting its use in Housing Performance Scores (see Part III).
- Work with partners to plan, build, and operate transit infrastructure that attracts mixed-income development.
- Continue to support successful mixed-income development with Livable Communities Act funding.
- Encourage mixed-income strategies through comprehensive plan reviews by recognizing their contribution to a local government’s planning for meeting their “fair share” of the region’s affordable housing need.

Improve alignment between housing policy and school district decisions

Awareness of the iterative nature of housing policies and school district policies is expanding. Areas of Concentrated Poverty have—or are believed to have—poorer-performing schools than other neighborhoods. Children living in neighborhoods with concentrated poverty may be less prepared for school and may receive an education inferior to children in neighborhoods with less poverty, limiting their ability to stop the cycle of poverty. Families with enough income to live where they choose are less likely to live in Areas of Concentrated Poverty, in part due to expectations that schools elsewhere are better. These dynamics make efforts to maintain a mix of incomes in a neighborhood difficult, and disinvestment in areas of poverty is reinforced. Unfortunately, unaligned jurisdictions, decision-making bodies, and a lack of communication have hindered the ability of the two worlds to work together to improve outcomes for both.

One example is the impact of land use and zoning on the number of households with school-aged children in a community. If planning for housing that is attractive to families with children is not done in concert with school district investment decisions, valuable resources may be used to invest in a school that will see a decrease in attendance over time. Similarly, school investments (or a lack thereof) influence the desirability of a neighborhood for families with children. Land use guidance in such areas will not be complete if it does not consider the impacts of school district planning on neighborhoods.

Land use can have other important impacts on school districts. Since few school district boundaries align exactly with city boundaries, one city's land use decisions can affect the student pool of a district located mostly in a different city. Often these situations involve discussions and decisions that are extremely sensitive; acknowledging the relationship between housing stock and school districts from the beginning can minimize the potential controversy.

The Metropolitan Land Planning Act institutionalizes a review process intended to address this alignment:

"Local governmental units shall submit their proposed [comprehensive] plans to adjacent governmental units, affected special districts lying in whole or in part within the metropolitan area, and affected school districts for review and comment at least six months prior to submission of the plan to the council and shall submit copies to them on the submission of the plan to the council." (Minn. Stat. 473.858, subd. 2)

However, there is little evidence that compliance with this requirement has led to successful alignment of the housing element of comprehensive plans and school district policies. The Council intends to reach out to local government planners and school district staff to see how this review requirement can become more meaningful.

More broadly, the Council will convene and collaborate where appropriate to support the capacity and culture of housing policymakers, advocates, developers, and educational institutions to work together toward common goals. After all, both schools and housing providers are long-term investors in the communities in which they serve. Yet both industries are challenging and complex; the ability to tackle opportunities for alignment may not be a high priority. Nevertheless, housing and school professionals operate within a wider local and regional context than ever, and finding ways to educate and empower both groups to work together is an incredible opportunity for collaboration.

Council role

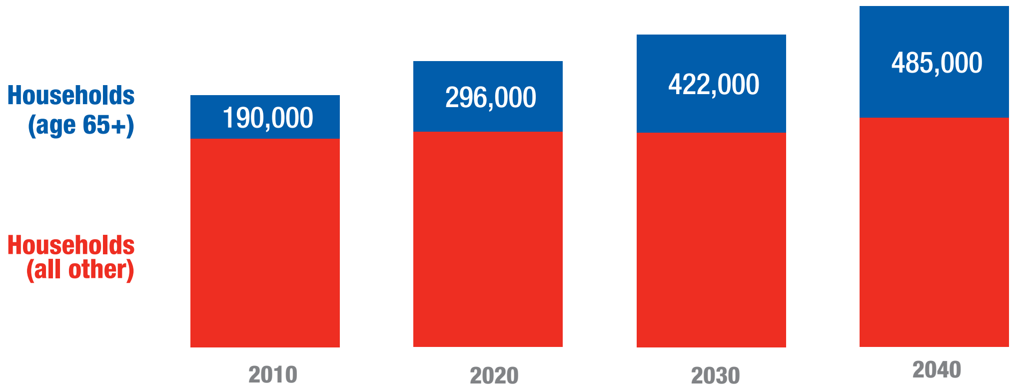
- Convene housing policy stakeholders with leaders from school districts and the Minnesota Department of Education to improve the alignment between housing planning and education policies, including facilities planning.
- Partner with local planners and school district professionals to enhance the effectiveness of the school district's review of the 2018 comprehensive plan update drafts.
- Encourage school district planners and local planners to communicate and collaborate, providing best practices and technical assistance when practical.

Plan housing choices for the growing senior population

Seniors age 65 and older will be the fastest growing segment of our population, doubling in absolute numbers by 2030 and reaching one in five of our region's residents by 2040. Households headed by seniors will grow from 17% of the region's households in 2010 to 33% by 2040. While the relative share of senior-headed households may decline after 2040, it is likely that the absolute number of these households will be stable as today's large Millennial generation enjoys the benefits of longer life expectancies. Fewer seniors have disabilities given advancements in health care. More seniors are financially independent. But the sheer size and absolute number of this demographic create increasing challenges for housing affordability, accommodating disabilities, and independent living.[44]

As residents age, their needs, preferences, and travel behaviors shift; some communities may be poorly designed to accommodate their residents' future needs. Some seniors choose to move to a downtown condo. Other seniors want to age in place, close to their places of worship, friends, or family members (especially grandchildren). Other households are deciding whether to move into a nursing home, assisted living facility, retirement community, or other arrangement. Many senior households do want to retain their independence, age in place, and enjoy homes they worked hard for and that contain so many memories. However, the massive increase in the senior population will magnify the impact of those seniors who choose to move.

Figure 22: Forecasted growth in households headed by seniors



Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts

Regardless of their preferences for specific locations, most seniors share common interests in less household maintenance, one-level or accessible living, and easy access to nearby goods and services, especially health care. Homes with stairs, lots of space inside or outside to maintain, or other characteristics can pose challenges to an older resident with arthritis or other chronic illnesses, dementia, or limited income. Some seniors who want a different type of home in their community have trouble finding appropriate housing where they want to live. Most senior households live on limited incomes and have greater interest in or need of rental housing options; this propensity increases with age. Are there adequate housing choices, including age-integrated options, available for seniors to stay active, access goods and services conveniently, and be near friends and family?

While many elderly individuals and households can afford to stay in their homes, transition to an assisted living facility, or pursue other living arrangements, many others cannot. Over one-third of households with a householder age 65 or older—74,000 households—pay more than 30% of their income on housing.[45] Cost burden for seniors is particularly severe among those who rent; nearly two-thirds of renter households with a householder who is age 65 or older pay more than 30% of their income on housing. Moreover, there is a large wealth gap between seniors who own their homes and those who rent. The typical homeowner aged 65 or above has enough wealth to cover the cost of assisted living for more than six years; the average renter 65 or older can cover only two months.[46] In addition, aging poses special housing challenges for people of color, who often have lower household wealth accumulation and who generally experience a lower rate of homeownership.

Many organizations are providing or planning enhanced housing options for seniors. For example:

- Minnesota Housing addresses the housing needs of seniors in a variety of programs. Examples include single-family home improvement and rehabilitation loans, and multifamily preservation efforts. These often improve living conditions and extend affordability for older tenants living in project-based Section 8 properties, public housing, and other properties.
- The Minnesota Department of Human Services (DHS) Elderly Waiver Program and the Alternative Care Program fund home- and community-based services for income- and asset-eligible individuals and households age 65 and older who require the level of care provided in a nursing home but wish to reside in the community.
- The City of Minneapolis is another government entity that provides dedicated assistance to adults 50 years and older. The City owns 11 high-rise buildings with on-site amenities and services and containing more than 1,800 apartments. The Minneapolis Public Housing Authority opened the Thomas T. Feeney Manor in 2011, an assisted living facility that focuses on issues of memory care.
- The Dakota County Community Development Agency operates 43 age-restricted developments (mostly 55 or older, some 62 or older) with 1,596 affordable (low- to moderate-income) age-restricted units, including assisted living units.

See Appendix D for more about different types of senior living arrangements.

Council role

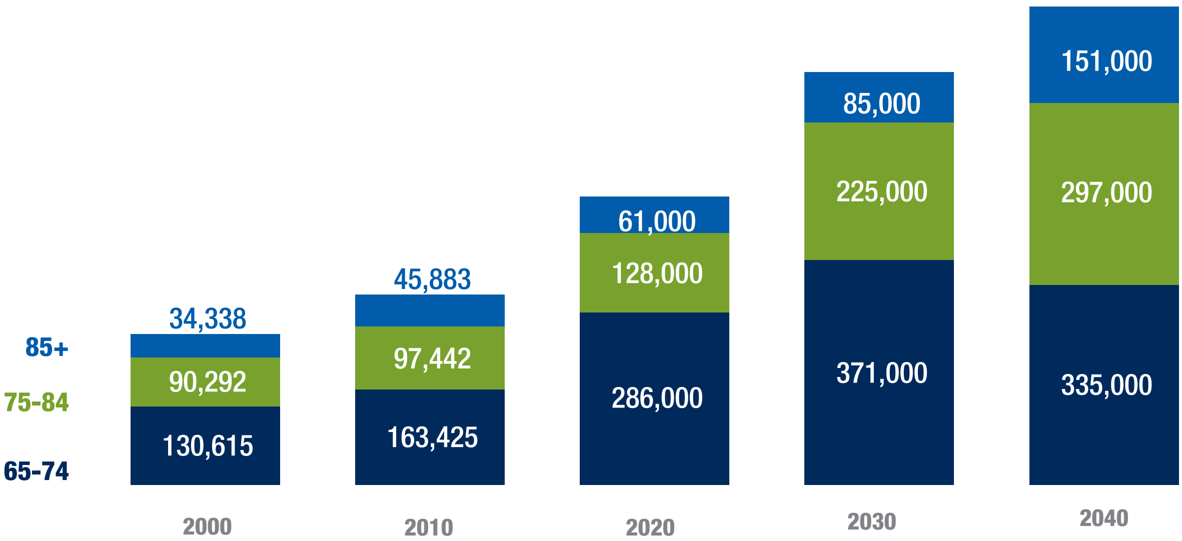
- Work with regional funding partners to identify resources to support affordable housing development for the senior population.
- Provide technical assistance to local governments on how to expand housing opportunities for seniors. This includes sharing information about homeowner rehabilitation loan or grant programs that finance the retrofitting of existing housing to better meet the needs of aging residents.
- Encourage the use of flexible design principles in projects funded through the Livable Communities Act.
- Locate new senior housing in places with access to services and amenities that seniors want and need.

Expand the supply of housing options accessible to people with disabilities

Providing high-quality, accessible housing options for people with disabilities is a challenge for housing development and especially affordable housing development. As our population grows and ages, the availability of quality, accessible housing options for people with disabilities will be increasingly important. In the seven-county region there are nearly 260,000 residents with a disability, accounting for nearly 9% of the regional population.[47] More than four-tenths (44%) of the region’s non-institutionalized residents aged 75 or older experience difficulty with vision, hearing, mobility, personal care, or independent living, and 11% have moderate to severe memory impairment.[48] Given the significant recent and forecasted growth in these older age cohorts, there is likely to be additional growth in the number of people with disabilities due to aging and longer life expectancies.

Funders, architects, and others are increasingly embracing "universal design." This is a set of design strategies and features intended to make it easier for residents to live in, and for guests to visit now or in the future, even as households move fully through the life cycle. Universal design features include having at least one step-free entrance to the property, designing units for single-floor living, ensuring doorways and hallways are wide enough for people with disabilities to move about freely, positioning controls and switches so they are readily reachable, and use of task lighting directed to specific areas.

Figure 23: Growth in older age cohorts



Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts

Federal laws—notably the Fair Housing Act, the Rehabilitation Act of 1973 (Section 504), and the Americans with Disabilities Act—require government entities to provide access to services and programs to people with disabilities. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination against people with disabilities for any program or activity receiving financial assistance from any federal agency, including HUD.[49] Disability is defined as a physical or mental impairment that substantially limits one or more major life activities, including but not limited to persons with:[50]

- A visual or hearing impairment.
- A mobility impairment.
- HIV infection.
- Developmental impairment
- Drug addiction (except current illegal use of or addiction to drugs).
- Other impairments that limit major life activities such as performing manual tasks, caring for one's self, learning, speaking, or working.

In addition to prohibitions on discrimination in selling or renting, Section 504 contemplates a broader set of programs, services, and activities when federal assistance is used. For example, people with disabilities cannot be denied the opportunity to participate in housing services and programs, required to accept a different kind or "lesser" program or service, or required to participate in separate services or programs even where they exist. In addition, housing providers cannot require people with disabilities to live only on certain floors or for all households in a property to be grouped together; nor can they refuse repairs, limit access to recreational and public use facilities, deny participation on planning or advisory boards, or refuse to provide any other services made available to other residents.

In 1999, the U.S. Supreme Court ruled in the Olmstead Decision that people with disabilities are best served alongside everyone else and must be integrated into the community as much as possible. In response to both Olmstead and the "Jensen Settlement," Minnesota published *Putting the Promise of Olmstead into Practice: Minnesota's 2013 Olmstead Plan* in November 2013. Governor Mark Dayton also established the Olmstead Subcabinet, consisting of the Commissioners or their designees of the following state agencies: departments of Corrections, Education, Employment and Economic Development, Health, Human Rights, Human Services, Minnesota Housing, and Transportation. (The state's Ombudsman for Mental Health and Developmental Disabilities and the Executive Director of the Minnesota Governor's Council on Developmental Disabilities are ex officio members.) The Olmstead Subcabinet established the following vision statement to guide its work:

> *The Olmstead Subcabinet embraces the Olmstead decision as a key component of achieving a Better Minnesota for all Minnesotans, and strives to ensure that Minnesotans with disabilities will have the opportunity, both now and in the future, to live close to their families and friends, to live more independently, to engage in productive employment and to participate in community life*.

Extensive stakeholder input was solicited during the development of the Olmstead Plan. Among the key themes articulated by people with disabilities and families were that people with disabilities:

- Should be leading, with the government listening.
- Know what they want, what will promote inclusion, and what systems are in need of change.
- Want control over their lives and don't want to wait for the system to determine their needs.
- Are individuals and want to be treated as such, which excludes one-size-fits-all approaches.
- Want efforts to emphasize a "Housing First" approach, where the state should presume people with disabilities want to live independently.

The resulting plan proposes strategies for improvements in areas such as employment, transportation, housing, lifelong learning and education, health care, and healthy living. In housing, the plan identifies the following recommendations to be undertaken by Minnesota Housing and the Minnesota Department of Human Services:

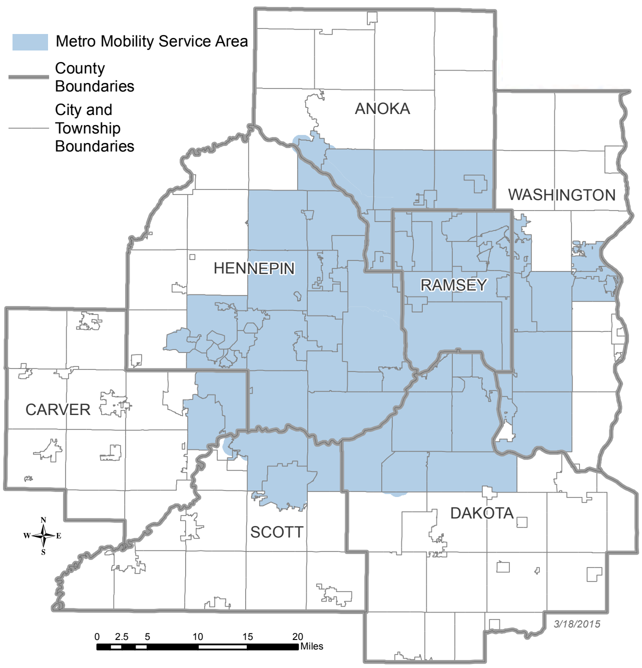
- Identify people with disabilities who desire to move to more integrated housing, the barriers involved, and the resources needed to increase the use of effective best practices.
- Increase the amount of affordable housing opportunities created.
- Increase housing options that promote choice and access to integrated settings.
- Increase access to information about housing options.
- Actively promote and encourage providers to implement best-practices and person-centered strategies related to housing.

Housing affordability is a particularly important issue for people with disabilities. More than half of households with disabilities in the region experience housing cost burden, compared to one-third of households without disabilities.[51] Because of the typically low income of households with one or more members with disabilities, publicly funded housing often connects housing investments and people with disabilities. For example, in the region's project-based Section 8 properties, 20% of units are occupied by households with a non-elderly person with a disability.[52] Similarly, 20% of people in the region's households with a Section 8 Housing Choice Voucher have a disability. In public housing, the rate is even higher, with one-third of public housing residents having a disability.[53] The disproportionate residency of people with disabilities in publicly-subsidized housing results from several factors, including:

- The high rate of poverty for persons with a disability;
- A lack of accessible or highly affordable units provided by the private market;
- Possible discrimination faced by households in the private market.

When subsidized affordable units are rehabilitated or modernized, accessibility features are often included to comply with federal and state statutes and to improve the living experience for tenants with disabilities. When new properties are constructed, public entities, including the State Building Code, require that a specified percentage be designed to accommodate people with disabilities. Another common requirement is that the recipient of funding affirmatively markets the units to prospective tenants with disabilities.

Figure 24: Metro Mobility Service Area



The challenges of securing housing are even more difficult for people with disabilities who are unable to work and who depend on Supplemental Security Income. (Using the standard that a household shouldn't pay more than

30% of income on housing, a single person with disabilities who is unable to work could contribute only $213 toward their housing based on the monthly maximum Supplemental Security Income payment of $710.)[54] The difficulties in housing this population are confirmed by the high proportion of homeless adults that suffer from disability. According to the Wilder Foundation's most recent survey on homelessness, 47% of the region's homeless population reported having a serious mental illness, and 54% reported a chronic health concern.[55]

Despite the significant progress made in providing housing for people with disabilities, there is a dearth of information available on whether units designed to accommodate households with disabilities actually end up being inhabited by such households, what happens as units "turn over" to new occupants, and the incidence of people with disabilities living in non-accessible units and "making do." Policymakers and advocates need to find ways to better track these potential mismatches and to bolster affirmative marketing plans and requirements so that the unit designed is occupied by the intended tenant.

In addition, ensuring that households facing challenges to mobility—both in terms of where they live and where and how they move from their homes to work, shop, attend school, or access needed services—demands particular care and attention with regard to regional investments in transit and community development.

Council role

- Work with Minnesota Housing to stay abreast of the Olmstead Plan revision and implementation and determine how the Council and its local partners can contribute to implementation.
- Provide technical assistance to local governments on how to expand housing opportunities for people with disabilities. These include sharing information about rehabilitation loan or grant programs that finance the retrofitting of existing housing to better meet the needs of people with disabilities.
- Encourage locating housing for people with disabilities in places with access to amenities and services, including the service area of Metro Mobility.
- Encourage the use of flexible or universal design principles in projects funded through the Livable Communities Act and review how the Livable Communities Act scoring criteria incent projects serving people with disabilities.
- Provide a preference in scoring Local Housing Incentive Account applications to projects that exceed the state-required minimums that 5% of the units be designed and constructed to meet accessibility requirements and an additional 2% be adaptable for those with vision/hearing impairments.

Support efforts to eliminate homelessness

Homelessness continues to be a challenge in our communities even as multiple collaborations and alliances continue to make remarkable progress toward its eradication. Among the noteworthy collaborative efforts currently underway are:

- The Minnesota Interagency Council on Homelessness, a collaboration of 11 agencies including the Minnesota Department of Human Services and Minnesota Housing, which in 2013 adopted *Heading Home: Minnesota's Plan to Prevent and End Homelessness,* with goals to end homelessness for Veterans and persons with disabilities by 2015 and to prevent and end homelessness for families with children and unaccompanied youths by 2020.
- The Minnesota Coalition for the Homeless, a network of 150 homeless service providers and other concerned groups that generate policies, community support and local resources for housing and services to end homelessness in Minnesota.
- Heading Home Hennepin, the City of Minneapolis and Hennepin County have 10-year plans to end homelessness by 2016.

While the Housing Policy Plan does not address homelessness directly, it aims to prevent homelessness by creating housing options that give all people viable choices for safe, stable and affordable homes.

Council role

- Consider projects that provide affordable units for individuals and families experiencing homelessness for funding through the Livable Communities Act.
- Work with Minnesota Housing and other state partners to stay abreast of the work of the Minnesota Interagency Council on Homelessness and determine how the Council and its local partners can contribute to implementation.

Assess feasibility of risk-sharing strategies

Achieving a more socially and economically integrated region and narrowing regional disparities through purposeful housing investments means shifting paradigms and thinking big. In particular, investors in market-rate or tax credit properties may need assurance—in some form of risk mitigation—to expand the types of projects in which they will invest. One possible means of addressing these concerns would be to use the financial strength of multiple organizations, or the financial strength of multiple projects, to create a risk pool.

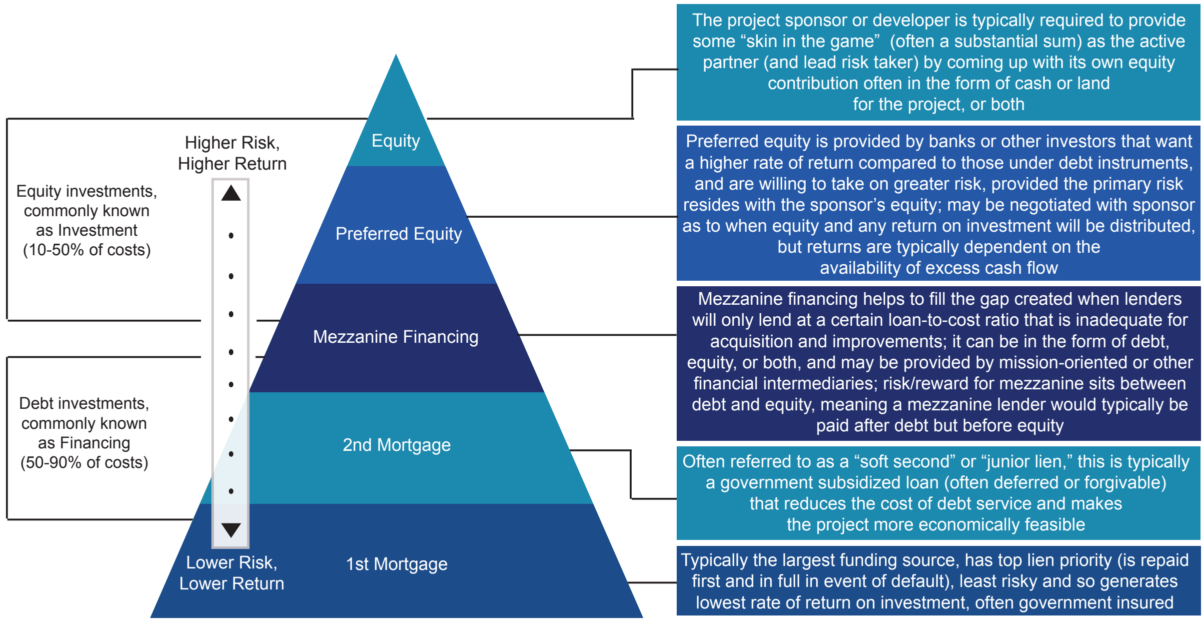
Conceptually, this would function similar to risk pools used by insurance companies, which band together to guard against catastrophic risks such as floods or earthquakes. But risk pools for housing investments would protect the investors' interest, as opposed to self-interest as with insurance company risk pools. Contributors would be financially and mission-motivated stakeholders who have a vested interest in the project-specific and larger regional outcomes. If claims against the pool were required, the individual loss to specific contributors would be mitigated. Similarly, a portfolio of individual projects—all with individual risk profiles but critically including "slam dunk" projects that receive the highest tax credit pricing or attract broader capital interest in proven sub-markets—may be a means to reduce risk by spreading it across projects. This approach meets the key concept of risk pooling, where demand variability is reduced if demand is aggregated across locations, increasing the likelihood that high demand from one customer will be offset by another.

Another potential means to assuage investor concerns would be for the same mission-oriented participants to provide a form of direct investment guarantee based on the anticipated appreciation of the worth of property or properties involved and their intended use. While the overall utility and practicality of these strategies is admittedly unknown at present, their regional focus and potential application are worth exploring in the face of our region's significant housing challenges. In addition to the primary goal of attracting investor interest in alternative types of opportunities, an extremely powerful signal would be sent about regional cooperation and innovation that can effect real change.

Finally, a concerted effort by one or more mission-oriented government or nonprofit funders to provide "mezzanine" financing tailored to individual development projects and circumstances could help mitigate risk and encourage development. In essence, a mezzanine lender would occupy a middle position in the 'capital stack' and would contribute low-cost debt or equity, or both. Such a lender would negotiate with other parties in the transaction to coordinate:

- Whose money will be used when in the project timeline.
- When and under what circumstances equity investors will have their capital and any profit paid.
- Who will suffer losses and in what amounts should the project fail to reach construction and operating stages, goes into foreclosure or conservatorship, or has a change in ownership and management.

Figure 25: Example of a Capital Stack



* Financing structures take many forms, can be highly complex, and may not always include the debt and equity types presented here.

Council role

- Investigate future Council roles in strategies to share risk.

Increasing housing variety and affordability through common interest communities

A common interest community is a type of real estate in which individual homeowners jointly own and operate parts of the property. Frequently seen in condominium and townhome developments, this ownership strategy can allow residents to enjoy greater affordability, shared amenities and maintenance, and predictable property condition. Roles and responsibilities are set forth in legal documents, and a homeowner association is responsible for the shared property.

Homebuilders in the region have expressed concern that a wave of litigation is reducing the availability and increasing the costs of housing in common interest communities. They have proposed a set of changes to the Minnesota Common Interest Ownership Act (MCIOA) that would require specific notifications to ensure that all parties are fully informed of the actions and potential impacts of any litigation. Council policy is to increase housing opportunities throughout the region. Since common interest communities can provide a significant number of affordable units, especially for households at 80% of AMI, the Council intends to work with the various parties to identify and support solutions that further regional outcomes.

Council role

- Explore how to help common interest communities remain a viable source for homeownership opportunities, particularly in denser neighborhoods of the region.

Develop shared regional strategies to affirmatively further fair housing and address housing discrimination in the region

Part II of this plan defined the legal authority for fair housing and outlined the direct roles that the Council and local governments can and do play in furthering fair housing. However, the scope of impediments to fair housing—particularly taking legal action against any discriminatory actions by financial institutions, landlords, or real estate agents—is beyond the role and authority of the Council and its local government partners. As a regional leader with a keen interest in expanding housing choices for all of the region's residents, the Council will convene a larger regional conversation to develop strategies, roles, and responsibilities to expand fair housing in the Twin Cities region.

Released by the Council in 2014, *Choice, Place and Opportunity: An Equity Assessment of the Twin Cities* described the region's history of discrimination and segregation by income and race. As of the release of this plan, the Fair Housing Implementation Council is developing its 2015 Regional Analysis of Impediments to Fair Housing. The Council intends to update the Choice, Place and Opportunity assessment in 2018 to align with the 2019 Assessment of Fair Housing that will replace the 2015 Regional Analysis of Impediments to Fair Housing. In addition to these periodic assessments, the Fair Housing Implementation Council provides a regional venue for local entitlement communities to leverage their use of CDBG and HOME funds from the U.S. Department of Housing and Urban Development to affirmatively further fair housing.

However, the scope of the monitoring and enforcement necessary to both understand and address the full extent of housing discrimination in the region is beyond the resources that now exist. To address this shortfall, the Council is budgeting some funds to support fair housing activities in 2015.

Council role

- Provide financial support to regional research and other activities related to advancing fair housing as well as determining if and where discriminatory lending or real estate practices are occurring and limiting housing choices.
- Convene regional conversations about fair housing, and collaborate in regional initiatives to address discriminatory lending practices, real estate steering, or other discriminatory practices found to be occurring and limiting housing choices.
- Partner with HousingLink to connect renter households with opportunities and promote fair housing practices.

- Provide data and analysis to inform regional conversations about the distribution of poverty and where people of color live, including annually updating which census tracts meet the criteria of Areas of Concentrated Poverty and providing data support to the Fair Housing Implementation Council for the 2015 update of the Regional Analysis of Impediments.

Build wealth and expand investment in Areas of Concentrated Poverty

Every community in the region has the potential to be rich with opportunity. Building these communities and achieving equitable outcomes in our region will require a sustained conversation that embeds the objectives of equity into the region's practices and investments extending across multiple jurisdictions and sectors.

Part II of this document described housing interventions associated with addressing Areas of Concentrated Poverty. But fully addressing the need to build wealth and expanding investment extends far beyond housing policy. To do so, the region needs a process that brings together stakeholders with different areas of interest and expertise, knowledge bases, and constituencies to allow for more effective solutions and more coordinated investments. The process must also prioritize the wisdom of low-income communities and communities of color in the process of shaping vision, developing plans, and allocating resources in their own communities.

Through a series of public engagement sessions in specific communities where more prominent disparities exist in our region, we will partner with community stakeholders to co-develop plans for intensive, sustained, and aligned equity-driven investments and policies in low-income communities and communities of color in the Twin Cities.

The Council looks forward to continued collaboration with the many regional partners, stakeholders, and constituencies who are working on reducing disparities and expanding equity and opportunity in the Twin Cities region, including state agencies, the Itasca Project, Generation Next, Everybody In, local governments, and many others. For our region to thrive, all parts of our region must prosper.

Council role

- Work to mitigate Areas of Concentrated Poverty by better connecting their residents to opportunity and catalyzing neighborhood revitalization.
- Actively partner in neighborhood revitalization efforts such as Penn Avenue Community Works in North Minneapolis.
- Plan and facilitate, in coordination with the Equity in Place coalition, a series of public engagement sessions in specific communities where more prominent disparities exist in our region in order to:
  - Collaboratively develop plans for intensive, sustained, and aligned equity-driven investments and policies in low-income communities and communities of color in the Twin Cities.

- Bring together stakeholders with different areas of interest and expertise, knowledge bases and constituencies to allow for more effective solutions and more coordinated investments.
- Elevate the value that every community in the region should be rich with opportunity.
- Prioritize the wisdom of low-income communities of color in the process of shaping vision, developing plans, and allocating resources in their own communities.
- Begin a sustained conversation that embeds the objectives of equity into the region's practices and investments extending across multiple jurisdictions and sectors.
- Engage partners—from the community, service sectors, and government—in specific geographies over the course of at least the next 15 to 18 months to begin this long-term conversation.

• Promote equity through the Council's contracting and procurement practices by participating in the Disadvantaged Business Enterprise Program (DBE) and the Metropolitan Council Underutilized Business Program (MCUB). Together strive to ensure equitable participation in projects and procurements by underutilized businesses and companies owned by people of color and women.

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[49] Codified at 29 U.S.C. §794.

[50] U.S. Department of Housing and Urban Development, "Section 504: Frequently Asked Questions". Retrieved from http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504faq.

[51] U.S. Census Bureau, 2009-2013 American Community Survey Public Use Microdata Sample.

[52] U.S. Department of Housing and Urban Development, 2013. *Picture of Subsidized Housing data*.

[53] Ibid.

[54] Office of the Lieutenant Governor, State of Minnesota, *Putting the Promise of Olmstead into Practice: Minnesota's 2013 Olmstead Plan* (2013), p. 38. Retrieved from http://www.dhs.state.mn.us/main/groups/olmstead/documents/pub/dhs16_180147.pdf.

[55] Wilder Research, Homelessness in Minnesota: Findings From the 2012 Statewide Homeless Study (2013). Retrieved from http://www.wilder.org/Wilder-Research/Publications/HomelessStudyTables2012/StatewideMNadult2012_Tables148-176.pdf

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Part V: Next Steps

With the amendment to this plan in 2015, the Council is now moving its focus from developing housing policy to implementing housing policy in collaboration with local units of government.

Priorities through 2015 and the issuance of System Statements

- Identify indicators to measure how Council-supported projects advance equity.
- Adopt a fair housing policy.
- Analyze the impact of using the Housing Performance Scores as a prioritization factor and evaluation measure in transportation investments.
- Align, to the extent possible, the priorities for the Livable Communities Act funding with the policies in this plan.
- Collaboratively explore opportunities to promote affordable housing production through the handling of Sewer Availability Charge, and, if any are identified, include those in the Sewer Availability Charge Procedure Manual.
- Plan and facilitate, in coordination with the Equity in Place coalition, a series of public engagement sessions in specific communities where more prominent disparities exist in our region.

Priorities for 2016 through 2018

- Expand technical assistance, including sharing of best practices to expand housing choice, to local governments.
- Support the comprehensive plan update process and its alignment with the Housing Policy Plan.
- Define and implement the Council's role in better alignment of housing policy and school district decisions.
- Continue to conduct, in coordination with the Equity in Place coalition, a series of public engagement sessions in specific communities where more prominent disparities exist in our region.

Ongoing efforts

- Explore how to fund the Inclusionary Housing Account.
- Participate in existing housing collaborations and seek new opportunities to partner with organizations and stakeholders that wish to create a full range of housing choices.

- Convene or participate in regional discussions about reducing the barriers to mixed-income housing and neighborhoods, expanding affordable housing opportunities in high-opportunity areas, assessing the feasibility of strategies to reduce risk, and furthering fair housing.
- Prepare and share annual updates of the Housing Policy Plan Indicators, the Inventory of Affordable Housing (including annual production of new affordable housing), and local Housing Performance Scores.
- Implement policies from the Housing Policy Plan through the Council's work, including administration of the Livable Communities Act and supporting the Council's role in transit and transit-oriented development.

Implementation: Resiliency

The impacts of the Great Recession on the housing market demonstrated the need for regional housing policy to be resilient. Resiliency refers to the adaptability of something—in this case the outcomes, strategies, and policies of this plan—in the face of changing conditions. Looking ahead, the Council is confident of both continued population growth and the continued aging of our region's residents. However, it is more difficult to predict migration patterns, which are subject to changing political and social environments, natural disasters, or the timing, scale, and impact of economic downturns. While we plan for the most likely scenarios, it is valuable to briefly consider some "what ifs" to prepare for contingencies and avoid unintended consequences:

- What if even today's limited funding to support affordable housing development diminishes or disappears?
  - In an environment of limited resources, only the best affordable housing developments will receive funding, so it will become even more critical to ensure regional balance in successful projects.
  - Converting grant programs that protect, preserve, or create new housing options could be stretched by being converted into revolving loan funds that can be used over and over. However, this approach would be particularly challenging for difficult, but important, housing projects that depend on grants to be built.
- What if financing to support affordable housing development becomes more risk-averse?
  - Guarantees—for example, from a public or philanthropic entity—that address a financially challenging but desirable project's risk rather than its gap may mitigate a lack of lender confidence.

Implementation: Concluding Thoughts

As part of the implementation of this plan, the Council will continue to collaborate and consult with members of the community, especially historically underrepresented populations. The Council's ongoing engagement necessary to implement this plan will follow the Council's Public Engagement Plan. Additionally, the Council invites the stakeholders of the Housing Policy Plan Work Group to continue to meet and to hold the Council accountable for the successful implementation of this Housing Policy Plan.

Nearly 30 years have passed since the Council last adopted a housing-focused policy document, 1985's *Housing Development Guide.* With the Council's various roles that affect housing—ranging from administering rental assistance and funding residential development, to reviewing local comprehensive plans—this plan furthers the alignment, consistency, and integration of the Council's own housing policy. But the Council cannot do this work alone. The Council looks forward to present and future opportunities for collaboration to improve how the region collectively addresses housing challenges both today and tomorrow. By identifying these broad regional priorities in the Housing Policy Plan, the Council's goal is to catalyze the conversations and broad regional partnerships necessary to advance housing policy in the Twin Cities region. The Council hopes that this plan will advance the region's conversation about how to create housing options that give people in all life stages and of all economic means viable choices for safe, stable, and affordable homes.


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Appendix A: About the Housing Policy Plan Work Group

The Metropolitan Council created the Housing Policy Plan Work Group, a 26-person advisory group, to advise the Council on key housing issues, policies, and implementation options related to the Housing Policy Plan. This work group brought together people from throughout the region, including Metropolitan Council members, local government officials, housing advocates, developers, communities of color, and other regional stakeholders.

From its first meeting in July 2013, the group discussed regional and local housing needs, developed key priorities for the Council, contemplated ways to align and better use scarce financial, human, and technical resources, and identified new ways for the Council and its local partners to address regional housing needs through collaboration, partnership, and capacity sharing. The Housing Policy Plan Work Group also engaged and hosted a number of professionals involved in housing finance, policy, and research to enhance the group's familiarity within and across disciplines and to guide the group's efforts in areas such as:

- Challenges and opportunities in affordable housing development.
- Discussion of how to ensure the ongoing viability and affordability of the stock of unsubsidized affordable housing.
- The implications of *Choice, Place and Opportunity: An Equity Assessment of the Twin Cities* for housing policy.
- Best practices around housing policies and policy plans from across the nation.
- Key population trends and changes in residential preferences.

The Housing Policy Plan Work Group also assisted in developing strategies and recommendations for three key areas of existing Council involvement in housing—its Allocation of Affordable Housing Need; its Housing Performance Score system; and its assessment of opportunities to integrate affordable housing criteria into the Regional Solicitation for Transportation Funding.

Finally, the Work Group played a critical role in refining the scope, content, preparation, and presentation of this plan. The Council hopes that members of the Housing Policy Plan Work Group will stay actively engaged as the Council moves from publication of the plan to implementation.

Housing Policy Plan Work Group:

Member	Organization
Karl Batalden	City of Woodbury
Cecile Bedor (replaced in September 2014 by Wes Butler, City of Minneapolis)	City of St. Paul
Cathy Bennett	Urban Land Institute Minnesota/Regional Council of Mayors
Steven T. Chávez - Co-chair	Metropolitan Council
Gina Ciganik	Aeon
Barbara Dacy	Washington County HRA
Darielle Dannen	Metropolitan Consortium of Community Developers
John Đoàn/Margo Geffen	Hennepin County
Owen Duckworth	Alliance for Metropolitan Stability
Jennifer Godinez*	Minnesota Minority Education Partnership
Mayor Debbie Goettel	City of Richfield
Beverley Oliver Hawkins, Ph.D. - Co-chair	Model Cities
Margaret Kaplan	Minnesota Housing
Jacqueline King	Federal Reserve Bank
Mayor Mike Maguire	City of Eagan
Harry Melander	Metropolitan Council
Eric Myers/Julia Parenteau	Minnesota Association of Realtors
Patricia Nauman/Charlie Vander Aarde	Metro Cities
Elizabeth Ryan	Family Housing Fund
Bryan Schafer	City of Blaine
Nelima Sitati-Munene	Harrison Neighborhood Association then Organizing Apprenticeship Project
Pastor Paul Slack (joined in September 2014 by Lars Negstad)	ISAIAH
Roxanne Smith	Housing for All
Erik Takeshita*	Local Initiatives Support Corporation
Jamie Thelen	Sand Companies
Tim Thompson	Housing Preservation Project
James Vagle/Rick Packer	Builders Association of the Twin Cities
Jamie Verbrugge	City of Brooklyn Park
Mayor Janet Williams	City of Savage

* Resigned from the group in early 2014 due to other commitments.

Three working groups were convened to advise the Council on the development of the Housing Performance Score methodology, the Allocation of Affordable Housing Need methodology, and the requirements for housing elements of local comprehensive plans. The first two groups continued work begun in subgroups of the original Housing Policy Plan Work Group (HPPWG), supplemented with additional participants. The Council invited additional participants to add perspectives that were lost when some original HPPWG members did not reengage beyond their initial commitment, which ended when the original Housing Policy Plan was adopted in December 2014. The third group was new and consisted of some original HPPWG members (all members were invited to participate) and a significant addition of technical staff from our partners in the local government community, particularly those with expertise and experience in the comprehensive planning process.

Each of the three groups met a total of three times during January and February of 2015, contributing a wealth of information, questions, and perspectives to consider in the drafting of the 2015 amendment to the Housing Policy Plan. Participants in the three workgroups are identified below:

Housing Performance Scores Workgroup

Member	Organization
Cathy Bennett	Urban Land Institute Minnesota/Regional Council of Mayors
Emily Carr	City of Brooklyn Park
Theresa Cunningham	City of Minneapolis
Barbara Dacy	Washington County HRA
Darielle Dannen	Metropolitan Consortium of Community Developers
Kevin Dockry	Hennepin County
Owen Duckworth	Alliance for Metropolitan Sustainability
Mayor Debbie Goettel	City of Richfield
Chip Halbach	Minnesota Housing Partnership
Jill Hutmacher	City of Arden Hills
Margaret Kaplan	Minnesota Housing
Jake Reilly	City of St. Paul
Elizabeth Ryan	Family Housing Fund
Nelima Sitati-Munene	Organizing Apprenticeship Project
Jamie Thelen	Sand Companies
Tim Thompson	Housing Preservation Project
Charlie Vander Aarde	Metro Cities

Allocation of Affordable Housing Need Workgroup

Member	Organization
Karl Batalden	City of Woodbury
Kim Berggren	City of Brooklyn Park
Jack Cann/Tim Thompson	Housing Preservation Project
Jessica Deegan	Minnesota Housing
Owen Duckworth	Alliance for Metropolitan Stability
Steve Juetten	City of Plymouth
Haila Maze	City of Minneapolis
Patricia Nauman/Charlie Vander Aarde	Metro Cities
Michele Schnitker	City of St. Louis Park
Angie Skildum	Family Housing Fund
Mark Ulfers	Dakota County CDA

Comprehensive Plan Requirements Workgroup

Member	Organization
Chelsea Alger/Holly Kreft	City of Belle Plaine
Cathy Bennett	Urban Land Institute Minnesota/Regional Council of Mayors
Doug Borglund	Consultant
Kathleen Castle	City of Shoreview
Brenda Lano	Carver County CDA
Patricia Nauman/Charlie Vander Aarde	Metro Cities
Lars Negstad	ISAIAH
Rick Packer	Mattamy Homes
Melissa Poehlman	City of Richfield
Jamie Radel	City of St. Paul
John Rask	Hans Hagen Homes/Builders Association of the Twin Cities
Joyce Repya	City of Edina
Bryan Schafer	City of Blaine
Brian Schaffer	City of Minneapolis
Cindy Sherman	City of Brooklyn Park
Nelima Sitati Munene	Organizing Apprenticeship Project
Barb Sporlein	Minnesota Housing
Tim Thompson/Jack Cann	Housing Preservation Project
Bryan Tucker	City of Savage
James Wilkinson	Mid Minnesota Legal Aid
Eric Zweber	City of Rosemount

Appendix B: Methodology of the Allocation of Affordable Housing Need

Definitions and Concepts

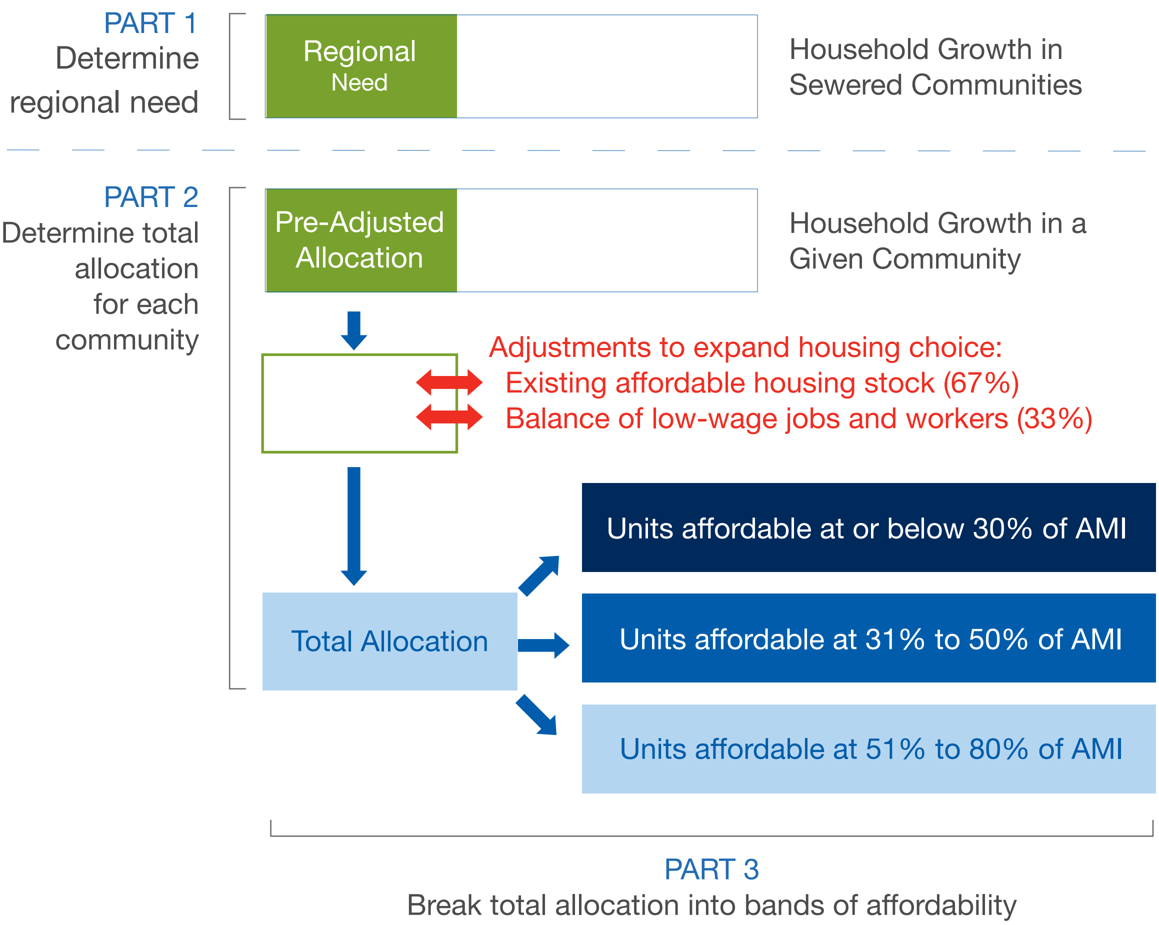
The following definitions and concepts are important for understanding the methodology behind the Allocation of Affordable Housing Need in the Twin Cities region between 2021 and 2030.

- Low-Income Household: In this process, a household is considered "low income" if its annual income is at or below 80% of the Area Median Income (AMI) for the 13-county Minneapolis-St. Paul-Bloomington metropolitan statistical area, as determined by the U.S. Department of Housing and Urban Development. Approximately 39.5% of the region's households are "low income" under this definition.[1]
- Household Growth: The methodology relies on Metropolitan Council forecasts of growth in sewer-serviced households between 2020 and 2030. A given community's growth in sewer-serviced households could be different from its growth in all households if some households in the community are not connected to regional or municipal sewers. Exhibit 1 provides a map of forecasted net household growth for sewered communities.
- Existing Affordable Housing Stock: The methodology increases the Need allocation for communities with a lower share of existing affordable housing than the average sewered community and decreases the Need allocation for communities with a higher share than that average. We then estimate the share of a community's housing units that are affordable to households with income at or below 30% of AMI, between 31% and 50% of AMI, and between 51% and 80% of AMI—including ownership housing,[2] rental housing,[3] and manufactured homes.[4] These estimates cover all housing units, whether they are publicly subsidized or unsubsidized. Exhibit 2 provides a map of existing affordable housing shares for sewered communities.
- Balance of Low-Wage Jobs and Workers: The methodology increases the Need allocation for communities that are relatively large importers of workers in low-wage jobs and decreases the Need allocation for communities that are relatively large exporters of workers in low-wage jobs. We estimate this for each community by examining the ratio of low-wage jobs to residents who work in low-wage jobs for all areas within five miles of the community's geographic center.[5] Using this five-mile radius rather than jurisdictional boundaries balances the need to have a reasonably "local" measure with the fact that labor markets cross jurisdictional boundaries. Exhibit 3 provides a map of low-wage job/worker balance for sewered communities.

Specific Steps in the Methodology

The allocation process has three main steps, shown below in Figure B-1. In Part 1, we forecast the proportion of 2021-2030 net household growth that will require additional affordable housing, resulting in a regional Need of 37,900 new affordable housing units. In Part 2, we allocate that regional Need to each community in the region with sewer service, making adjustments that allocate relatively more additional affordable housing where the housing will expand housing choices the most. In Part 3, we distribute each community's adjusted allocation into three "bands of affordability."

Figure B-1: Overview of Allocation Process



The following explains the detailed calculations behind the Need allocation. Exhibit 4 provides a map of the allocated Need for sewered communities; tables showing calculations are available in Exhibits 5 and 6.

Part 1: Forecast the Number of New Affordable Units Needed in the Region

Figure B-2: Overview of Regional Need Calculations

Step 1: Determine forecasted household growth	Step 2: Determine income levels	Step 3: Determine how many households at each income level need additional affordable housing units (Total = 37,400 households)	Step 4: Ensure healthy vacancy rate (51-80% band only)	
119,000 more households in 2030 than in 2020	Income at or below 30% of AMI (20,400)	18,900 households	18,900 units	Total Allocation = 37,900 units
	Income at 31% to 50% of AMI (16,550)	9,450 households	9,450 units	
	Income at 51% to 80% of AMI (19,450)	9,050 households	9,550 units	
	Income above 80% of AMI (62,600)			

- *Step 1: Determine forecasted household growth.*
  The Council's March 2015 regional forecast shows that the region will have 1,258,000 households in 2020 and 1,377,000 households in 2030—a net growth of 119,000 households.

- *Step 2: Determine the proportion of growth constituted by low-income households.*
  Of the 119,000 additional households the region is expected to add between 2020 and 2030, 17.2% (20,400) will have incomes at or below 30% of AMI, 13.9% (16,550) will have incomes between 31% and 50% of AMI, and 16.3% (19,450) will have incomes between 51% and 80% of AMI. This is a total of 56,400 households. These projections come from historical income distribution patterns, applied to the 2020 and 2030 household forecasts.[6]

- *Step 3: Determine how many low-income households will need additional affordable housing units.*
  Not all low-income households will need additional affordable housing units. Some will be low-income seniors who already own their home free and clear without experiencing housing cost burden. Filtering out those households, there will be a total of 37,400 low-income households needing additional affordable units—18,900 households with

income at or below 30% of AMI, 9,450 households with income between 31% and 50% of AMI, and 9,050 households with income between 51% and 80% of AMI.[7]

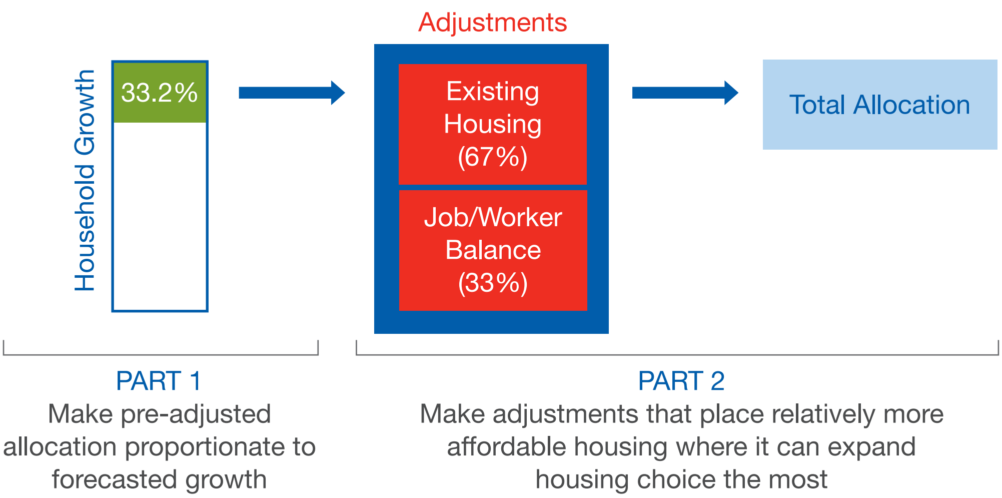
- *Step 4: Calculate how many housing units will be needed to accommodate these low-income households.*
  Housing units in the 51%-80% band are likely to be supplied by the private market rather than governmental subsidies. If the region added only 9,050 housing units to accommodate the net growth in new low-income households needing additional units in that band, the market for affordable housing in that band would become increasingly tight. To ensure the 5% vacancy rate that fosters a healthy housing market, the region needs 9,550 total housing units to house the net growth in low-income households with income between 51% and 80% of AMI. We do not apply this vacancy rate adjustment to the 0%-30% band or the 31%-50% band because those units are likely to be publicly subsidized and less subject to the upward pressure on housing prices resulting from low vacancy rates. Adding those 9,550 units in the 51%-80% band to the 18,900 units in the 0%-30% band and the 9,450 units in the 31%-50% band yields a total regional Need of 37,900 units.

Part 2: Develop the Total Allocation for Each Community

The 37,900 total affordable units should be allocated across the region's communities in a way that places relatively more affordable housing units where they will expand housing choices the most. Recognizing that Council policies do not encourage development beyond sewer serviced areas, we allocate Need only for the 124 communities with sewer service.

The following steps, visualized below in Figure B-3, provide more detail on the method for allocating Need across these 124 communities. Exhibits 5 and 6 following this report indicate the results of these calculations for each community's share of the regional Need.

Figure B-3: Overview of the Total Allocation



- *Step 1: Calculate pre-adjusted allocation proportionate to forecasted household net growth.*
  A community's initial, "pre-adjusted" allocation is proportionate to its forecasted household growth: the more households it is expected to add, the higher its allocation will be. Specifically, the pre-adjusted allocation is 33.2% of each community's forecasted household net growth.[8] This percentage comes from dividing the regional Need (37,900) by the forecasted household growth across all sewer-serviced areas (114,305).

  For example, Chanhassen and Maplewood both have forecasted net growth of 1,900 households and thus a preliminary allocation of 630 housing units (33.2% of 1,900), as Table B-1 shows.

Table B-1: Calculation of Pre-Adjusted Allocation

	(A) Forecasted Sewer-Serviced Households, 2020	(B) Forecasted Sewer-Serviced Households, 2030	(C) Forecasted Net Growth in Sewer-Serviced Households (B - A)	(D) "Equal Share" Factor	(E) Pre-Adjusted Allocation (C × D)
Chanhassen	9,170	11,070	+1,900	33.2%	630
Maplewood	16,540	18,440	+1,900	33.2%	630

- *Step 2: Adjust the pre-adjusted allocation upwards or downwards according to the balance of low-wage jobs and workers and the existing affordable housing stock.*
  The pre-adjusted allocation is adjusted as follows:
  - Existing affordable housing stock: A community's allocation is increased if its existing affordable housing share is less than that of the average community with sewer service. A community's allocation is decreased if its existing affordable housing share is greater than that of the average community with sewer service. This is measured by the proportion of existing housing units that are affordable, as described above.
  - Balance of low-wage jobs and workers: A community's allocation is increased if it imports workers in low-wage jobs to a greater extent than the average community. A community's allocation is decreased if it imports workers in low-wage jobs to a lesser extent than the average community. This is measured by the ratio of low-wage jobs to residents working in low-wage jobs, as described above.

Because the jobs/workers ratios (which range from 0.20 to 2.82) and the existing affordable housing shares (which range from 3% to 100%) have such different scales, any adjustments based on the raw measures could unintentionally let one adjustment have more influence over the final allocation than the others. We address this by standardizing these raw measures, also known as converting them into Z-scores, with the formula: = (X-X) ÷ SD.

That is, we subtract the average for all sewered communities from each community's measure and divide by the standard deviation.[9] The specific formulas for determining the Z-scores for each community are:

- $Z_{Housing}$ = (*Community's Affordable Housing Share* - 0.66) ÷ 0.25
- $Z_{Job/Worker\ Balance}$ = (*Community's Job/Worker Balance Ratio* - 1.09) ÷ 0.52

These Z-scores can be positive (if the community has a higher-than-average ratio or proportion) or negative (if the community has a lower-than-average ratio or proportion). Values of Z scores represent how many standard deviations each community is from the average ratio or proportion, which is represented by a Z score of 0. For example, a community with a Z score of +2.0 has a substantially higher ratio or proportion than average, and a community with a Z score of -2.0 has a substantially lower ratio or proportion than average.

Next, we rescaled both sets of Z scores to percentages so that the pre-adjusted allocation would not be increased by more than 100% or decreased by more than 100%.[10] This simply changes the scale of the standardized scores; it does not change their distributions.

The result is a set of adjustment factors that can be weighted as desired to achieve the intent of the policy. For example, weighting each adjustment factor at 50% would allow existing affordable housing and job/worker balance to affect the adjustment step equally.

We weight the affordable housing adjustment at 67% and the job/worker balance adjustment at 33%, allowing affordable housing to have twice as much influence on the allocation as job/worker balance. We do this because the existing housing stock is a more stable and place-based indicator; workers are more likely to move than housing units are.

Table B-2 shows these calculations for Chanhassen and Maplewood. For example, 34% of Chanhassen's existing housing units are affordable to low-income households—lower than 66%, the average share for all sewered communities. This is reflected in the Z score of +1.28 for Chanhassen's housing measure. (The actual Z score is -1.28, but we reverse the sign because the original measure does not go in the desired direction: communities with lower-than-average existing affordable housing shares have their allocations adjusted upwards.) Maplewood's affordable housing share of 83%, though, is higher than the average of 66%; it receives a Z score of -0.68.

If we multiplied the pre-adjusted allocation by the standardized scores in Column C to calculate the adjustments, some communities' allocations could be negative or more than their forecasted growth. The rescaled standardized scores described above avoid this problem: Chanhassen's rescaled housing score is +0.38, while Maplewood's is 0.20.

Applying weights (Column E) to the rescaled Z scores (Column D) yields the final adjustment factors (Column F): +26% for Chanhassen and -14% for Maplewood.

The jobs adjustment factors work identically, although the sign of the Z score is not flipped because the original measures go in the desired direction (communities with higher-than-average job/worker balance ratios have their allocations adjusted upwards).

Note that both communities are farther from the average community with respect to existing affordable housing than job/worker balance (the Z-scores are farther from 0), and the weighting further increases the influence that housing has on the allocation.

Table B-2: Calculation of Adjustment Factors

		(A) Original Measure	(B) Average Community	(C) Measure Converted to Z-score	(D) Z-score rescaled (C ÷ 3.34)	(E) Weight	(F) Adjustment Factor (D × E converted to %)
Housing	Chanhassen	34%	66%	+1.28	+0.38	67%	+26%
	Maplewood	83%	66%	-0.68	-0.20	67%	-14%
Jobs	Chanhassen	1.27	1.09	+0.35	+0.11	33%	+3%
	Maplewood	0.84	1.09	-0.48	-0.14	33%	-5%

While this method of creating adjustment factors is more complicated than simply relying on the raw measures, it produces adjustment factors that more accurately reflect the policy intent of the *2040 Housing Policy Plan*.

Finally, we multiply the pre-adjusted allocation by the adjustment factors to calculate the numerical adjustments for job/worker balance and existing housing stock. Summing the pre-adjusted allocation and the numerical adjustments yields the adjusted allocation. Table B-3 carries out this math for Chanhassen and Maplewood.

Table B-3: Implementing Adjustments for Overall Allocation

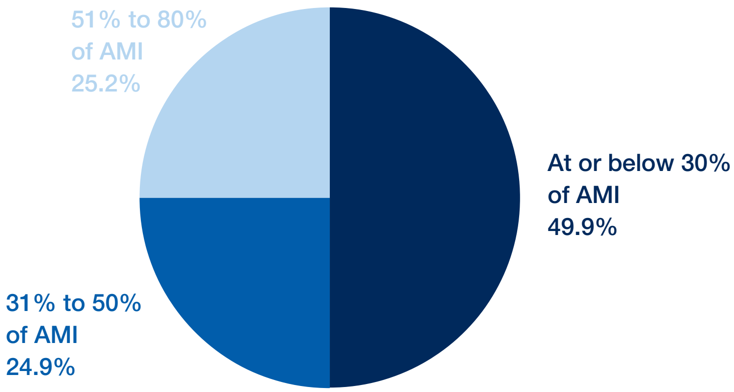
	(A) Pre-Adjusted Allocation	(B) Adjustment Factor for Housing	(C) Adjustment Factor for Jobs	(D) Change in Allocation for Housing (A × B)	(E) Change in Allocation for Jobs (A × C)	(F) Adjusted Allocation (A + D + E)	(G) Final Allocation[11] (F × 99.2%)
Chanhassen	630	+26%	+3%	+161	+22	813	806
Maplewood	630	-14%	-5%	-86	-30	514	510

Part 3: Break Down Communities' Total Allocations into "Bands of Affordability"

Low-income households have a wide variety of needs and preferences for the types and locations of their housing. To provide nuance and flexibility for local planning for homeownership and rental housing across a range of incomes and housing types, the Council is allocating Need within three bands of affordability:

- Need for housing units affordable to households with incomes at or below 30% of AMI (49.9% of the regional Need);
- Need for housing units affordable to households with incomes between 31% and 50% of AMI (24.9% of the regional Need); and
- Need for housing units affordable to households with incomes between 51% and 80% of AMI (25.2% of the regional Need).

Figure B-4: Share of Regional Need in Each Band

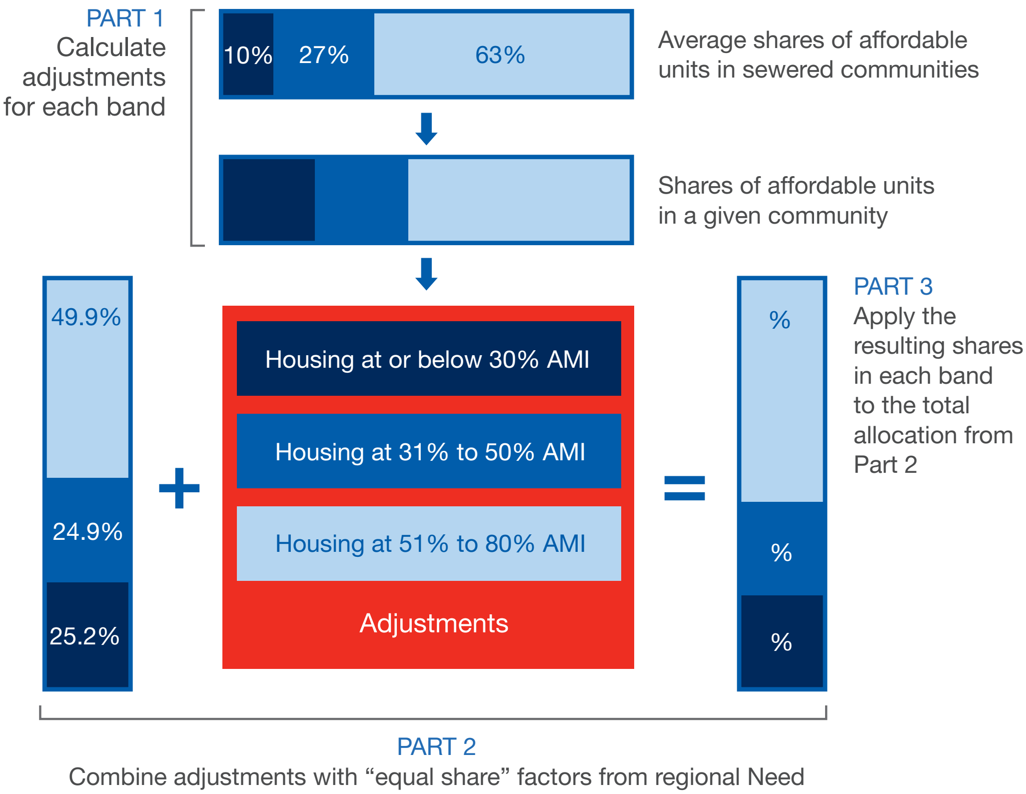


Applying these regional shares to each community's adjusted allocation does not reflect the diversity within communities' existing housing stock. For example, one community might have a higher-than-average share of housing in the 51%-80% band and lower-than-average shares of housing in the other two bands. To expand housing options and choice, we reduce this community's allocation in the 51%-80% band and increase its allocation in the other two bands.

The method for Part 3 is diagrammed below in Figure B-5. We start with the regional shares of the Need, adjusting them as outlined in the previous paragraph. Those adjustments are developed in Step 1, where we compare each community's shares of affordable units in each band to the average shares for all sewered communities. In Step 2, we combine those adjustments with the "equal share" factors, resulting in each community's share of its allocation that goes to each band. Finally, in Step 3, we apply those shares to the total allocation to calculate the number of units in each band.

Note that Part 3 does not change the overall allocation for communities developed in Part 2. Rather, we are simply assigning different shares of each community's allocation to different bands. Accordingly, we are no longer examining differences across communities in the overall level of affordable housing, but differences in affordability within each community's set of affordable units.

Figure B-5: Overview of the Breakdown of the Total Allocation into Bands of Affordability



- *Step 1: Calculate differences in affordability for each band from the average for all communities.*
  In this step, we examine the shares of each community's affordable housing in each band and compare them to the average for all sewered communities. The difference between them provides an adjustment that will help determine the share of each community's total allocation to place in each band.

  Table B-4 provides examples. In Chanhassen, the share of existing affordable units in the 0%-30% band is lower than average (so the corresponding adjustment factor is positive), while the shares in the 31%-50% and 51%-80% bands are higher than average (so those adjustment factors are negative). Maplewood displays a different dynamic: relatively higher shares in the 0%-30% and 31%-50% bands, and a relatively lower share in the 51%-80% band.

  Note that the shares of existing affordable housing within each band sum to 100% (before rounding), as do the shares for the average community.

Table B-4: Calculation of Adjustments to Band Shares

	Band	(A) Share of existing affordable housing in band	(B) Share of existing affordable housing in band for average community	(C) Difference of community from average (B – A)[12]
Chanhassen	At or below 30% AMI	2.2%	9.8%	+7.7%
	31% to 50% of AMI	27.0%	27.4%	+0.4%
	51% to 80% of AMI	70.8%	62.8%	-8.0%
Maplewood	At or below 30% AMI	10.1%	9.8%	-0.2%
	31% to 50% of AMI	33.0%	27.4%	-5.6%
	51% to 80% of AMI	57.0%	62.8%	+5.8%

- *Step 2: Calculate the share of the total allocation going to each band, adjusting for the differences calculated in Step 1.*
  To determine the share of each community's allocation that should go to each band, we start with the "equal share" factor from the regional Need (Column A in Table B-5), then add the adjustment developed in Step 1. For example, 49.9% of the region's total Need lies in the 0%-30% band; this is the starting point for all communities. In Chanhassen, where the share of existing affordable units in this band is lower than average, the adjustment is +7.7%, which yields an adjusted share of 57.5%. In Maplewood, where the share of existing affordable units in this band is about average, the adjustment is very small, which yields an adjusted share of 49.6% (close to the average share). The final shares, in Column D, reflect benchmarking to attain the regional Need in each band.

Table B-5: Calcuation of Shares for Band Breakdown

	Band	(A) "Equal share" for each band	(B) Adjustment from Step 1	(C) Adjusted share of allocation to place in band (A + B)	(D) Share of allocation to place in band (benchmarked)[13]
Chanhassen	At or below 30% AMI	49.9%	+7.7%	57.5%	57.6%
	31% to 50% of AMI	24.9%	+0.4%	25.3%	24.5%
	51% to 80% of AMI	25.2%	-8.0%	17.2%	18.0%
Maplewood	At or below 30% AMI	49.9%	-0.3%	49.6%	49.1%
	31% to 50% of AMI	24.9%	-5.6%	19.3%	18.6%
	51% to 80% of AMI	25.2%	+5.8%	31.0%	32.3%

- *Step 3: Apply the shares from Step 2 to the total allocation from Part 2.*
  In this step, we use these shares (Column D of Table B-5) to break the total allocation developed in Step 2 of Part 2 into the bands of affordability.

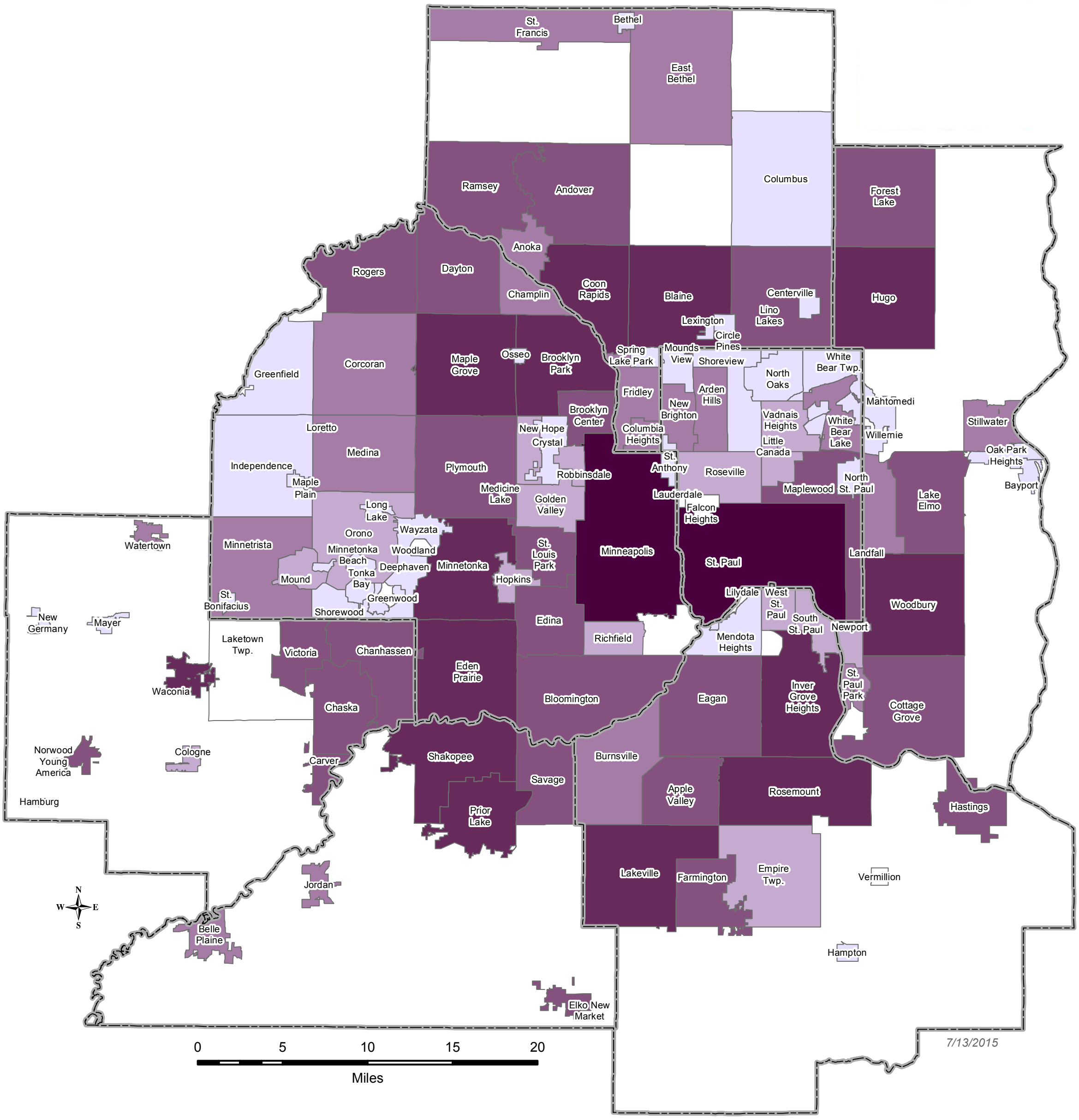
  The resulting allocations in each band, shown below in Table B-6, address the differences in affordability within the set of affordable units in each community while maintaining the total allocation that addresses the differences in affordability (as well as job/worker balance) across communities.

For example, Chanhassen's total allocation is higher than Maplewood's, largely because Chanhassen has a lower share of existing affordable housing than Maplewood does. But because a higher share of Chanhassen's existing affordable units lie in the 51%-80% band than in Maplewood, Chanhassen's allocation in the 51%-80% band is reduced, and Maplewood's allocation in the 51%-80% band is increased, such that Chanhassen's allocation in this band is actually lower than Maplewood's.

Table B-6: Calculation of Allocation for Each Band

	Band	(A) Total allocation from Part 2	(B) Share of regional Need in each band	(C) Band breakdown shares from Step 2	(D) Allocation in each band (A × C)
Chanhassen	At or below 30% AMI	806	49.9%	57.6%	464
	31% to 50% of AMI	806	24.9%	24.5%	197
	51% to 80% of AMI	806	25.2%	18.0%	145
Maplewood	At or below 30% AMI	510	49.9%	49.1%	250
	31% to 50% of AMI	510	24.9%	18.6%	95
	51% to 80% of AMI	510	25.2%	32.3%	165

Exhibit 1: Forecasted net household growth



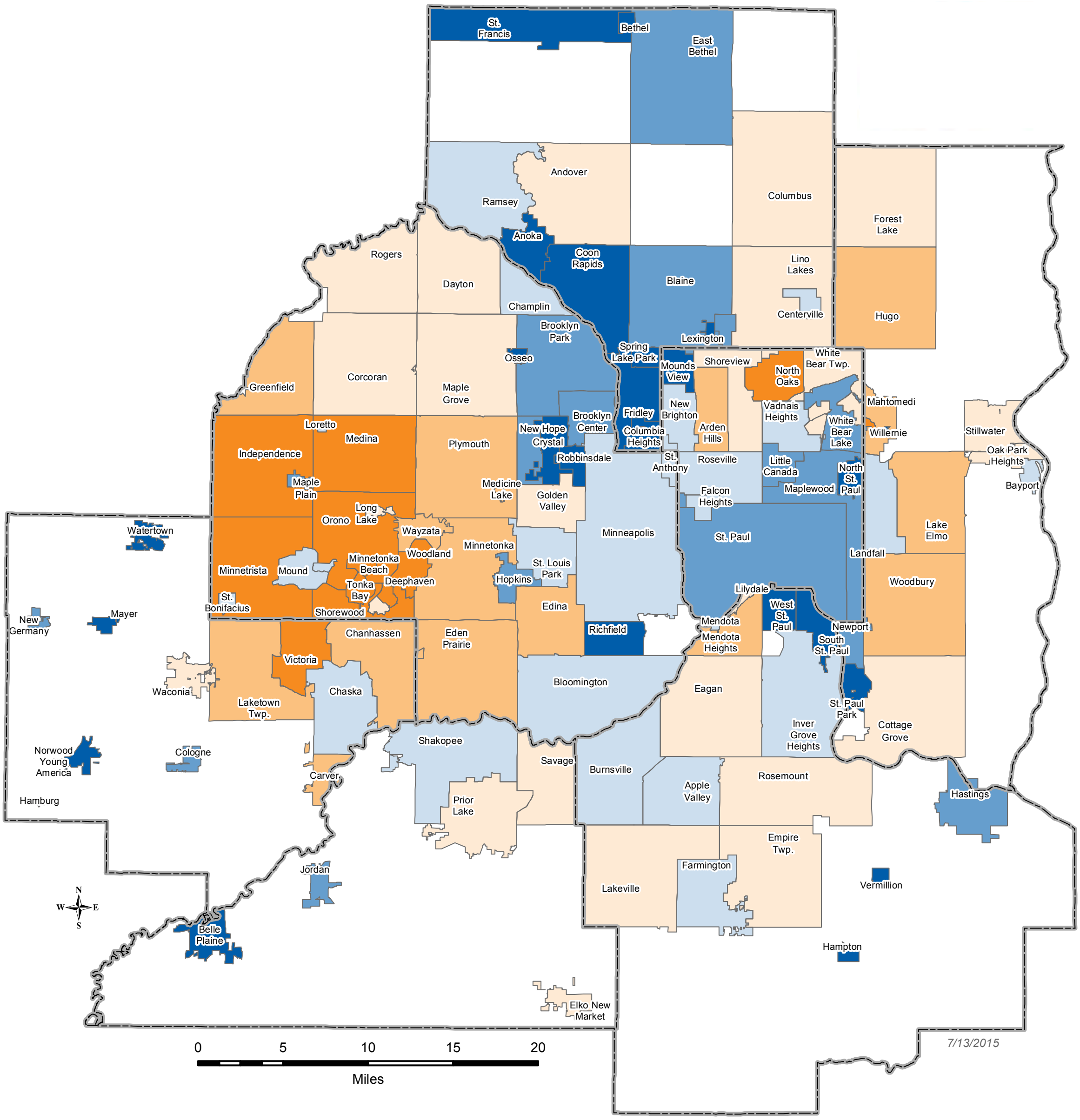
6,700 households (Saint Paul) and 10,200 households (Minneapolis)
2,000 to 4,090 households
1,000 to 1,999 households
500 to 999 households
250 to 499 households
10 to 249 households
No forecasted growth

County Boundaries
City & Township Boundaries

Note: Communities without sewer service are not shown.

Source: Forecasts of growth in sewer-serviced households or total household growth (whichever is less) developed by Metropolitan Council staff.

Exhibit 2: Existing Affordable Housing Shares



Share of existing housing affordable to households with income at or below 80% of AMI

More affordable housing; adjust allocation downwards

- 90% to 100%
- 80% to 89%
- 65.9% to 79%
- 50% to 65.8%
- 25% to 49%
- 3.2% to 24%

Less affordable housing; adjust allocation upwards

County Boundaries

City & Township Boundaries

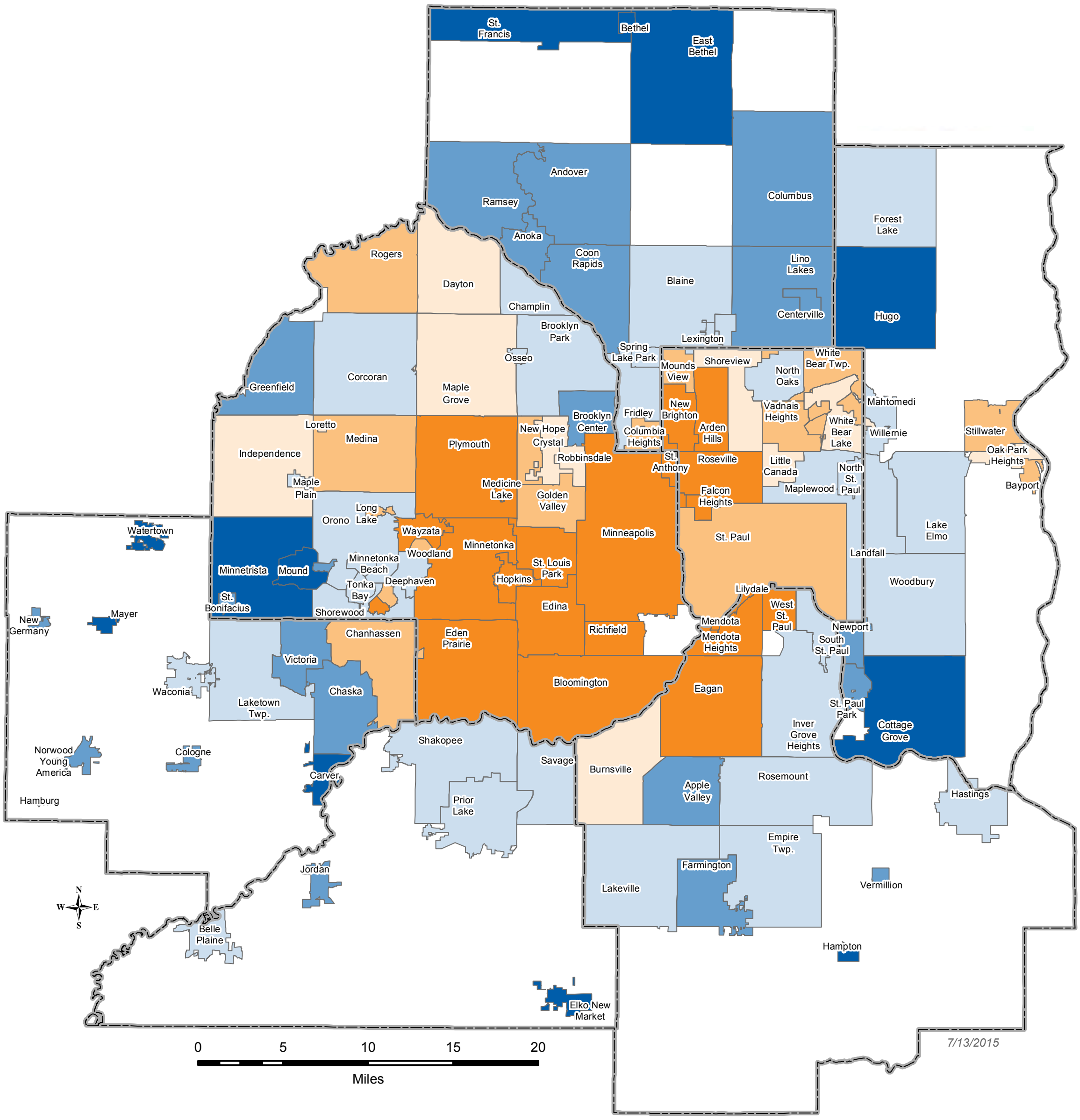
In the average sewered community, about 65.9% of existing housing units are affordable to households whose income is at or below 80% of AMI.

Note: Communities without sewer service are not shown.

Source: Metropolitan Council estimates based on 2013 and 2014 MetroGIS Regional Parcel Datasets; 2008-2012 Comprehensive Housing Affordability Strategy (CHAS) data; and the Metropolitan Council's annual survey of manufactured housing parks.

Estimates include all housing units affordable to households at 80% of Area Median Income, whether units are publicly subsidized or unsubsidized.

Exhibit 3: Balance of Low-Wage Jobs and Workers



Ratio of low-wage jobs to workers in low-wage jobs

Import low-wage workers; adjust allocation upwards

- 1.50 to 2.82
- 1.25 to 1.49
- 1.09 to 1.24
- 0.75 to 1.08
- 0.50 to 0.74
- 0.20 to 0.49

Export low-wage workers; adjust allocation downwards

The average sewered community has 1.09 times as many low-wage jobs as low-wage working residents.

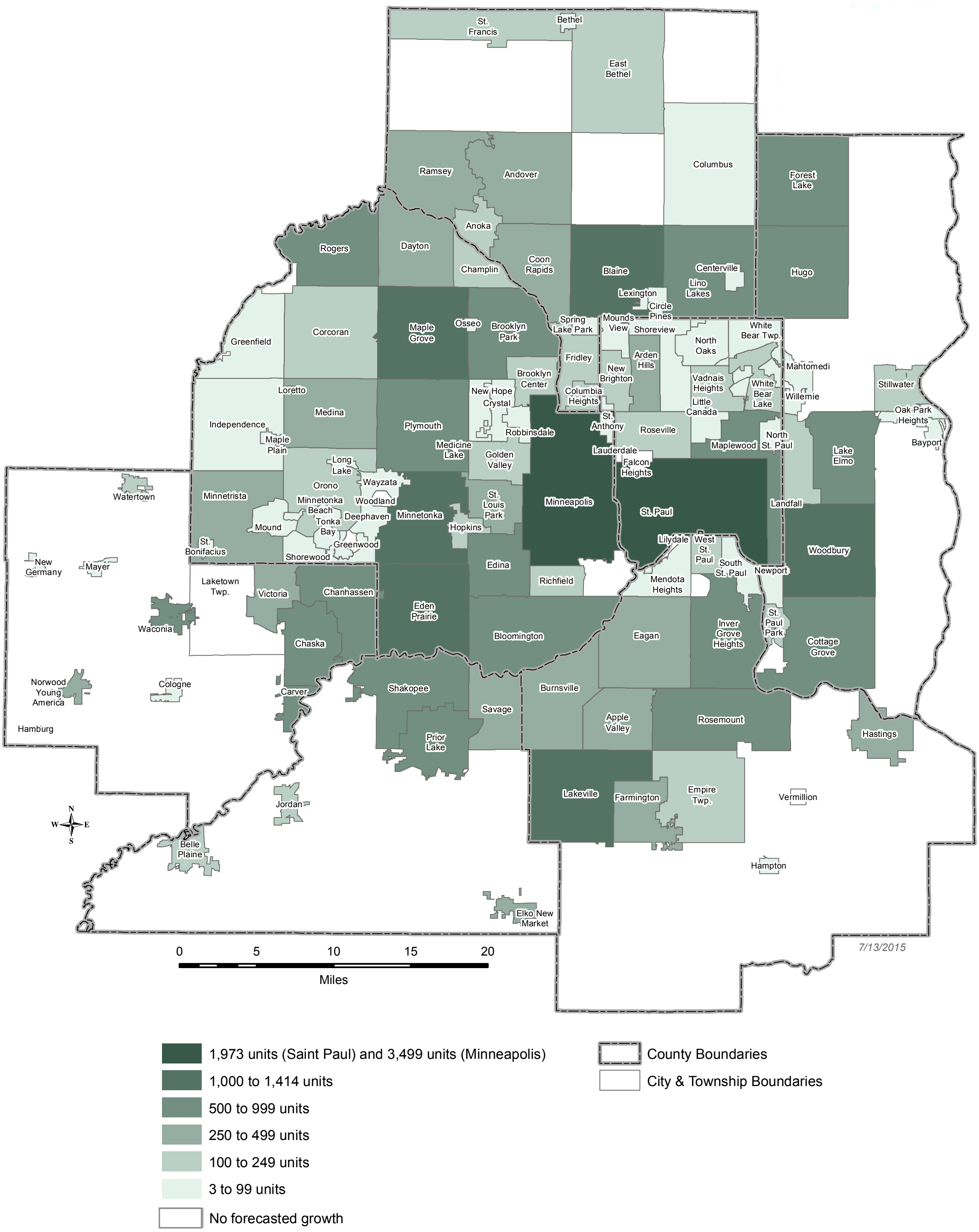
Note: Communities without sewer service are not shown.

- County Boundaries
- City & Township Boundaries

Source: Metropolitan Council staff calculations from U.S. Census Bureau, 2012 Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics.

Each community's ratio reflects jobs and working residents located within five miles of the community's geographic center. "Low-wage jobs" are those paying a monthly wage of $3,333 or less; "workers in low-wage jobs" are those whose primary job is low-wage.

Exhibit 4: Total Allocation of Affordable Housing Need (Number of Units Affordable At or Below 80% of Area Median Income)



Note: Communities without sewer service are not shown.

Source: Metropolitan Council calculations

Exhibit 5: Calculations of Total Allocations of Affordable Housing Need for 2021–2030 for All Communities

Sewered Communities	Growth Summary: Sewered Households[1]				Measures for Adjustments		Adjustment Factors[2]		Numerical Adjustments		
	(A) 2020	(B) 2030	(C) Net growth (B – A)	(D) Pre-adjusted allocation (C×33.2%)	(E) Housing stock[3] (Avg = 65.9%)	(F) Job/worker balance[4] (Avg = 1.09)	(G) Housing stock	(H) Job/worker balance	(I) Housing stock (D × G)	(J) Job/worker balance (D × H)	(K) Final Allocation (D + I + J)*
Anoka County											
Andover	7,750	9,350	1,600	531	62.8%	0.52	+2%	-11%	+13	-57	483
Anoka	7,650	8,150	500	166	96.2%	0.74	-24%	-7%	-41	-11	113
Bethel	190	220	30	10	96.9%	0.21	-25%	-17%	-2	-2	6
Blaine**	23,730	27,820	4,090	1,356	80.7%	0.91	-12%	-3%	-162	-46	1,139
Centerville	1,250	1,300	50	17	73.5%	0.51	-6%	-11%	-1	-2	14
Circle Pines	2,100	2,160	60	20	89.6%	0.80	-19%	-5%	-4	-1	15
Columbia Heights	8,400	8,900	500	166	97.7%	1.40	-26%	+6%	-42	+10	133
Columbus	190	270	80	27	54.4%	0.66	+9%	-8%	+2	-2	27
Coon Rapids	24,420	26,420	2,000	663	94.1%	0.68	-23%	-8%	-151	-51	457
East Bethel	427	1,331	904	300	80.2%	0.22	-12%	-16%	-35	-49	214
Fridley	11,700	12,300	600	199	95.5%	0.98	-24%	-2%	-48	-4	146
Hilltop	450	500	50	17	98.8%	1.19	-27%	+2%	-5	+0	12
Lexington	820	880	60	20	98.1%	0.95	-26%	-3%	-5	-1	14
Lino Lakes	5,179	6,779	1,600	531	56.0%	0.55	+8%	-10%	+42	-54	515
Ramsey	9,400	11,300	1,900	630	79.6%	0.61	-11%	-9%	-70	-57	499
St. Francis	1,440	2,010	570	189	93.0%	0.41	-22%	-13%	-41	-24	123
Spring Lake Park**	2,780	3,000	220	73	97.8%	1.05	-26%	-1%	-19	-1	53
Carver County											
Carver	2,120	3,630	1,510	501	42.7%	0.43	+19%	-12%	+94	-63	528
Chanhassen**	9,170	11,070	1,900	630	34.1%	1.27	+26%	+3%	+161	+22	806
Chaska	9,470	11,370	1,900	630	68.1%	0.74	-2%	-7%	-12	-42	571
Cologne	800	1,170	370	123	82.4%	0.70	-13%	-7%	-16	-9	97
Hamburg	210	230	20	7	95.9%	0.60	-24%	-9%	-2	-1	4
Laketown Township	140	70	0	0	31.3%	0.76	+28%	-6%	+0	+0	0
Mayer	740	970	230	76	91.0%	0.20	-20%	-17%	-15	-13	48
New Germany	190	270	80	27	85.9%	0.67	-16%	-8%	-4	-2	21
Norwood Young America	1,890	3,020	1,130	375	90.3%	0.67	-20%	-8%	-74	-30	269
Victoria	3,210	4,280	1,070	355	24.8%	0.58	+33%	-10%	+117	-34	434
Waconia	5,400	8,000	2,600	862	63.5%	1.03	+2%	-1%	+17	-9	863
Watertown	1,900	2,500	600	199	90.1%	0.43	-20%	-12%	-39	-25	134

Exhibit 5: Calculations of Total Allocations of Affordable Housing Need for 2021–2030 for All Communities (continued)

Sewered Communities	Growth Summary: Sewered Households[1]				Measures for Adjustments		Adjustment Factors[2]		Numerical Adjustments		
	(A) 2020	(B) 2030	(C) Net growth (B – A)	(D) Pre-adjusted allocation (C×33.2%)	(E) Housing stock[3] (Avg = 65.9%)	(F) Job/worker balance[4] (Avg = 1.09)	(G) Housing stock	(H) Job/worker balance	(I) Housing stock (D × G)	(J) Job/worker balance (D × H)	(K) Final Allocation (D + I + J)*
Dakota County											
Apple Valley	21,700	23,300	1,600	531	68.9%	0.63	-2%	-9%	-13	-46	468
Burnsville	25,360	26,260	900	298	78.9%	1.10	-10%	+0%	-31	+1	266
Eagan	27,070	28,370	1,300	431	64.6%	1.57	+1%	+9%	+5	+40	472
Empire Township	730	1,070	340	113	53.8%	0.91	+10%	-3%	+11	-4	119
Farmington	7,850	9,450	1,600	531	72.8%	0.52	-6%	-11%	-29	-57	441
Hampton	260	280	20	7	93.7%	0.38	-22%	-13%	-2	-1	4
Hastings**	9,700	11,100	1,400	464	85.5%	0.77	-16%	-6%	-73	-28	360
Inver Grove Heights	13,990	16,000	2,010	666	72.7%	0.83	-6%	-5%	-37	-33	591
Lakeville	22,300	26,300	4,000	1,326	51.4%	0.87	+12%	-4%	+155	-55	1,414
Lilydale	590	590	0	0	50.8%	1.95	+12%	+16%	+0	+0	0
Mendota	90	110	20	7	76.2%	1.71	-8%	+12%	-1	+1	7
Mendota Heights	4,600	4,710	110	36	31.4%	1.67	+28%	+11%	+10	+4	50
Rosemount	8,450	10,740	2,290	759	59.0%	1.00	+6%	-2%	+42	-12	783
South St. Paul	8,900	9,200	300	99	95.9%	0.77	-24%	-6%	-24	-6	68
Vermillion	160	160	0	0	90.7%	0.68	-20%	-8%	+0	+0	0
West St. Paul	9,090	9,490	400	133	92.1%	1.73	-21%	+12%	-28	+16	120

Exhibit 5: Calculations of Total Allocations of Affordable Housing Need for 2021–2030 for All Communities (continued)

Sewered Communities	Growth Summary: Sewered Households[1]				Measures for Adjustments		Adjustment Factors[2]		Numerical Adjustments		
	(A) 2020	(B) 2030	(C) Net growth (B – A)	(D) Pre-adjusted allocation (C×33.2%)	(E) Housing stock[3] (Avg = 65.9%)	(F) Job/ worker balance[4] (Avg = 1.09)	(G) Housing stock	(H) Job/ worker balance	(I) Housing stock (D × G)	(J) Job/ worker balance (D × H)	(K) Final Allocation (D + I + J)*
Hennepin County											
Bloomington	38,100	39,700	1,600	531	75.0%	2.07	-7%	+19%	-39	+99	586
Brooklyn Center	11,300	12,300	1,000	332	89.8%	0.65	-19%	-8%	-64	-28	238
Brooklyn Park	29,330	31,530	2,200	729	82.4%	0.77	-13%	-6%	-97	-44	583
Champlin	8,060	8,760	700	232	76.6%	0.89	-9%	-4%	-20	-9	201
Corcoran	490	1,040	550	182	52.1%	0.91	+11%	-3%	+20	-6	194
Crystal	9,500	9,600	100	33	94.3%	1.11	-23%	+0%	-8	+0	25
Dayton	2,200	3,200	1,000	332	65.9%	1.15	+0%	+1%	+0	+4	333
Deephaven	1,360	1,380	20	7	11.1%	1.03	+44%	-1%	+3	+0	10
Eden Prairie	27,400	30,400	3,000	995	43.7%	2.39	+18%	+25%	+178	+247	1,408
Edina	22,000	23,800	1,800	597	37.5%	2.42	+23%	+25%	+136	+152	878
Excelsior	1,200	1,300	100	33	64.6%	1.58	+1%	+9%	+0	+3	36
Golden Valley	9,300	9,600	300	99	59.0%	1.48	+6%	+7%	+6	+7	111
Greenfield	220	300	80	27	39.7%	0.67	+21%	-8%	+6	-2	31
Greenwood	300	300	0	0	15.2%	1.45	+41%	+7%	+0	+0	0
Hopkins	9,300	9,700	400	133	82.9%	2.82	-14%	+33%	-18	+44	158
Independence	1,400	1,560	160	53	21.5%	1.21	+36%	+2%	+19	+1	72
Long Lake	790	870	80	27	64.6%	1.30	+1%	+4%	+0	+1	28
Loretto	280	290	10	3	75.2%	1.20	-7%	+2%	+0	+0	3
Maple Grove	26,600	29,900	3,300	1,094	55.8%	1.16	+8%	+1%	+89	+15	1,188
Maple Plain	790	890	100	33	82.5%	0.86	-13%	-4%	-4	-1	28
Medicine Lake	170	170	0	0	29.9%	1.90	+29%	+15%	+0	+0	0
Medina	2,300	2,840	540	179	22.5%	1.48	+35%	+7%	+63	+13	253
Minneapolis	183,800	194,000	10,200	3,382	78.1%	1.83	-10%	+14%	-333	+479	3,499
Minnetonka	24,200	26,600	2,400	796	48.2%	2.17	+14%	+21%	+113	+164	1,064
Minnetonka Beach	210	220	10	3	5.1%	0.81	+49%	-5%	+1	+0	4
Minnetrista	1,280	1,970	690	229	18.3%	0.39	+38%	-13%	+88	-30	285
Mound	4,200	4,460	260	86	75.1%	0.46	-7%	-12%	-6	-10	69
New Hope	8,900	9,200	300	99	90.0%	1.36	-19%	+5%	-19	+5	84
Orono	3,200	3,560	360	119	24.4%	1.08	+33%	-0%	+40	+0	158
Osseo	1,300	1,400	100	33	91.6%	1.04	-21%	-1%	-7	+0	26

Exhibit 5: Calculations of Total Allocations of Affordable Housing Need for 2021–2030 for All Communities (continued)

Sewered Communities	Growth Summary: Sewered Households[1]				Measures for Adjustments		Adjustment Factors[2]		Numerical Adjustments		
	(A) 2020	(B) 2030	(C) Net growth (B – A)	(D) Pre-adjusted allocation (C×33.2%)	(E) Housing stock[3] (Avg = 65.9%)	(F) Job/worker balance[4] (Avg = 1.09)	(G) Housing stock	(H) Job/worker balance	(I) Housing stock (D × G)	(J) Job/worker balance (D × H)	(K) Final Allocation (D + I + J)*
Plymouth	31,200	33,000	1,800	597	48.3%	1.85	+14%	+15%	+85	+87	763
Richfield	15,600	16,000	400	133	91.3%	1.70	-21%	+12%	-27	+16	121
Robbinsdale	6,300	6,600	300	99	93.2%	1.11	-22%	+0%	-22	+0	76
Rogers	5,000	6,700	1,700	564	51.2%	1.26	+12%	+3%	+67	+19	645
St. Anthony**	4,200	4,300	100	33	75.4%	2.41	-8%	+25%	-3	+8	38
St. Bonifacius	870	880	10	3	74.9%	0.56	-7%	-10%	+0	+0	3
St. Louis Park	23,600	24,600	1,000	332	72.2%	1.94	-5%	+16%	-17	+54	366
Shorewood	2,800	2,910	110	36	20.3%	0.96	+37%	-2%	+13	-1	48
Spring Park	960	1,040	80	27	76.4%	0.61	-8%	-9%	-2	-2	23
Tonka Bay	630	660	30	10	20.2%	0.93	+37%	-3%	+4	+0	14
Wayzata	2,100	2,310	210	70	46.9%	1.68	+15%	+11%	+11	+8	88
Woodland	54	54	0	0	3.2%	1.27	+51%	+3%	+0	+0	0

Exhibit 5: Calculations of Total Allocations of Affordable Housing Need for 2021–2030 for All Communities (continued)

Sewered Communities	Growth Summary: Sewered Households[1]			(D) Pre-adjusted allocation (C×33.2%) (B – A)	Measures for Adjustments		Adjustment Factors[2]		Numerical Adjustments		(K) Final Allocation (D + I + J)*
	(A) 2020	(B) 2030	(C) Net growth (B – A)		(E) Housing stock[3] (Avg = 65.9%)	(F) Job/ worker balance[4] (Avg = 1.09)	(G) Housing stock	(H) Job/ worker balance	(I) Housing stock (D × G)	(J) Job/ worker balance (D × H)	
Ramsey County											
Arden Hills	3,200	4,100	900	298	44.3%	1.54	+17%	+9%	+52	+26	373
Falcon Heights	2,200	2,200	0	0	66.9%	1.85	-1%	+15%	+0	+0	0
Gem Lake	90	120	30	10	51.2%	1.25	+12%	+3%	+1	+0	11
Lauderdale	1,200	1,200	0	0	87.7%	2.48	-18%	+27%	+0	+0	0
Little Canada	4,520	4,790	270	90	82.2%	1.20	-13%	+2%	-12	+2	79
Maplewood	16,540	18,440	1,900	630	82.8%	0.84	-14%	-5%	-86	-30	510
Mounds View	5,100	5,200	100	33	91.6%	1.30	-21%	+4%	-7	+1	27
New Brighton	9,500	10,000	500	166	77.3%	1.53	-9%	+8%	-15	+14	164
North Oaks	710	800	90	30	7.5%	1.07	+47%	-0%	+14	+0	44
North St. Paul	5,000	5,200	200	66	91.1%	0.80	-20%	-5%	-13	-4	49
Roseville	15,300	15,700	400	133	75.4%	1.88	-8%	+15%	-10	+20	142
St. Paul	124,700	131,400	6,700	2,222	85.1%	1.35	-16%	+5%	-345	+112	1,973
Shoreview	11,000	11,200	200	66	61.9%	1.23	+3%	+3%	+2	+2	69
Vadnais Heights	5,700	6,100	400	133	70.9%	1.38	-4%	+6%	-5	+7	134
White Bear Township	4,000	4,180	180	60	58.4%	1.31	+6%	+4%	+4	+3	66
White Bear Lake**	10,500	11,200	700	232	84.6%	1.21	-15%	+2%	-35	+5	200
Scott County											
Belle Plaine	2,900	3,860	960	318	93.3%	1.06	-22%	-1%	-70	-2	244
Elko New Market	2,000	3,030	1,030	342	53.5%	0.37	+10%	-14%	+34	-47	326
Jordan	2,500	3,160	660	219	81.1%	0.72	-12%	-7%	-27	-15	176
Prior Lake	10,500	13,100	2,600	862	52.2%	0.99	+11%	-2%	+95	-16	933
Savage	10,790	12,190	1,400	464	53.2%	0.82	+10%	-5%	+47	-24	483
Shakopee	15,400	18,400	3,000	995	70.3%	1.04	-4%	-1%	-35	-9	943

Exhibit 5: Calculations of Total Allocations of Affordable Housing Need for 2021–2030 for All Communities (continued)

Sewered Communities	Growth Summary: Sewered Households[1]				Measures for Adjustments		Adjustment Factors[2]		Numerical Adjustments		
	(A) 2020	(B) 2030	(C) Net growth (B – A)	(D) Pre-adjusted allocation (C×33.2%)	(E) Housing stock[3] (Avg = 65.9%)	(F) Job/worker balance[4] (Avg = 1.09)	(G) Housing stock	(H) Job/worker balance	(I) Housing stock (D × G)	(J) Job/worker balance (D × H)	(K) Final Allocation (D + I + J)*
Washington County											
Bayport	1,100	1,220	120	40	66.4%	1.30	-0%	+4%	+0	+2	42
Birchwood Village	360	360	0	0	20.4%	1.15	+37%	+1%	+0	+0	0
Cottage Grove	13,300	15,200	1,900	630	61.3%	0.42	+4%	-13%	+23	-80	568
Forest Lake	7,040	8,930	1,890	627	59.3%	1.03	+5%	-1%	+33	-7	648
Hugo	4,460	6,950	2,490	826	48.8%	0.46	+14%	-12%	+113	-98	834
Lake Elmo	1,059	2,240	1,181	392	27.7%	1.07	+31%	-0%	+121	-1	508
Landfall	260	260	0	0	100.0%	0.70	-27%	-7%	+0	+0	0
Mahtomedi	2,860	2,910	50	17	31.9%	1.06	+27%	-1%	+5	+0	22
Newport	1,220	1,530	310	103	85.1%	0.69	-15%	-8%	-16	-8	78
Oakdale	11,390	11,890	500	166	71.8%	0.94	-5%	-3%	-8	-5	152
Oak Park Heights	2,200	2,420	220	73	65.6%	1.24	+0%	+3%	+0	+2	74
St. Paul Park	2,300	2,810	510	169	92.9%	0.71	-22%	-7%	-37	-12	119
Stillwater	8,370	8,970	600	199	54.2%	1.38	+9%	+6%	+19	+11	227
Willernie	230	230	0	0	91.3%	0.96	-20%	-2%	+0	+0	0
Woodbury	26,800	29,500	2,700	895	39.7%	0.90	+21%	-4%	+189	-32	1,043

* Column K includes an adjustment to make all communities' allocations sum to 37,900 units (the regional Need), so it is not the exact sum of Columns D, I, and J.

** Cities that are split between two counties are shown in the county with the largest share of households.

[1] Source: Forecasts developed by Metropolitan Council Environmental Services with input from Council Research staff, and supplemented by Council Research estimates of growth in municipal-serviced areas. For more information, see footnote 8 of Appendix B.

[2] These numbers are rescaled Z-scores based on the measures in Column E and Column F. Communities will have their allocations adjusted upward (positive values in Columns G or H) if they have lower-than-average values in Column E (indicating less affordable housing) or higher-than-average values in Column F (indicating that they import workers in low-wage jobs). Communities will have their allocations adjusted downward (negative values in Columns G or H) if they have higher-than-average values in Column E (indicating more affordable housing) or lower-than-average values in Column F (indicating that they export workers in low-wage jobs).

[3] Housing stock affordability: The percentage of a community's total housing units that is affordable to low-income households (those with income at or below 80% of Area Median Income), including unsubsidized and publicly subsidized units. In the average sewered community, 65.9% of housing units are affordable to low-income households.

[4] Job/Worker Balance: The ratio of low-wage jobs located within five miles of the community's geographic center divided by the number of residents within this distance whose primary job is a low-wage job. In the average sewered community, the ratio is 1.09.

Exhibit 6: Allocations of Affordable Need by Affordability Band for 2021-2030 for All Communities

Sewered Community	(A) Overall Allocation	Shares of existing affordable housing in each band[1]			Shares of allocation in each band[2]			Allocation by bands		
		(B) At or below 30% of AMI (Avg = 9.8%)	(C) 31% to 50% of AMI (Avg = 27.4%)	(D) 51% to 80% of AMI (Avg = 62.8%)	(E) At or below 30% of AMI (Region = 49.9%)	(F) 31% to 50% of AMI (Region = 24.9%)	(G) 51% to 80% of AMI (Region = 25.2%)	(H) At or below 30% of AMI (A × E)	(I) 31% to 50% of AMI (A × F)	(J) 51% to 80% of AMI (A × G)
Anoka County										
Andover	483	2.7%	12.6%	84.7%	57.5%	38.9%	3.6%	278	188	17
Anoka	113	6.8%	54.1%	39.1%	51.3%	0.0%	48.7%	58	0	55
Bethel	6	10.2%	62.4%	27.4%	42.9%	0.0%	57.1%	3	0	3
Blaine**	1,139	13.2%	25.1%	61.7%	46.3%	26.2%	27.5%	527	299	313
Centerville	14	1.0%	20.5%	78.5%	61.5%	30.8%	7.7%	9	4	1
Circle Pines	15	0.0%	41.6%	58.4%	60.0%	13.3%	26.7%	9	2	4
Columbia Heights	133	7.4%	61.6%	31.0%	47.0%	0.0%	53.0%	62	0	71
Columbus	27	0.0%	3.9%	96.1%	55.2%	44.8%	0.0%	15	12	0
Coon Rapids	457	6.2%	40.3%	53.5%	52.6%	11.5%	35.9%	240	53	164
East Bethel	214	8.9%	19.3%	71.8%	50.7%	31.9%	17.4%	109	68	37
Fridley	146	7.7%	48.5%	43.8%	50.3%	4.0%	45.6%	73	6	67
Hilltop	12	78.0%	22.0%	0.0%	0.0%	26.7%	73.3%	0	3	9
Lexington	14	16.2%	43.3%	40.5%	42.9%	7.1%	50.0%	6	1	7
Lino Lakes	515	5.1%	13.0%	81.8%	55.1%	38.3%	6.5%	284	197	34
Ramsey	499	1.6%	17.8%	80.6%	58.5%	33.5%	7.9%	292	167	40
St. Francis	123	18.1%	36.3%	45.6%	41.1%	15.3%	43.5%	51	19	53
Spring Lake Park**	53	9.7%	30.8%	59.4%	49.1%	20.8%	30.2%	26	11	16
Carver County										
Carver	528	1.0%	27.7%	71.2%	58.6%	23.8%	17.7%	310	125	93
Chanhassen**	806	2.2%	27.0%	70.8%	57.6%	24.5%	18.0%	464	197	145
Chaska	571	15.9%	23.9%	60.2%	43.5%	27.4%	29.1%	249	156	166
Cologne	97	8.3%	23.2%	68.4%	51.5%	27.8%	20.6%	50	27	20
Hamburg	4	15.0%	70.9%	14.1%	40.0%	0.0%	60.0%	2	0	2
Laketown Township	0	6.2%	8.5%	85.3%	0.0%	0.0%	0.0%	0	0	0
Mayer	48	4.1%	21.1%	74.8%	57.4%	29.8%	12.8%	28	14	6
New Germany	21	9.6%	73.3%	17.1%	40.7%	0.0%	59.3%	9	0	12
Norwood Young America	269	11.4%	53.2%	35.4%	46.7%	0.0%	53.3%	126	0	143
Victoria	434	5.9%	16.8%	77.4%	54.2%	34.6%	11.2%	235	150	49
Waconia	863	3.8%	30.3%	65.9%	55.7%	21.2%	23.1%	481	183	199
Watertown	134	12.6%	38.1%	49.2%	46.7%	13.3%	40.0%	62	18	54

Exhibit 6: Allocations of Affordable Housing Need by Affordability Band for 2021-2030 for All Communities (continued)

Sewered Community	(A) Overall Allocation	Shares of existing affordable housing in each band[1]			Shares of allocation in each band[2]			Allocation by bands		
		(B) At or below 30% of AMI (Avg = 9.8%)	(C) 31% to 50% of AMI (Avg = 27.4%)	(D) 51% to 80% of AMI (Avg = 62.8%)	(E) At or below 30% of AMI (Region = 49.9%)	(F) 31% to 50% of AMI (Region = 24.9%)	(G) 51% to 80% of AMI (Region = 25.2%)	(H) At or below 30% of AMI (A × E)	(I) 31% to 50% of AMI (A × F)	(J) 51% to 80% of AMI (A × G)
Dakota County										
Apple Valley	468	12.3%	26.1%	61.6%	47.2%	25.2%	27.6%	221	118	129
Burnsville	266	12.0%	25.1%	62.9%	47.5%	26.0%	26.4%	127	69	70
Eagan	472	10.2%	30.2%	59.6%	49.2%	21.2%	29.7%	232	100	140
Empire Township	119	0.0%	14.8%	85.2%	60.7%	36.8%	2.6%	72	44	3
Farmington	441	4.8%	34.1%	61.0%	54.4%	17.5%	28.1%	240	77	124
Hampton	4	2.8%	33.7%	63.5%	50.0%	25.0%	25.0%	2	1	1
Hastings**	360	10.8%	39.8%	49.4%	48.2%	11.8%	39.9%	173	43	144
Inver Grove Heights	591	13.2%	24.8%	62.0%	46.3%	26.6%	27.1%	274	157	160
Lakeville	1,414	14.3%	17.7%	67.9%	45.4%	33.5%	21.1%	642	474	298
Lilydale	0	1.0%	36.7%	62.4%	0.0%	0.0%	0.0%	0	0	0
Mendota	7	14.1%	34.4%	51.6%	42.9%	14.3%	42.9%	3	1	3
Mendota Heights	50	5.0%	16.9%	78.1%	55.1%	34.7%	10.2%	28	17	5
Rosemount	783	8.8%	24.0%	67.2%	50.7%	27.5%	21.8%	397	215	171
South St. Paul	68	9.6%	45.0%	45.4%	49.3%	7.2%	43.5%	33	5	30
Vermillion	0	0.0%	20.4%	79.6%	0.0%	0.0%	0.0%	0	0	0
West St. Paul	120	9.0%	37.1%	53.9%	50.4%	14.0%	35.5%	60	17	43

Exhibit 6: Allocations of Affordable Housing Need by Affordability Band for 2021-2030 for All Communities (continued)

Sewered Community		Shares of existing affordable housing in each band[1]			Shares of allocation in each band[2]			Allocation by bands		
	(A) Overall Allocation	(B) At or below 30% of AMI (Avg = 9.8%)	(C) 31% to 50% of AMI (Avg = 27.4%)	(D) 51% to 80% of AMI (Avg = 62.8%)	(E) At or below 30% of AMI (Region = 49.9%)	(F) 31% to 50% of AMI (Region = 24.9%)	(G) 51% to 80% of AMI (Region = 25.2%)	(H) At or below 30% of AMI (A × E)	(I) 31% to 50% of AMI (A × F)	(J) 51% to 80% of AMI (A × G)
Hennepin County										
Bloomington	586	6.9%	22.2%	70.9%	52.8%	29.3%	17.9%	310	171	105
Brooklyn Center	238	5.0%	75.3%	19.7%	43.1%	0.0%	56.9%	103	0	135
Brooklyn Park	583	7.6%	38.5%	53.8%	51.4%	13.1%	35.4%	300	76	207
Champlin	201	3.1%	18.6%	78.3%	57.1%	32.8%	10.1%	115	66	20
Corcoran	194	19.6%	7.0%	73.5%	40.3%	44.5%	15.2%	78	87	29
Crystal	25	2.8%	50.3%	46.9%	56.0%	4.0%	40.0%	14	1	10
Dayton	333	25.8%	20.2%	54.0%	33.6%	30.9%	35.4%	112	103	118
Deephaven	10	0.6%	2.5%	96.8%	54.5%	45.5%	0.0%	5	5	0
Eden Prairie	1,408	2.8%	24.1%	73.2%	57.0%	27.4%	15.6%	802	386	220
Edina	878	17.7%	24.7%	57.6%	41.6%	26.6%	31.7%	365	234	279
Excelsior	36	14.8%	46.0%	39.2%	43.2%	5.4%	51.4%	16	2	18
Golden Valley	111	11.9%	21.1%	67.1%	47.7%	30.6%	21.6%	53	34	24
Greenfield	31	0.0%	41.2%	58.8%	61.3%	9.7%	29.0%	19	3	9
Greenwood	0	0.0%	2.0%	98.0%	0.0%	0.0%	0.0%	0	0	0
Hopkins	158	13.9%	25.2%	61.0%	45.6%	25.9%	28.5%	72	41	45
Independence	72	8.4%	12.9%	78.7%	52.1%	38.0%	9.9%	38	27	7
Long Lake	28	6.5%	23.1%	70.4%	53.6%	28.6%	17.9%	15	8	5
Loretto	3	9.6%	36.8%	53.6%	66.7%	0.0%	33.3%	2	0	1
Maple Grove	1,188	1.2%	25.5%	73.3%	58.5%	26.1%	15.4%	694	310	184
Maple Plain	28	6.2%	36.8%	56.9%	53.6%	14.3%	32.1%	15	4	9
Medicine Lake	0	0.0%	26.9%	73.1%	0.0%	0.0%	0.0%	0	0	0
Medina	253	1.0%	8.9%	90.2%	58.3%	41.7%	0.0%	147	106	0
Minneapolis	3,499	14.7%	37.5%	47.8%	44.3%	14.1%	41.5%	1,551	494	1,454
Minnetonka	1,064	12.3%	12.5%	75.2%	47.7%	38.8%	13.5%	508	412	144
Minnetonka Beach	4	66.7%	8.3%	25.0%	0.0%	40.0%	60.0%	0	2	2
Minnetrista	285	0.9%	27.4%	71.7%	58.8%	23.9%	17.3%	168	68	49
Mound	69	9.5%	41.4%	49.1%	49.3%	11.3%	39.4%	34	8	27
New Hope	84	7.2%	25.7%	67.0%	52.4%	25.0%	22.6%	44	21	19
Orono	158	15.2%	14.7%	70.1%	44.9%	36.5%	18.6%	71	58	29
Osseo	26	6.0%	56.1%	37.9%	50.0%	0.0%	50.0%	13	0	13

Exhibit 6: Allocations of Affordable Housing Need by Affordability Band for 2021-2030 for All Communities (continued)

Sewered Community	(A) Overall Allocation	Shares of existing affordable housing in each band[1]			Shares of allocation in each band[2]			Allocation by bands		
		(B) At or below 30% of AMI (Avg = 9.8%)	(C) 31% to 50% of AMI (Avg = 27.4%)	(D) 51% to 80% of AMI (Avg = 62.8%)	(E) At or below 30% of AMI (Region = 49.9%)	(F) 31% to 50% of AMI (Region = 24.9%)	(G) 51% to 80% of AMI (Region = 25.2%)	(H) At or below 30% of AMI (A × E)	(I) 31% to 50% of AMI (A × F)	(J) 51% to 80% of AMI (A × G)
Plymouth	763	5.6%	19.2%	75.2%	54.4%	32.2%	13.4%	415	246	102
Richfield	121	5.2%	27.4%	67.4%	54.5%	24.0%	21.5%	66	29	26
Robbinsdale	76	8.8%	51.5%	39.7%	49.4%	1.3%	49.4%	37	1	38
Rogers	645	3.7%	18.6%	77.7%	56.2%	32.9%	11.0%	362	212	71
St. Anthony**	38	12.1%	16.4%	71.5%	48.6%	35.1%	16.2%	19	13	6
St. Bonifacius	3	4.4%	32.5%	63.2%	50.0%	25.0%	25.0%	1	1	1
St. Louis Park	366	7.5%	21.4%	71.1%	52.2%	29.9%	17.9%	191	110	65
Shorewood	48	12.7%	17.0%	70.3%	47.9%	33.3%	18.8%	23	16	9
Spring Park	23	2.1%	33.0%	65.0%	59.1%	18.2%	22.7%	14	4	5
Tonka Bay	14	4.5%	11.9%	83.6%	53.3%	40.0%	6.7%	7	6	1
Wayzata	88	15.1%	20.6%	64.3%	44.3%	30.7%	25.0%	39	27	22
Woodland	0	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0	0	0

Exhibit 6: Allocations of Affordable Housing Need by Affordability Band for 2021-2030 for All Communities (continued)

Sewered Community	(A) Overall Allocation	Shares of existing affordable housing in each band[1]			Shares of allocation in each band[2]			Allocation by bands		
		(B) At or below 30% of AMI (Avg = 9.8%)	(C) 31% to 50% of AMI (Avg = 27.4%)	(D) 51% to 80% of AMI (Avg = 62.8%)	(E) At or below 30% of AMI (Region = 49.9%)	(F) 31% to 50% of AMI (Region = 24.9%)	(G) 51% to 80% of AMI (Region = 25.2%)	(H) At or below 30% of AMI (A × E)	(I) 31% to 50% of AMI (A × F)	(J) 51% to 80% of AMI (A × G)
Ramsey County										
Arden Hills	373	24.7%	24.4%	50.8%	34.5%	26.7%	38.8%	129	100	144
Falcon Heights	0	1.1%	32.0%	67.0%	0.0%	0.0%	0.0%	0	0	0
Gem Lake	11	0.0%	22.6%	77.4%	63.6%	27.3%	9.1%	7	3	1
Lauderdale	0	0.1%	42.0%	57.9%	0.0%	0.0%	0.0%	0	0	0
Little Canada	79	26.3%	16.6%	57.0%	33.3%	34.6%	32.1%	26	28	25
Maplewood	510	10.1%	33.0%	57.0%	49.1%	18.6%	32.3%	250	95	165
Mounds View	27	13.8%	32.7%	53.5%	46.2%	19.2%	34.6%	13	5	9
New Brighton	164	8.0%	33.7%	58.3%	51.2%	17.7%	31.1%	84	29	51
North Oaks	44	0.0%	0.0%	100.0%	54.2%	45.8%	0.0%	24	20	0
North St. Paul	49	7.4%	43.7%	48.9%	52.0%	8.0%	40.0%	25	4	20
Roseville	142	10.0%	15.5%	74.6%	50.4%	35.5%	14.2%	72	50	20
St. Paul	1,973	16.6%	45.5%	38.0%	42.1%	6.5%	51.4%	832	128	1,013
Shoreview	69	9.6%	23.4%	67.0%	50.0%	27.1%	22.9%	34	19	16
Vadnais Heights	134	17.1%	22.3%	60.6%	42.5%	28.4%	29.1%	57	38	39
White Bear Township	66	4.5%	15.4%	80.1%	56.3%	35.9%	7.8%	37	24	5
White Bear Lake**	200	3.7%	16.0%	80.3%	56.3%	35.5%	8.1%	113	71	16
Scott County										
Belle Plaine	244	7.6%	32.8%	59.6%	51.6%	18.9%	29.5%	126	46	72
Elko New Market	326	0.9%	14.2%	84.9%	59.7%	37.2%	3.1%	195	121	10
Jordan	176	22.6%	30.4%	47.0%	36.5%	21.3%	42.1%	64	38	74
Prior Lake	933	5.2%	23.3%	71.5%	54.5%	28.2%	17.4%	508	263	162
Savage	483	0.2%	12.3%	87.5%	60.3%	39.3%	0.4%	291	190	2
Shakopee	943	3.0%	36.8%	60.2%	56.3%	14.8%	28.9%	530	140	273

Exhibit 6: Allocations of Affordable Housing Need by Affordability Band for 2021-2030 for All Communities (continued)

Sewered Community	(A) Overall Allocation	Shares of existing affordable housing in each band[1] (B) At or below 30% of AMI (Avg = 9.8%)	(C) 31% to 50% of AMI (Avg = 27.4%)	(D) 51% to 80% of AMI (Avg = 62.8%)	Shares of allocation in each band[2] (E) At or below 30% of AMI (Region = 49.9%)	(F) 31% to 50% of AMI (Region = 24.9%)	(G) 51% to 80% of AMI (Region = 25.2%)	Allocation by bands (H) At or below 30% of AMI (A × E)	(I) 31% to 50% of AMI (A × F)	(J) 51% to 80% of AMI (A × G)
Washington County										
Bayport	42	3.4%	29.3%	67.3%	55.8%	23.3%	20.9%	23	10	9
Birchwood Village	0	0.0%	2.7%	97.3%	0.0%	0.0%	0.0%	0	0	0
Cottage Grove	568	1.9%	12.5%	85.7%	58.5%	39.0%	2.5%	333	221	14
Forest Lake	648	7.9%	26.2%	65.9%	51.7%	25.2%	23.1%	335	164	149
Hugo	834	7.0%	10.4%	82.7%	53.2%	41.0%	5.7%	444	342	48
Lake Elmo	508	54.4%	15.3%	30.3%	5.3%	35.2%	59.5%	27	179	302
Landfall	0	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0
Mahtomedi	22	8.2%	13.9%	77.9%	52.4%	38.1%	9.5%	12	8	2
Newport	78	7.5%	58.3%	34.2%	48.2%	0.0%	51.8%	38	0	40
Oakdale	152	6.4%	26.0%	67.6%	53.3%	25.3%	21.3%	81	39	32
Oak Park Heights	74	14.3%	38.1%	47.6%	44.7%	14.5%	40.8%	33	11	30
St. Paul Park	119	5.6%	22.3%	72.2%	53.8%	29.4%	16.8%	64	35	20
Stillwater	227	8.4%	16.4%	75.2%	51.3%	35.3%	13.4%	117	80	30
Willernie	0	2.3%	29.2%	68.5%	0.0%	0.0%	0.0%	0	0	0
Woodbury	1,043	2.1%	15.2%	82.7%	58.2%	36.3%	5.6%	607	378	58

** Cities that are split between two counties are shown in the county with the largest share of households.

[1] Shows the share of all housing units affordable to households with income at or below 80% of AMI in each band of affordability. Percentages may not sum to 100% due to rounding. In the average sewered community, 9.8% of all affordable units are affordable at or below 30% of AMI; 27.4% are affordable at 31% to 50% of AMI; and 62.8% are affordable at 51% to 80% of AMI.

[2] Shows the share of the total allocation assigned to each band, as developed by Part 3 of the allocation process. The 0%-30% band is 49.9% of the regional Need, the 31%-50% band is 24.9% of the regional Need, and the the 51%-80% band is 25.2% of the regional Need.

Appendix C: Chronology of Regional Housing Policy and Implementation

1967 The legislature creates the Metropolitan Council.

1968 The Council adopts regional housing needs in first *Metropolitan Development Guide*.

1971 The Council adopts first regional *Housing Policy Plan,* which includes a central goal of suitable, affordable housing for all residents of the region. Through the federal A-95 review tool, Policy 13 in the Housing Policy Plan directs the Council to give funding priority to cities addressing low- and moderate-income housing needs.

1972 The Council adopts first affordable housing allocation plan and calls for increases in affordable housing supply without specifying numerical housing needs for communities.

1973 The Council updates the Housing Policy Plan to include a low- and moderate-income allocation plan with numerical housing needs for Minneapolis and St. Paul as well as for subsector groupings of suburban communities.

1974 The legislature authorizes the Council to exercise the authorities of a housing and redevelopment authority, and the Metropolitan Housing and Redevelopment Authority (Metro HRA) begins.

1975 Thirteen communities request the Metro HRA to administer the new federal Section 8 tenant-based housing in their communities. By 2014, the Metro HRA administers Section 8 for nearly 100 communities providing homes to approximately 6,200 households.

1976 The legislature passes the Metropolitan Land Planning Act (MLPA) requiring each municipality to prepare a local comprehensive plan that includes a housing element and implementation plan for meeting low- and moderate-income housing needs.

1977 The affordable housing allocation in the policy plan is revised to include specific numerical low- and moderate-income housing needs for each municipality. Policy 13 is renumbered Policy 39 and strengthened with performance criteria.

1978 The Council and the Association of Metropolitan Municipalities (now MetroCities) jointly develop land use advisory standards for single- and multifamily homes to encourage communities to voluntarily examine their land use ordinances and consider adopting the advisory standards to increase opportunity for construction of unsubsidized affordable homes.

1985 The Council updates the Housing Policy Plan and creates a "community index system" to compare types and cost of housing by community, which is the forerunner of the housing performance scoring program used to help evaluate applications requesting Livable Communities Act funds.

1994 The Council adopts the *Regional Blueprint*, which calls for a partnership between the Council and local communities to meet the range of housing needs of people at various life-cycle stages; broaden locational choice and access; and support use of public funds to achieve these affordable housing needs. The Blueprint seeks to replace lost housing and prohibit building units in areas of poverty concentration or experiencing disinvestment. The Blueprint also includes a priority for regional infrastructure investments and expenditures to those communities that implement plans to provide their share of the region's need for low- and moderate-income housing. The Blueprint is not followed by a Housing Policy Plan.

1995 The legislature passes the Metropolitan Livable Communities Act (LCA) directing the Council to negotiate voluntary life-cycle and affordable housing goals with participating communities. The LCA provides grants and loans to promote affordable and life-cycle housing along with other legislative goals, including compact development and environmental remediation.

1995 Hollman Consent Decree is approved requiring relocation of families from Sumner-Olson and Glenwood-Lyndale housing in Minneapolis; the disposition or demolition of up to 770 public housing units and the replacement of these units in areas that are not concentrated by race or poverty; the redevelopment of the Minneapolis Near Northside; creation of an affordable housing clearinghouse (housinglink.org); the issuance of 900 new Section 8 certificates (now vouchers); and providing housing mobility counseling to families.

2000 The Council establishes the Family Affordable Housing Program to develop and operate Hollman replacement public housing units in Anoka and suburban Ramsey and Hennepin counties.

2000 The Council's Mayors Regional Housing Task Force studies the ongoing need and shortage of affordable housing opportunities, finding that 25,000 new affordable rental homes and 7,000 new affordable ownership homes are needed in the upcoming five years to meet needs. A follow-up report in 2002 notes the continued struggle to meet needs and works to identify strategies to meet needs.

2004 The Council adopts the *Regional Development Framework*, which includes policy language encouraging expanded choices in housing location and types, and improved access to jobs and opportunities. Under the Framework, the Council should use its programs and resources to encourage communities to provide for a diversity of housing types and costs. The Framework is not followed by a Housing Policy Plan.

2010 As part of the LCA program, the Council negotiates with communities to adopt new goals for producing new life-cycle and affordable housing for the period between 2011-2020.

2013 The Council embarks upon a new Housing Policy Plan in support of *Thrive MSP 2040.*

2014 The Council adopts *Thrive MSP 2040*, which includes policy language promoting housing options to give people in all life stages and of all economic means viable choices for safe, stable, and affordable homes. The Council adopts the *2040 Housing Policy Plan* in support of *Thrive MSP 2040*.

Appendix D: Senior Housing Types and Arrangements

Type of Unit	Description	Advantages
Accessory Apartment	Provides a separate living unit inside or connected to a single-family home	Allows people to remain in their homes and can provide source of caregiving from a friend or relative, provides physical closeness while maintaining privacy and can provide additional income and affordable rent for the tenant
Adult Day Care	Activities in a day care service/setting that can be scheduled daily, weekly, or on a part-time basis	Provides a social environment and activities to accommodate needs of both physically and mentally challenged and in need of a protective environment
Assisted Living/Housing with Services Facilities (sometimes referred to as Personal Care, Board and Care, Residential Care, or Boarding Home)	State-licensed community offering assistance with daily living activities including meals, laundry, housekeeping, medication reminders and other services	Trained medical personnel can assist with medication administration, dressing, bathing, and social activities; can range from small homes to large full-service facilities
Care Center/Nursing Home/Long Term Care/ Convalescent Home	State-licensed facility that provides 24-hour nursing care, room and board, and activities for convalescent residents and those with chronic or long-term illness	These facilities must offer regular medical supervision and rehabilitation therapy
Continuing Care Retirement Community/ Life Care Community	Commonly called Life Care, provides independent living, assisted living facilities and skilled nursing in a campus setting	Full selection of amenities associated with retirement living
Custodial Care	Provides supervision and/or assistance with activities of daily life in the home environment	Typically 24-hour care for an individual who does not desire to live in a congregate home
Home Health Care	State-licensed medical personnel offer medication assistance, homemaking, bathing assistance and rehabilitation therapy	Services are provided in the home environment
Hospice	Specialized care to lessen the physical and emotional discomfort of the terminally ill and their families	Can be provided in the home setting or at a hospice home or in some cases a hospital
Independent Living	Multi-unit senior development that may or may not provide supportive services such as meals, housekeeping, social activities, and transportation	Encourages people to socialize by providing meals in a central dining area and through social programs
Personal Care Facility	Specializes in caring for memory-impaired residents; requires additional state licensing as staff are trained for special needs of dementia	Specializes in memory care and in serving clients with dementia
Senior Apartment	Age-restricted multi-unit housing with self-contained living units for older adults able to take care of themselves	Provides independent living without the maintenance responsibilities of home ownership
Skilled Nursing Facility	State-licensed long-term care facilities offering 24-hour medical care for very frail residents dependent on nursing care	Care provided by registered nurses, licensed practical nurses, and certified nurse assistants
Transitional Care Unit (TCU)	Provides a bridge between the hospital and home	Patients receive skilled nursing care and therapy to regain abilities and strength after a traumatic health event

Appendix E: Glossary of Affordable Housing Terms, Programs, and Funding Sources

Accessibility

Refers to an original or modified housing element that enables independent living for persons with disabilities, including: an accessible building entrance and route through the dwelling unit; accessible common areas; doors usable by a person in a wheelchair; environmental controls such as light switches in accessible locations; and usable kitchens and bathrooms.

Accessible Unit

A dwelling unit that has physical features, such as grab bars or an entrance ramp, that help tenants with mobility impairments gain full use and enjoyment of their apartment.

Accessory Dwelling Units (also known as accessory apartments, guest apartments, in-law apartments, family apartments, or secondary units)

Dwelling units that provide supplementary housing and can be integrated into existing neighborhoods with little or no impact on the character of the neighborhood. Because the units are usually small, they are more affordable than full-size rentals and include units both attached to or detached from the primary housing unit.

Affordable Housing

For the purposes of this plan, the Council adopts the affordability definitions as set forth by HUD, under which housing is “affordable” for low- and moderate-income households when they pay no more than 30% of gross household income on housing.

Aging in Place

The ability to live in one’s own home and community safely, independently, and comfortably, regardless of age, income, or ability level.

Allocation of Affordable Housing Need (the Need)

Provided every 10 years by the Metropolitan Council, the Need reflects the share of forecasted regional household growth that will make less than a set threshold of income and therefore need affordable housing. The Allocation of Affordable Housing Need is the determination of each community’s share of this regional need and the first step in helping communities determine the housing goals and objectives to be included in the housing element of their comprehensive plans.

Areas of Concentrated Poverty (ACP) and Racially Concentrated Areas of Poverty

The Council defines Areas of Concentrated Poverty as census tracts where more than 40% of residents live below 185% of the federal poverty level (as context, 185% of the poverty level for a typical family of four in 2013 was $44,093). Areas of Concentrated Poverty where at least half the residents are people of color are also known as Racially Concentrated Areas of Poverty.

Area Median Income (AMI)
100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD. The Area Median Income is a critical component of housing-related activity, including eligibility for affordable housing programs.

Bridge Loan (also known as interim financing or gap financing)
A short-term loan that is used until an entity secures permanent financing or removes an existing financial obligation. The loans are short-term (up to one year) with relatively high interest rates and are backed by some form of collateral such as real estate or inventory.

Choice, Place and Opportunity: An Equity Assessment of the Twin Cities
The formal name of the Twin Cities region's Fair Housing and Equity Assessment (FHEA) required by HUD as a condition of the Sustainable Communities Regional Planning Grant. The report involved analysis of the region's racial and ethnic diversity, describing public investments and policies as well as the jurisdiction's fair housing landscape. The full Choice, Place and Opportunity report is available at: http://metrocouncil.org/Planning/Projects/Thrive-2040/Choice-Place-and-Opportunity.aspx.

Community Designations
Community designations group communities with similar characteristics into typologies that help target policies for growth and development. In *Thrive MSP 2040*, each city and township in the seven-county metropolitan area was assigned a community designation on the basis of existing development patterns, common challenges, and shared opportunities. For descriptions of specific community designations, refer to *Thrive MSP 2040* at: http://metrocouncil.org/Planning/Projects/Thrive-2040.aspx.

Community Development Block Grant (CDBG)
Created under the Housing and Community Development Act of 1974, this HUD program provides grant funds to local and state governments to develop viable urban communities by providing decent housing with a suitable living environment and expanding economic opportunities to assist low- and moderate-income residents.

Community Fix-Up Program
This Minnesota Housing program assists communities in addressing specific home improvement needs and goals by promoting partnerships between Fix Up lenders and community organizations to add supplemental funds or other incentives to borrowers.

Community Land Trust (CLT)
Community Land Trusts help low- and moderate-income families benefit from the equity built through home ownership and at the same time preserve the affordability of these homes so future residents will have the same affordable homeownership opportunities. A Community Land Trust (CLT) creates affordable housing by taking the cost of land out of the purchase price of a home and maintains affordability by controlling the resale price of houses on CLT land through a ground lease and resale formula.

Comprehensive Plan

Plans prepared and updated by cities, townships and, in some cases, counties, for local land use and infrastructure. Comprehensive plans provide guidelines for the timing and sequence of the adoption of official controls to ensure planned, orderly, and staged development and redevelopment.

Consolidated Request for Proposals (Super RFP)

To streamline the process of securing and deploying funding for affordable housing development, Minnesota Housing coordinates the Consolidated Request for Proposals (Super RFP). The Super RFP allows Minnesota Housing and its funding partners (the Metropolitan Council, Department of Employment and Economic Development, Family Housing Fund, and Greater Minnesota Housing Fund) to use a single funding application and allows developers to apply for multiple funding resources at once. Creative finance packages that best fit each project and the strategic priorities of each funder can be assembled during the project review and selection processes.

Construction Loan

A short-term loan typically with a high interest rate used to finance the building of housing or other real estate. Developers or builders take out a construction loan in order to begin the project while they obtain long-term funding.

Credit Enhancement

Credit enhancement is a measure taken with the goal of reducing credit risk and boosting the credit rating of an entity. Through credit enhancement, the lender is provided with reassurance that the borrower will honor the obligation through additional collateral, insurance, or a third-party guarantee.

Debt Financing

Debt financing is the result of a private firm, government entity, or nonprofit organization raising money for a project by selling notes or other instruments (e.g., a mortgage or a promissory note) to investors. In return for lending the money to support the project, the firm, entity or organization becomes a creditor and receives a legal pledge that the principal and interest on the debt will be repaid.

Debt Service and Debt Service Coverage Ratio

Debt service is the amount of cash required for a particular time period to cover repayment of interest and principal on a debt. The debt service coverage ratio is derived by dividing net operating income by total debt service.

Density

The Council measures minimum net density across all areas identified to support forecasted growth by taking the minimum number of planned housing units and dividing by the net acreage. Net acreage does not include land covered by wetlands, water bodies, public parks and trails, public open space, arterial road rights-of-way, and other undevelopable acres identified in or protected by local ordinances such as steep slopes.

Density Bonus
Density bonuses are a zoning tool that permits developers to build more housing units, taller buildings, or more floor space than normally allowed in exchange for a defined public benefit, such as a specified number or percentage of affordable units included in the development.

Developer
A developer is an individual that builds on land with the intention of increasing its value and usefulness. The developer may be an individual, but is often a partnership or a corporation. Developers may continue to lease and manage their properties or sell them after they are built.

Disadvantaged Business Enterprise (DBE) Program
The Council receives funding for projects and procurements from several sources, including federal funding from the United States Department of Transportation (US DOT) and the Environmental Protection Agency (EPA). Both the US DOT and the EPA require their fund recipients to have a DBE Program. Under the DBE program, prime contractors subcontract project work to DBE firms. Achievements are measured by the percent of contract dollars subcontracted to DBE firms.

Due Diligence
An analysis that includes reviewing all financial and legal records, title, or history of a property that is being considered for purchase by a potential buyer. Sellers of property, finance providers, and investors also typically perform a due diligence analysis on a buyer's or borrower's capacity to acquire the property. Due diligence helps parties analyze and minimize risks in a development project.

Emergency Loan Program
This Minnesota Housing program provides a zero interest, deferred, and forgivable loan for extremely low-income homeowners for basic improvements that directly affect the safety of the home and health of its inhabitants. This can involve addressing lead paint hazards, repair or replacement of failed electrical, plumbing, heating, or other systems, structural repairs, and other emergency conditions.

Emergency Solutions Grants (ESGs, formerly known as Emergency Shelter Grants)
The Emergency Solutions Grants (ESG) Program provides funding to engage homeless individuals and families living on the street; improve the number and quality of emergency shelters for homeless individuals and families; help operate these shelters; provide essential services to shelter residents; rapidly re-house homeless individuals and families; and prevent families and individuals from becoming homeless.

Enhanced Vouchers (used under the Project-Based Section 8 Program)

When a private owner leaves a HUD project-based subsidy program, usually by prepayment of a subsidized mortgage or opt-out of a project-based Section 8 contract, the owner's obligation to maintain the low rents or accept the project-based assistance at the property is lifted, leaving most of the residents unable to pay the new rent without a new rental assistance subsidy. Enhanced vouchers subsidize rents for tenants facing opt-out or prepayment.

Entitlement Communities

Local entitlement communities are larger cities and urban counties that receive annual grants directly from HUD through the CDBG program to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.

Equitable Development

Equitable development creates healthy vibrant communities of opportunity where low-income people, people of color, new immigrants, and people with disabilities participate in and benefit from systems, decisions, and activities that shape their neighborhoods.

Equity

The term equity has three uses in this report. First, equity is the Thrive outcome of connecting all residents to opportunities so that all communities share the opportunities and challenges of growth and changes. Second, equity is a term describing the difference between the market value of a home and the amount owed to the lender. Third, equity is used to describe money raised through sale of an ownership interest in a project. Equity financing is distinct from debt financing, which refers to funds borrowed by the owner/ developer.

Fair Housing Act

Originally passed in 1968, the federal Fair Housing Act prohibits discrimination that makes housing unavailable to people because of race or color, religion, sex, national origin, family status, or disability.

Fair Market Rent (FMR)

HUD calculates a Fair Market Rent (or FMR) to estimate the rent that would be required to be paid in a particular housing market area in order to obtain privately owned, decent, safe and sanitary rental housing with suitable amenities. Fair Market Rent includes the cost of utilities (except telephone).

Fast-Track Permitting or Approval

An attempt to shorten the duration of a development project by reducing the amount of time taken by a particular process or processes or allowing sequential processes to occur over the same period of time.

Feasibility Study

An analysis of the ability to complete a project successfully, taking into account legal, economic, technological, scheduling, and other factors. Feasibility studies allow project managers to investigate the possible negative and positive outcomes of a project before investing too much time and money.

Federal Home Loan Banks (FHLB)

The Federal Home Loan Bank Act of 1932 created Federal Home Loan Banks to increase the amount of funds available for lending institutions that provide mortgages and similar loan agreements to individuals. The FHLB system currently focuses on increasing the amount of funds available for lending to support affordable housing and community development projects.

Federal Housing Administration (FHA)

FHA is a United States government agency that provides mortgage insurance to qualified, FHA-approved lenders. FHA mortgage insurance helps protect lenders from losses associated with mortgage default; if a borrower defaults on a loan, the FHA will pay a specified claim amount to the lender. FHA loans are generally given to people who otherwise would be unable to qualify for a conventional home mortgage loan.

Financial Intermediaries

Notable for providing higher-risk loans such as predevelopment, construction, bridge, or gap loans, financial intermediaries such as the Local Initiatives Support Corporation (LISC) and Enterprise Community Partners play a particular role in affordable and mixed-income development. Because of their unique combination of mission-orientation and financial strength, they are often able to provide financing at more favorable rates than private lenders and may be willing to make loans the private sector would not.

Fiscal Tools

Policies concerned with government revenues (such as taxes or fees) and expenditures. Fiscal tools are one means that local communities can use to enable and support housing development, preservation, and other housing activities, and may involve direct financing support in the form of loans or grants, abatement or exemption from property taxes, waiver of local fees, or other means.

Floor Area Ratio (FAR)

The total square feet of a building divided by the total square feet of the lot the building is located on. FAR is used by local governments in zoning codes. Higher FARs tend to indicate more urban (dense) construction. Buildings of varying numbers of stories can have the same FAR, because the FAR counts the total floor area of a building, not just the building's footprint. On a 4,000 square-foot lot, a 1,000 square-foot, one-story building would have the same FAR (0.25) as a two-story building where each floor was 500 square feet.

Foreclosure
A specific legal process in which a lender attempts to recover the balance of a loan from a borrower who has stopped making payments to the lender by forcing the sale of the asset used as collateral for the loan. Foreclosure relief, recovery, mitigation, and counseling programs in response to the impacts of the Great Recession are still a high priority for governments and housing-focused nonprofits.

Funding Gaps
A major part of financing affordable housing is covering funding gaps. A funding gap is the difference between the cost a developer pays to produce the housing and the available, secured financial resources to help pay for costs. Three primary types of funding gaps are:

- Affordability Gap: occurs when the housing cost is higher than a household can afford to pay at the targeted income level.
- Multifamily Underwriting Gap: occurs when the financing sources secured for an affordable or mixed-income project are less than the total development cost, or TDC.
- Value Gap: occurs when the cost to construct an affordable unit is greater than the purchase price or rent that the local market will bear.

General Obligation, or G.O. Bond
A municipal bond backed by the credit and taxing power of the issuing jurisdiction rather than the revenue from a given project.

Goals for Affordable and Life-cycle Housing (the Goal)
To compete for Livable Communities Act (LCA) funding, communities must negotiate long-term affordable and life-cycle housing goals with the Council.

Guaranteed Loan
A loan guaranteed by a third party in the event that the borrower defaults. The loan is quite often guaranteed by a government agency which will purchase the debt from the lending financial institution and take on responsibility for the loan.

Holding Costs
Costs incurred by a developer if the property sits idle. Typical examples of holding costs include interest on loans, taxes, and property maintenance and security.

HOME Investment Partnerships Program
This HUD program provides grants to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or to provide direct rental assistance to low-income people.

Housing Choice Voucher (see Section 8 Housing Choice Voucher)

Housing Discrimination

Discrimination based on protected class status, including race, gender, age, ethnicity, national origin, sexual orientation, gender identity, marital status, or veteran status. Specific areas of housing discrimination are rental discrimination, sales discrimination, lending and mortgage discrimination, and discrimination in the approval of homeowner's insurance.

Housing Element (part of the Comprehensive Plan)

Under state statute, a local comprehensive and land use plan must include a housing element containing standards, plans, and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs, including but not limited to the use of official controls and land use planning to promote the availability of land for the development of low- and moderate-income housing.

Housing Implementation Program (part of the Comprehensive Plan)

Local comprehensive plans must include an implementation section identifying the programs, fiscal devices, and official controls the community will use to address their share of the region's need for low- and moderate-income housing (the Need).

Housing Improvement Areas

A defined area within a city where housing improvements are made or constructed and the costs of the improvements are paid in whole or in part from fees imposed within the area.

Housing Performance Scores (the Score)

The scoring system created and employed by the Council to evaluate city and county performance in the support of affordable and life-cycle housing. The Score uses a combination of survey and other data to derive a Score between 0 and 100 for each community on an annual basis.

HousingLink

HousingLink is an affordable housing information clearinghouse established as a result of the 1995 Hollman v. Cisneros consent decree to ensure that low-to-moderate-income families have access to the affordable housing information they need.

Housing Opportunities for Persons with Aids (HOPWA)

Under HOPWA, HUD makes grants to local communities, states, and nonprofit organizations for projects that address the housing needs of low-income persons living with HIV/AIDS and their families.

Housing Revenue Bonds

Bonds issued to finance construction or rehabilitation of multifamily housing projects where a specified proportion of the units will be rented to moderate- and low-income families, in some cases specifically targeted toward elderly residents. These securities may provide financing either directly or through a loans-to-lenders program, and may be secured by federal agency guarantees or subsidies.

Inclusionary Housing Account, Livable Communities Act
The Inclusionary Housing Account was created under the Livable Communities Act but has only been funded once by one-time state appropriation. The account was created to help spur construction of new mixed-income development.

Inclusionary Zoning
Zoning code requirements that originated in the early 1970s aiming to stimulate the production of affordable housing. Generally, these ordinances require that a minimum percentage of new housing units be set aside for low-income households. Inclusionary zoning can be mandatory or voluntary.

Income Limits
Household income by county or Metropolitan Statistical Area, adjusted for household size and expressed as a percentage of the Area Median Income (AMI) for the purpose of establishing an upper limit for eligibility for a specific housing program.

Infill Development
Infill development is the construction of a building or buildings on vacant land within otherwise developed neighborhoods.

Investment Guarantee
A provision designed to protect investors from incurring losses as a result of an investment opportunity that carries a high degree of risk.

Livable Communities Act (LCA)

The 1995 Livable Communities Act (LCA) funds community investment that revitalizes economies, creates affordable housing, and links different land uses and transportation. The LCA's voluntary, incentive-based approach leverages partnerships and shared resources to help communities achieve their regional and local goals. Under the LCA, the Council makes grant and loan awards from three accounts:

- Livable Communities Demonstration Account (LCDA): Supports development and redevelopment that links housing, jobs, and services while demonstrating innovative, efficient and cost-effective use of land and infrastructure.
- Local Housing Incentives Account (LHIA): Produces and preserves affordable housing choices for households with low to moderate incomes to help municipalities meet their negotiated LCA housing goals.
- Tax Base Revitalization Account (TBRA): Cleans up brownfields for redevelopment, job creation, and affordable housing.

A portion of the funds in the LCDA and TBRA are targeted for transit-oriented development (TOD) projects.

Livable Communities Demonstration Account (see Livable Communities Act)

Local Housing Incentives Account (see Livable Communities Act)

Local/Land Use Controls/Regulations
Ordinances and policies of local governments, including requirement of permits and codes created to ensure private use of land resources are aligned with public objectives and standards. Some forms of land use regulations include housing codes, regulations for subdivisions, zoning ordinances, and building codes.

Locally Preferred Alternative (LPA)
The preferred route for a proposed transitway that has been locally adopted as a final step in an Alternatives Analysis. This phase of a proposed transit project defines the specific corridor a community will consider for subsequent phases of transit planning. While the adoption of an LPA is not a guarantee that a transit project will be built, it is a reasonable indicator of a project's likelihood of completion. This document considers transit projects with an adopted LPA as the benchmark for transit-related policy.

Low Income Housing Tax Credit (LIHTC) Program
Since its creation via the Federal Tax Reform Act of 1986, the Low Income Housing Tax Credit Program (LIHTC) has become the premier financing tool for the development of new affordable housing as well as the acquisition and/or rehabilitation of existing affordable housing. Administered at the federal level by the Internal Revenue Service, the LIHTC program provides tax credits to investors of qualifying projects.

Manufactured Housing and Manufactured Housing Parks
Manufactured housing (formerly known as mobile homes) is built to the Manufactured Home Construction and Safety Standards (HUD Code). Manufactured housing units are constructed primarily off-site prior to being moved to a piece of property where they are set. Manufactured housing parks provide access to utilities and solid foundations for manufactured homes.

Market Demand
The total number of households in a defined market area that would potentially move into any new or renovated housing units. Market demand is not project specific and refers to all applicable households, independent of income.

Market Rate Rent
The rent that an apartment commands in the primary market area considering its location, features and amenities. Market rent should be adjusted for concessions and owner-paid utilities.

Market Study
A comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project-specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market-specific market studies are used to determine what housing needs, if any, exist within a specific geography.

Metropolitan Land Planning Act
The Metropolitan Land Planning Act, passed in 1976, provides the basis for local comprehensive plans in the seven-county Twin Cities region.

Minnesota Housing (also known as Minnesota Housing Finance Agency)
Created in 1971, Minnesota Housing issues mortgage revenue bonds to raise capital for first-time homebuyer loans, allocates Low Income Housing Tax Credits, and distributes federal and state funds to support single-family and multifamily affordable housing. For more information on Minnesota Housing, visit www.mnhousing.gov.

Minority-Owned Business Enterprise (MBE)
A minority-owned business is a business at least 51% of which is owned and controlled by people of color; or, in the case of a publicly owned business, at least 51% of the stock of which is owned and controlled by people of color.

Mixed-Income Housing
A mixed-income housing development is comprised of housing units with differing levels of affordability, typically with some market-rate housing and some housing that is affordable to low- or moderate-income households below market-rate.

Mixed-Use Development
Mixed-use developments provide more than one use or purpose within a shared building or development area and may include any combination of housing, office, retail, medical, recreational, commercial, or industrial components.

Mortgage Insurance
An insurance policy that compensates lenders or investors for losses due to default of a mortgage loan. It is provided publicly by the Federal Housing Administration (FHA) and privately by a network of corporate insurers.

Mortgage Interest Deduction
A common itemized income tax deduction that allows homeowners to deduct the interest they pay on any loan used to build, purchase, or make improvements upon their residence.

Mortgage Revenue Bond (MRB) Programs
Mortgage revenue bonds raise capital used as a funding source for home mortgages. Mortgage revenue bonds help low- and middle-income first-time home buyers obtain long-term mortgages at below-market rates. In order to qualify, prospective home buyers must earn less than stated threshold levels for annual income and must otherwise financially qualify for a mortgage from a conventional lender.

Multifamily Housing
Multifamily housing refers to residential structures of five or more attached units.

Multifamily Housing Revenue Bonds
Bonds issued to finance construction or rehabilitation of multifamily housing projects where a specified proportion of the units will be rented to low- and moderate-income families.

Multigenerational Living
A family household that contains at least two adult generations or a grandparent and at least one other generation. According to the Pew Research Center, 16.7% of the U.S. population, approximately 51 million people, live in a multigenerational household.

Naturally Occurring Affordable Housing (see Unsubsidized Affordable Housing)

Permanent Loan or Financing
Long-term (maturity period of 15 to 30 years) mortgage loan obtained after completion of construction, usually to repay a shorter-term construction loan.

Predevelopment Loan
A sometimes forgiveable loan provided to a developer to cover early, pre-construction costs such as conducting a market study, obtaining site control of a property, conducting environmental studies and identifying financing resources. Predevelopment loans are considered risky and are often only offered from mission-oriented financial intermediaries.

Project-Based Rent Assistance
Rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income-eligible tenant of the property or an assisted unit.

Project-Based Section 8
The Project-Based Section 8 program was created by the Federal Housing and Community Development Act of 1974 to assist low-income families in obtaining a place to live at an affordable rent. HUD directly subsidizes every apartment In Project-Based Section 8 buildings, and tenants generally pay 30% of their adjusted gross household income as their share of the rent. In contrast to the Section 8 voucher program, tenants in Project-Based Section 8 buildings may not transfer their subsidies to a new location. No Project-Based Section 8 buildings have been built since 1983.

Public Housing
Public housing is housing financed by the federal government under HUD's Public Housing Program and owned and operated by local housing authorities (often Public Housing Authorities, or PHAs).

Qualified Allocation Plan (QAP)
Minnesota Housing and the LIHTC suballocators must annually prepare a Qualified Allocation Plan to explain how they will distribute their LIHTC allocations. QAPs establish preferences and set-asides within their tax credit competitions to target the credits towards specific places, types of housing, or certain types of residents.

Racially Concentrated Areas of Poverty (see Areas of Concentrated Poverty)

Rehabilitation Loan Program

Minnesota Housing's Rehabilitation Loan/Emergency and Accessibility Loan Programs assist very-low-income homeowners in financing basic home improvements that directly affect the safety, habitability, energy efficiency or accessibility of their homes. The Emergency and Accessibility Loan Program is available for home improvements addressing emergency conditions of the home or accessibility needs for a person with a disability.

Rental Assistance Demonstration (RAD) Program

The RAD program allows PHAs and private owners of certain at-risk, federally assisted properties to convert their current assistance to long-term Section 8 contracts or tenant-based vouchers. The move positions the owners to be able to leverage millions of dollars in debt and equity to address capital needs and preserve the affordable units.

Right of First Offer

As used in the plan, a contractual obligation by the owner of a property to a rights holder (likely a government or nonprofit organization) to negotiate sale of the property with the rights holder before offering it for sale to third parties. If the rights holder is not interested in purchasing the property at a fair market value, or cannot otherwise reach agreement with the seller, the seller is free to sell the asset to other interested parties.

Right of First Refusal

A contractual right of an entity to be given the opportunity to enter into a business transaction with a person or company before anyone else can. A right of first refusal provides the right, but not the obligation, of a specific entity or entities (likely government or nonprofit organizations) to purchase a property. If the entity with the right of first refusal declines to purchase the property, the property owner is free to open bidding up to other interested parties.

Risk Pool

Typically, a risk pool is an account established by corporate insurance providers to hold funds that will be jointly available in times of loss due to natural disasters. The intention is to mitigate risk by spreading any losses or claims among the members so no individual member faces a claim so large it could bankrupt the company or leave claimants without due compensation.

Section 202 Program

HUD's Section 202 program provides nonprofit organizations funds for the construction, rehabilitation or acquisition of supportive housing for very-low-income elderly persons, and provides rent subsidies for the projects to keep them affordable.

Section 3

Under Section 3, recipients of HUD funding for housing construction, reconstruction, conversion or rehabilitation must make dedicated efforts to extend contractual, labor, and procurement opportunities to Section 3 residents and Section 3 business concerns. A

Section 3 resident is either a public housing resident or a low- or very low-income person. A Section 3 business concern is a business that is at least 51% owned by Section 3 residents, employs Section 3 residents as at least 30% of its full-time employees, or commits to subcontract more than 25% of all subcontracts to businesses meeting the criteria.

Section 8 Housing Choice Voucher Program

This HUD program provides rental assistance to low-income families in the form of vouchers eligible households may use for the housing of their choice. The voucher payment subsidizes the difference between the gross rent and the tenant's contribution of 30% of their adjusted income (or 10% of their gross income, whichever is greater).

Section 811 Program

The HUD Section 811 Supportive Housing for Persons with Disabilities Program provides funding to nonprofit organizations to develop and subsidize rental housing with supportive services for very-low- and extremely-low-income adults with disabilities.

Sewer Availability Charge (SAC)

The Sewer Availability Charge (SAC) is a one-time fee imposed by the Metropolitan Council Environmental Services (MCES) division to local communities for each new connection made to the central sewer system or in response to an increase in capacity demand of the Metropolitan Disposal System. Any of the 106 metro communities subject to SAC may pass the SAC fee along to building or property owners, but remain liable regardless for the payment made to MCES.

Single-Family Housing

A dwelling unit, either attached or detached, designed for use by one household and with direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling. In many funding programs, properties with up to four units (including duplexes, triplexes, and quadplexes) are treated as single-family housing.

Steering

A term used to describe the illegal practice of real estate agents showing only certain ethnic and/or racial groups housing located in certain areas.

Suballocators

The cities of Minneapolis and St. Paul and Dakota and Washington counties receive their own allocations of Low-Income Housing Tax Credits that they, as suballocators, may allocate to eligible affordable housing projects.

Subsidized Housing

Subsidized housing is housing that is made available at below-market rates through the use of government subsidies. Unlike other government support programs, such as food stamps or Medicaid, housing subsidies are not an entitlement and are generally in short supply. Most subsidized housing is reserved for income-qualifying low-income households and have rents that do not exceed a specific percentage (usually 30%) of a household's gross annual income.

Super RFP (see Consolidated Request for Proposals)

Tax Abatement
Reduction of or exemption from tax that is granted by government for a specified period, usually to encourage investment activities.

Tax Base Revitalization Account (see Livable Communities Act)

Tax Credit
A tax credit reduces an actual tax as opposed to a tax deduction that reduces only taxable income and is therefore subject to the variation in the tax rate.

Tax Deduction
Any item or expenditure subtracted from gross income to reduce the amount of income subject to tax. A property tax deduction is a common form of this type of tax relief.

Tax Exemption
A deduction allowed by law to reduce the amount of income that would otherwise be taxed.

Tax Increment Financing (TIF)
A financing tool available to local governments for redevelopment and improvement projects. TIF uses the projected increase in property taxes that a redevelopment will generate to finance the costs of the development.

Tenant Protection Voucher
Congress authorizes tenant protection vouchers to subsidize rents for tenants facing certain kinds of housing conversions not covered by enhanced vouchers (see above). Eligible conversions include the demolition or sale of public housing, foreclosures of HUD-subsidized mortgages, agency-initiated terminations of project-based Section 8 contracts, or, more recently, certain other prepayments.

Transit Oriented Development (TOD)
TOD is walkable, moderate- to high-density development served by frequent transit that can include a mix of housing, retail, and employment choices designed to allow people to live and work with less or no dependence on a personal car.

Universal Design
Universal design is design practices intended to produce buildings, products, and environments that are accessible and usable to the greatest extent feasible regardless of age, ability, or status in life. Often used to refer to building accommodations made for older and disabled people, universal design features might include curb cuts or sidewalk ramps, cabinets with pull-out shelves, or placement of countertops at several heights to accommodate different tasks or postures.

Unsubsidized Affordable Housing

Unsubsidized affordable housing, also known as naturally occurring affordable housing, is housing that is not currently publicly subsidized. The rent prices that the housing can demand in the unsubsidized private market given the properties' quality, size, or amenities is low enough such that the tenants of these properties, whose income might otherwise qualify them to be a participant in publicly funded housing programs, can reasonably afford them. For more information about unsubsidized affordable housing, see *The Space Between*, available at: http://www.fhfund.org/wp-content/uploads/2013/06/Space_Between_Final_June-2013.pdf.

US Department of Housing and Urban Development (HUD)

A federal agency established in 1965, HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination.

Veterans Affairs Supportive Housing (VASH) Vouchers

The HUD-Veterans Affairs Supportive Housing (HUD-VASH) program combines Housing Choice Voucher (HCV) rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). The VA provides these services for participating Veterans at VA medical centers (VAMCs) and community-based outreach clinics.

Woman-Owned Business Enterprise (WBE)

One of several disadvantaged business enterprises (see definition above) under federal law, a WBE is defined as an entity that is at least 51% owned or controlled by women.

Zoning

Zoning is the regulation of the use of real property by local government, and places specific requirements on land including the type of use (e.g., residential, commercial, industrial, mixed-use), parking requirements, floor area ratio (see definition above) and other size and dimension requirements, and many other site and design considerations.

Appendix F: About the Housing Policy Plan Indicators

Indicator #1: Housing Cost Burden

We use U.S. Census Bureau American Community Survey one-year data (Tables B25070 and B25091) to calculate the percentage of the seven-county region's households that experience housing cost burden.

Indicator #2: New Affordable Units Created

Data for this indicator come from the Metropolitan Council's annual Affordable Housing Production survey. The survey asks local governments to provide project information for the new housing units produced in their community annually; Council staff verify data through various means including: parcel data, contact with community staff, community websites, and comparison to data in the Council's Sewer Availability Charge (SAC) reports. For more information, please see our report "MetroStats: 2014 Affordable Housing Production in the Twin Cities Region" (available online at: http://metrocouncil.org/reports/2014affordablehousing).

For 2011 and afterwards, ownership units are classified as affordable if their assessed value would produce monthly mortgage payments (including principal, interest, property taxes, and insurance) at or below 29% of the monthly household income of a four-person household earning 60% of the Area Median Income (as defined by the U.S. Department of Housing and Urban Development (HUD)). Rental units are classified as affordable if their rent is less than the rent limits Minnesota Housing defines for their deferred loan programs serving households at 60% of the Area Median Income.

For 2010 and earlier years, ownership units are classified as affordable if their assessed value would produce monthly mortgage payments (including principal, interest, property taxes, and insurance) at or below 30% of the monthly household income of a four-person household with an income at or below 80% of the region's Area Median Income (as defined by HUD). Rental units are classified as affordable if their rent is less than the rent limits Minnesota Housing defines for their deferred loan programs serving households at 50% of the Area Median Income.

Indicator #3: Share of the Region's Communities Lacking Sufficient Affordable Housing for Households with Income At or Below 30% AMI, Between 31% and 50% AMI, and Between 51% and 80% AMI

"Affordable housing" in this context includes both unsubsidized and publicly subsidized units. We examine three components:

- Affordable rental housing data come from Table 8 of the U.S. Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy (CHAS) data with the terminal year closest to the indicator year (i.e., we use the 2007-2011 CHAS data to determine affordable rental housing for 2011). These data cover both subsidized and unsubsidized rental units. We include only units with complete kitchen and plumbing facilities.

- Manufactured housing data come from the Metropolitan Council's annual Manufactured Housing Parks Survey.
- Affordable ownership housing data come from the MetroGIS Regional Parcel Datasets. We count ownership units as affordable if they have a homestead exemption and their assessed value would produce monthly mortgage payments (including principal, interest, property taxes, and insurance) at or below 29% of the monthly household income of a household earning 30%, 50%, or 80% of the area median income. We exclude manufactured homes in a manufactured housing park, condo-garage or miscellaneous units, and condo-coop garage or storage units from this analysis. The estimated market value thresholds are as follows:

Year of Measure	Affordable at or below 30% of AMI	Affordable between 31% and 50% of AMI	Affordable between 51% and 80% of AMI
2013	value <= $74,000	$74,001 <= value <= $133,000	$133,001 <= value <= $217,000
2012	value <= $78,500	$78,501 <= value <= $141,500	$141,501 <= value <= $227,500
2011	value <= $73,000	$73,001 <= value <= $131,500	$131,501 <= value <= $212,000
2010	value <= $81,500	$81,501 <= value <= $146,000	$146,001 <= value <= $232,500
2009	value <= $79,000	$79,001 <= value <= $141,500	$141,501 <= value <= $223,500
Note: Thresholds are rounded to the nearest $500.			

We use these data to estimate the share of rental and ownership units in each community that are affordable at 30%, 50%, and 80% of AMI. (All manufactured homes are assumed to be affordable at 30% of AMI.) We apply these shares to the Metropolitan Council's annual estimates of housing units in each community, producing estimates of affordable housing units. We then adjust rental and ownership numbers for consistency with the tenure distribution in the American Community Survey one-year estimates for each year, and adjust rental numbers for consistency with the affordability distribution of rental units in the American Community Survey one-year Public Use Microdata Samples.

To estimate the number of households whose income is at various levels of AMI, we identify the shares of households in each community whose incomes are at or below 30% of AMI, 31% to 50% of AMI, and 51% to 80% of AMI from CHAS data. We apply these shares to the Metropolitan Council's annual estimates of households in each community, producing estimates of low- and moderate-income households. We then adjust these numbers for consistency with the household income distribution in the American Community Survey one-year Public Use Microdata Samples.

We consider communities to be lacking sufficient affordable housing at or below a certain AMI level if there are at least 10% more households at or below the AMI category than housing units affordable at or below that level.

Indicator #4: Share of Region's Transit Station Areas Lacking Sufficient Affordable Housing for Households with Income At or Below 30% AMI, Between 31% and 50% AMI, and Between 51% and 80% AMI

Transit station areas include all areas within one-half mile of a light rail transit (LRT) or bus rapid transit (BRT) station for existing routes and planned routes with a Locally Preferred Alternative as of December 2014. These routes are: the Blue Line, the Red Line, the Green Line, the Orange Line, the Green Line Extension, and the Blue Line Extension. For those lines not yet under construction, we use the most recent information on station area locations available.

To describe these station areas, we first calculate estimates of low-income households and affordable housing units in each census tract, using the same data sources described above for Indicator #3. We then adjust the resulting numbers for consistency with the community-level estimates developed in Indicator #3 as well as housing unit and household counts from the 2010 Census. To convert tracts to station areas, we calculate the share of each tract's housing units and households that reside in a given station area using block-level data from the 2010 Census and weight the tract-level data accordingly.

While point data are available for parcels, allowing more precise locations of affordable ownership housing units than census tracts, using the adjusted tract-level estimates described here makes the different data sources more comparable.

As with Indicator #3, we consider station areas to be lacking sufficient affordable housing at or below a certain AMI level if there were at least 10% more households at or below the AMI category than housing units affordable at or below that level.

Indicator #5: Share of All Permitted Housing Units Located Near an LRT/BRT Station or a High-Frequency Bus Line

Address-level data on permitted housing units come from the Metropolitan Council's Residential Building Permit Survey. (For more information, see http://metrocouncil.org/METC/files/44/448e1097-692a-4b58-b883-db5df33cedcd.html). We determine how many of these units were within one-half mile of an LRT/BRT station or within one-quarter mile of a high-frequency bus line using GIS buffering tools.

Metropolitan Council staff verify the building permit data on returned surveys through various means including: contact with community staff, comparison to data from the Residential Construction Branch of the Manufacturing and Construction Division of the U.S. Census Bureau, community websites, and comparison to data submitted by communities in the Metropolitan Council's annual Affordable Housing Production survey. If a community does not return their survey, we use data from the Residential Construction Branch of the Manufacturing and Construction Division of the U.S. Census Bureau.

Indicator #6: Number of New Affordable Units Produced in High-Income Areas

Affordable housing production data used for this indicator are the same as the data described for Indicator #2.

High-income areas are defined as census tracts where the median household income is at least 50% higher than the median household income for the 13-county Minneapolis-St. Paul-Bloomington metropolitan statistical area. Data on median household incomes come from Table B19013 of the American Community Survey five-year summary files with the terminal year closest to the year of the indicator (i.e., we used the 2007-2011 ACS to determine high-income areas for the year 2011).

Indicator #7: Residents living in Areas of Concentrated Poverty (ACPs)

We define Areas of Concentrated Poverty (ACPs) as census tracts where at least 40% of the residents have an individual or family income that is less than 185% of the federal poverty threshold. Table C17002 of the American Community Survey five-year files provide these data. We also identify Areas of Concentrated Poverty where at least half the residents are people of color (defined as people who identify with a racial group other than “White” or who report Hispanic or Latino ancestry).

Indicator #8: Section 8 Housing Choice Voucher Recipients living in Areas of Concentrated Poverty (ACPs)

Areas of Concentrated Poverty (ACPs) and Areas of Concentrated Poverty where at least half the residents are people of color are defined in Indicator #7.

Data on Section 8 Housing Choice Voucher recipients come from the U.S. Department of Housing and Urban Development’s *Picture of Subsidized Households* tract-level data. Minneapolis voucherholders are missing from these data in 2010 and 2011, so we do not provide this indicator for those years.

Indicator #9: Regional Increase in Housing Performance Scores

Data to derive the Council’s Housing Performance Scores come from the Council’s annual Affordable Housing Production survey (which includes communities’ reports of tools and strategies they use to promote affordable housing); MetroGIS Regional Parcel Datasets; the Council’s annual housing stock estimates; HousingLink’s annual Housing Counts report; and the Council’s annual Manufactured Housing Parks survey. We then use these data to determine a score, ranging from 0 to 100 points, to prioritize cities, townships, and counties in the region in their efforts to preserve and create affordable housing. For more information on the current calculation of the Housing Performance Scores, please see “Guidelines for

Priority Funding for Housing Performance" (http://www.metrocouncil.org/METC/files/a4/a4b8b13d-dbeb-43ba-8fcf-c32c0c9ffe7f.pdf). The Council will move to a new approach to calculating Housing Performance Scores in 2015.

Indicator #10: Affordable Housing Units Funded with Metropolitan Council Programs

We derive this information from Livable Communities Act applications, which contain data from various funding sources: Livable Communities Demonstration Account (also including TOD grants), Tax Base Revitalization Account (also including TOD grants), Local Housing Incentives Account, and the Inclusionary Housing Account.

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[1] U.S. Census Bureau, 2009-2013 American Community Survey Public Use Microdata Sample.

[2] 2013 and 2014 MetroGIS Regional Parcel Datasets. We examined the 2013 assessed market value for homesteaded units and classified them as affordable at or below 30% of AMI if the value was $74,000 or less; affordable between 31% and 50% of AMI if the value was between $74,001 and $133,000; and affordable at 51% to 80% of AMI if the value was between $133,001 and $217,000. These are the values at which estimated monthly mortgage payments—including principal, interest, property taxes, and insurance—are no more than 29% of the monthly income for a family of four at these income levels. We then adjusted the resulting counts to better match the Council's 2013 estimates of housing units and the tenure distribution in the 2013 American Community Survey.

[3] U.S. Census Bureau, 2008-2012 Comprehensive Housing Affordability Strategy (CHAS) data. This data provides counts of units that are affordable to households with income at or below 30% of AMI, between 31% and 50% of AMI, and between 51% and 80% of AMI. ("Affordable" in this context means that the combined cost of rent and utilities is no more than 30% of the monthly income of a household that could live in the unit without overcrowding. The specific threshold for affordability thus varies by unit size and AMI threshold.) We adjusted the resulting counts to better match the Council's 2013 estimates of housing units, the tenure distribution in the 2013 American Community Survey, and the affordability distribution of rental units in the 2013 American Community Survey Public Use Microdata Sample.

[4] Metropolitan Council, 2013 Manufactured Housing Park Survey. We assume that all manufactured homes are affordable to households with income at or below 30% of AMI.

[5] U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD) Origin-Destination Employment Statistics (LODES), 2012. "Low-wage jobs" are those paying $3,333 or less per month (equivalent to $40,000 or less per year). "Residents who work in low-wage jobs" are people whose primary job is a low-wage job. We also examined ratios based on areas within five miles of the community's population center; results were very similar.

[6] U.S. Census Bureau, 2009-2013 American Community Survey Public Use Microdata Sample and Metropolitan Council's March 2015 update to the regional forecast.

[7] Metropolitan Council staff estimates based on U.S. Census Bureau 2009-2013 American Community Survey Public Use Microdata Sample.

[8] Forecasts developed by Metropolitan Council Environmental Services with input from Council Research staff, and supplemented by Council Research estimates of growth in municipal-serviced areas. In some communities where the sewer network expands to cover existing households, these numbers produce higher net household growth than the total growth forecast. In these cases, we used the total growth forecast to avoid conflating changes in household growth with changes in the sewer network.

[9] Like the mean, the standard deviation is a statistic that summarizes a set ("distribution") of numbers. Where the mean represents the average score, the standard deviation represents the average distance of communities from the mean. Higher standard deviations indicate that a distribution has more "spread," rather than being tightly clustered around the average score.

[10] To do this, we divide the Z scores for affordable housing and job/worker balance by 3.34, the standardized score with the highest absolute value.

[11] Under our methodology, the adjusted allocations for all communities add up to 38,211. This is higher than the regional Need of 37,900, so we adjust all allocations proportionately downward to achieve the regional Need.

[12] Entries may not equal the difference between Columns A and B due to rounding.

[13] Entries are calculated by using the shares in Column C to calculate the number of units in each band in each community, then adjusting those numbers so that they add up to the regional Need in each band. We omitted those intermediate calculations from Table B-6 for brevity; the point is that the resulting shares, shown in Column D, are those needed to attain the regional Need in each band.

Appendix G: Errata

This section contains corrections that were identified between the July 22, 2015 adoption of the Housing Policy Plan amendment, which have now been incorporated into this document, and the layout and printing of the *2040 Housing Policy Plan*. None of these corrections have policy implications.

Pagination on these changes refers to the original document (available online at http://metrocouncil.org/getdoc/c1b92cc8-9cbe-4574-a557-ff24ed1d7122/BusinessItem.aspx) or to the final version of the amendment (available online at http://metrocouncil.org/Council-Meetings/Committees/Community-Development-Committee/2015/July-20,-2015/2015-138.aspx)

Executive Summary, page 2:

- **Needs are growing:** Between 2010 and 2040, the region will add 367,000 households; roughly 40% will earn less than 80% of Area Median Income (~~$63,900~~ $65,800 for a family of four).

Part 1, p. 11:

More than one in ~~nine~~ eight residents of the Twin Cities region lives in an Area of Concentrated Poverty, defined as census tracts where 40% or more of the residents have individual or family incomes that are less than 185% of the federal poverty level.

Part 1, p. 11:

Table 1: Share of the Twin Cities population living in Areas of Concentrated Poverty, 1990 to ~~2010~~ 2009-2013

Year	Share of the population
1990	9.5%
2000	8.3%
~~2010~~ 2009-2013	~~11.8%~~ 12.8%

Source: U.S. Census Bureau, Decennial Census, 1990 and 2000 ~~and 2010; 2007-2011~~ 2009-2013 American Community Survey

Part I, p. 11:

Figure 1: Areas of Concentrated Poverty in 1990, 2000, and ~~2007-2011~~ 2009-2013

Part I, p. 11:

Change source on Figure 9: Source: U.S. Census Bureau, Decennial Census, 1990 and 2000; ~~2007-2011~~ 2009-2013 American Community Survey.

Part I, p. 13:

Change source on Table 2: Source: U.S. Department of Housing and Urban Development, FY ~~2014~~ 2015 Income Limits (effective ~~July 1, 2014~~ March 6, 2015).

Part I, endnote 1:

National Association of Home Builders / Wells Fargo, Housing Opportunity Index (2014, 2nd quarter). Retrieved from http://www.nahb.org/~/media/Sites/NAHB/Economic%20studies/HOI/8%20History.ashx?la=en ~~http://www.nahb.org/fileUpload_details.aspx?contentID=535~~.

Part I, endnote 5:

Data are from the ~~2007~~ 2013 American Housing Survey Public Use File (available from http://www.census.gov/programs-surveys/ahs/data/~~2007~~2013/~~2007~~2013-ahs-metropolitan-puf-microdata.html) and cover the 13-county Minneapolis-St. Paul-Bloomington metropolitan statistical area. Units were classified as having a “serious maintenance problem” if they showed any of the 35 characteristics included in the “Poor Quality Index” developed in Frederick J. Eggers and Fouad Moumen, “American Housing Survey: A Measure of (Poor) Housing Quality” (2013), retrieved from http://www.huduser.org/portal//publications/pdf/AHS_hsg.pdf.

Part I, endnote 7:

U.S. Census Bureau, 2000 Census and ~~2008-2012~~ 2009-2013 American Community Survey.

Part I, endnote 8:

~~U.S. Department of Housing and Urban Development, 2007-2011 Comprehensive Housing Affordability Strategy data.~~ U.S. Census Bureau, 2009-2013 American Community Survey Public Use Microdata Sample.

Part I, endnote 9:

U.S. Census Bureau, ~~2008-2012~~ 2009-2013 American Community Survey Public Use Microdata Sample.

Part I, endnote 10:

Metropolitan Council, ~~*Choice, Place and Opportunity: An Equity Analysis of the Twin Cities Region* (2014), Section 4. Available from http://www.metrocouncil.org/Planning/Projects/Thrive-2040/Choice-Place-and-Opportunity.aspx.~~ “MetroStats: Areas of Concentrated Poverty in the Twin Cities Region” (2015). Retrieved from http://metrocouncil.org/getattachment/59e72e05-559f-4541-9162-7b7bf27fdebf/.aspx.

Part I, endnote 17:

This estimate of unsubsidized affordable owner-occupied units was calculated using 2013 and 2014 MetroGIS Regional Parcel Datasets to identify units whose assessed value would produce monthly mortgage payments (including principal, interest, property taxes, and insurance) at or below 29% of the monthly household income of a household earning 80% of the area median income. This estimate of unsubsidized affordable rental units was calculated using the ~~2007-2011~~ 2008-2012 Comprehensive Housing Affordability Strategy (CHAS) data. The resulting counts were adjusted for consistency with the Council's annual estimates of housing units, tenure distributions from the 2013 American Community Survey, and the affordability distribution of rental units from the 2013 American Community Survey Public Use Microdata Sample.

Part I, endnote 18:

This forecast looks at new households earning less than 80% of AMI and excludes seniors who own their home free and clear and are not cost-burdened. Including those, the number is ~~73,600~~ 56,400.

Part I, endnote 21:

Family Housing Fund Public Education Initiative, "Affordable Rental Housing Does Not Reduce Property Values: Evidence from the Twin Cities" (2014). Retrieved from ~~http://www.fhfund.org/_dnld/fact%20sheets/AH_Does_Not_Reduce_Property_Values_Fact_Sheet_May_2014.pdf~~ http://www.fhfund.org/wp-content/uploads/2014/11/819-03-Family-Housing-Fund_updatedv4.pdf

Part I, endnote 24:

U.S. Census Bureau, ~~2008-2012~~ 2009-2013 American Community Survey.

Part II, endnote 25:

Minnesota Preservation Plus Initiative, *The Space Between: Realities and Possibilities in Preserving Unsubsidized Affordable Rental Housing (2013).* Retrieved from h~~ttp://www.fhfund.org/_dnld/reports/Space_Between_Final_June%202013.pdf.~~ http://www.fhfund.org/wp-content/uploads/2013/06/Space_Between_Final_June-2013.pdf

Part II: Outcomes (Equity), page 46:

By 2010, ~~nearly~~ one in eight of our region's residents lived in an Area of Concentrated Poverty.

Part IV: Opportunities for Collaboration, page 102:

See Appendix ~~C~~D for more about different types of senior living arrangements.

Part IV, endnote 45:

U.S. Census Bureau, ~~2008-2012~~ 2009-2013 American Community Survey.

Part IV, endnote 47:

U.S. Census Bureau, ~~2008-2012~~ 2009-2013 American Community Survey.

Part IV, endnote 48:

~~Ibid.~~ U.S. Census Bureau, 2009-2013 American Community Survey Public Use Microdata Sample.

Part IV, endnote 51:

U.S. Census Bureau, ~~2008-2012~~ 2009-2013 American Community Survey Public Use Microdata Sample.

Appendix D (now E): Glossary of Affordable Housing Terms, Programs, and Funding Sources, p. 123:

(In the definition of Areas of Concentrated Poverty) The Council defines Areas of Concentrated Poverty as census tracts where more than 40% of residents live below 185% of the federal poverty level (as context, 185% of the poverty level for a typical family of four in ~~2012~~ 2013 was ~~$43,460~~ $44,093).

Appendix E (now F): About the Housing Policy Plan Indicators, p. 137:

(In the definition of Indicator #3) We use these data to estimate the share of rental and ownership units in each community that are affordable at 30%, 50%, and 80% of AMI. (All manufactured homes are assumed to be affordable at 30% of AMI.) We apply these shares to the Metropolitan Council's annual estimates of housing units in each community, producing estimates of affordable housing units. We then adjust rental and ownership numbers for consistency with the tenure distribution in the American Community Survey one-year estimates for each year, and adjust rental numbers for consistency with the affordability distribution of rental units in the American Community Survey one-year Public Use Microdata Samples.

To estimate the number of households whose income is at various levels of AMI, we identify the shares of households in each community whose incomes are at or below 30% of AMI, 31% to 50% of AMI, and 51% to 80% of AMI from CHAS data. We apply these shares to the Metropolitan Council's annual estimates of households in each community, producing estimates of low- and moderate-income households. We then adjust these numbers for consistency with the household income distribution in the American Community Survey one-year Public Use Microdata Samples.

(In the definition of Indicator #4) Transit station areas include all areas within one-half mile of a light rail transit (LRT) or bus rapid transit (BRT) station for existing routes and planned routes with a Locally Preferred Alternative ~~As of this writing, these~~ as of December 2014. These routes are: the Blue Line, the Red Line, the Green Line, the Orange Line, the Green Line Extension, and the Blue Line Extension. For those lines not yet under construction, we use the most recent information on station area locations available.

To describe these station areas, we ~~use essentially the same data as in Indicator #3~~. first calculate estimates of low-income households and affordable housing units in each census tract, using the same data sources described above for Indicator #3. We then adjust the resulting numbers for consistency with the community-level estimates developed in Indicator #3 as well as housing unit and household counts from the 2010 Census. To convert tracts to station areas, we calculate the share of each tract's housing units and households that reside in a given station area using block-level data from the 2010 Census and weight the tract-level data accordingly.

While point data are available for parcels ~~(covering affordable ownership housing units)~~, allowing more precise locations of affordable ownership housing units than census tracts, using the adjusted tract-level estimates described here makes the different data sources more comparable. ~~the finest level of geographic detail available in the CHAS data (covering affordable rental units and households) is the census tract. We calculate the share of each tract's housing units and households that reside in a given station area using block-level data from the 2010 Census and weight the CHAS data accordingly.~~

Amendment, p. 10:

~~$50,520~~ $50,250 [50% of the Area Median Income for a six-person household]

Amendment, p. 18:

This suggests that meeting the 2021-2030 need for housing units affordable to households earning 50% of AMI and below would require over $5 billion in subsidy over the decade or over $500 million a year, far ~~less~~ more than the available resources.

Amendment, p. 18:

The availability of land that can support affordable housing gives developers a variety of geographic choices to consider for ~~a~~ affordable housing development; developers building affordable housing across the region give low- and moderate-income households viable options as to where they live.

Amendment, p. 19:

9,550 housing units for households earning from 51% to 80% of AMI (assuming a 5% vacancy rate in this band)

Amendment, p. 24:

For context, of the multifamily affordable units built between 2003 and 2013 in developments with at least four units affordable at 60% AMI or less, the average project density was more than ~~49~~ 39 units per acre. The Council recognizes that flexibility is an important component of housing elements and that the minimum densities provided below are significantly lower than that average of ~~49~~ 39 units per acre.

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

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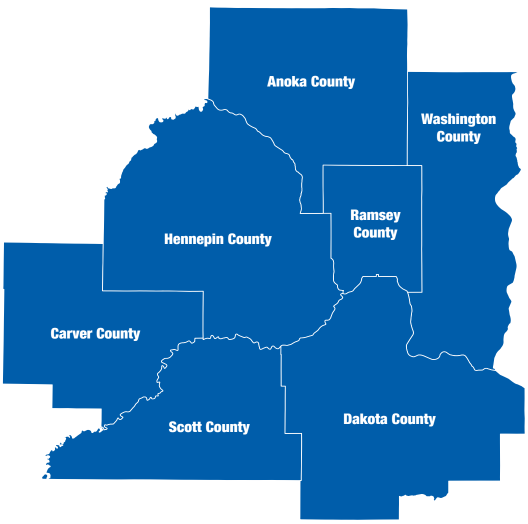

The Metropolitan Council is the regional planning organization for the seven-county Twin Cities area. The Council operates the regional bus and rail system, collects and treats wastewater, engages communities and the public in planning for future growth, coordinates regional water resources, plans and 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.

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