HOUSING POLICY PLAN

METROPOLITAN COUNCIL

DRAFT July 2014

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

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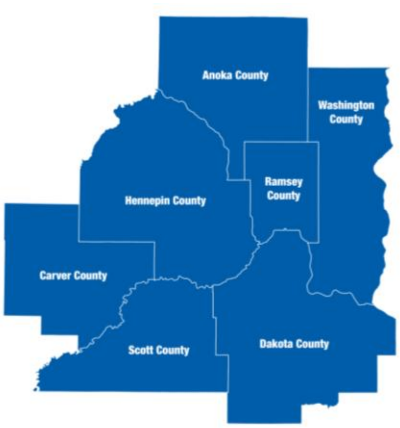

The Metropolitan Council is the regional planning organization for the seven-county Twin Cities area. The Council operates the regional bus and rail system, collects and treats wastewater, coordinates regional water resources, plans and helps fund regional parks, and administers federal funds that provide 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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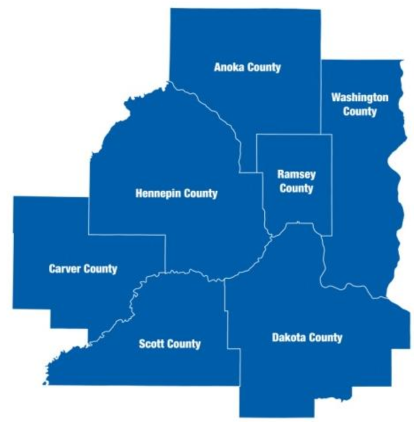
Housing for a Growing, Thriving Region

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 metropolitan area—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 has emerged as a great place to live, work, and do business.



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. Nearly 80% of all 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 combining housing and transportation costs, the Twin Cities remains one of the most affordable of the nation's largest metropolitan areas.[2] Compact, connected regions like ours offer residents economic mobility, lower combined costs of housing and transportation, 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 the 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 both individuals and families as well as local governments. Viable housing choices allow households to find housing affordable to them in the communities where they want to live and lets people stay in their neighborhood of choice as their economic or life circumstances change. Housing diversity increases local government resiliency through changing economic climates. Housing choices that include affordable options for lower income households can also improve the economic diversity of a local community, providing local governments with a broader and therefore more stable tax base. Local governments can protect their tax base and community vitality by diversifying their housing stock to include a mix of homeownership and rental opportunities across sizes and price points. Economic development, effective use of public dollars, improved property values and stable families and communities are just some of the benefits of providing the full range of housing choices in a community.

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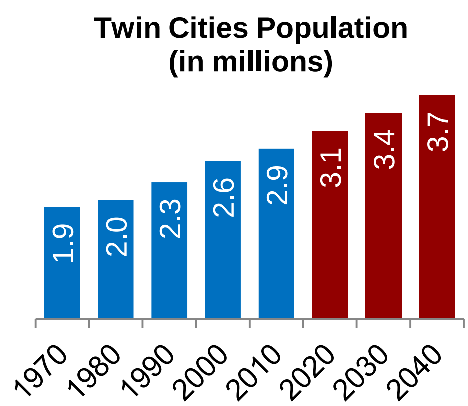
[1] National Association of Home Builders, Housing Affordability Index.
[2] Location Affordability Index.

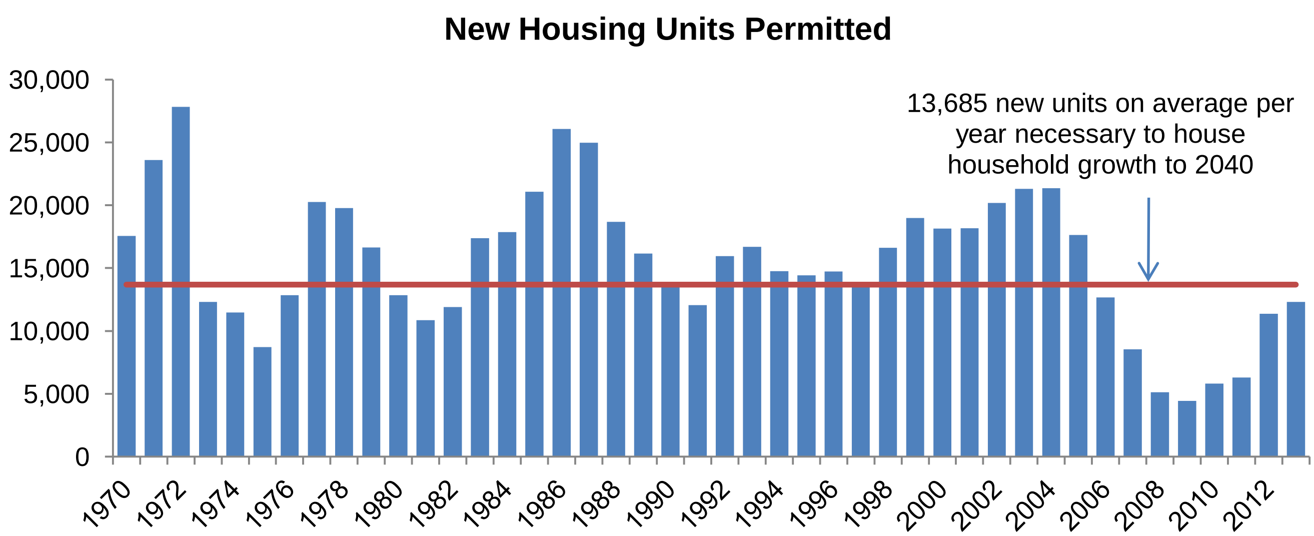
Housing affordable to low- and moderate-income households is a strong community asset. Safe, decent, and affordable housing often requires public subsidy to fill finance gaps and allow both for- and non-profit housing developers to earn a competitive return on investment. However, the alternative—not 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 one of the many housing options in every community 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 824,000 residents, a gain of 29% more than there were in 2010. More births than deaths and longer life expectancies will account for two-thirds 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-third of this growth. (For more information, see the Metropolitan Council's *MetroStats: Regional Forecast to 2040*.)



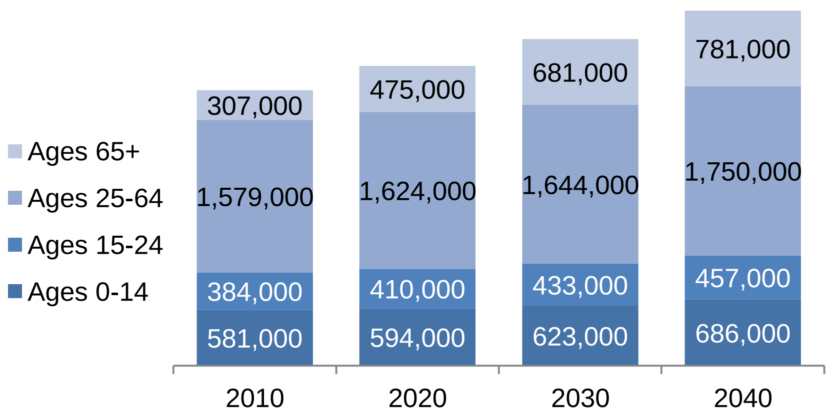
More housing needed. The region will gain 391,000 new households by 2040. Housing these new households will require, on average, over 13,000 new housing units a year between today and 2040. While this level of housing production is less than the annual average of the last 40 years, this does represent a higher level of housing production than the region produced in the eight years since the housing boom years of the early 2000s.



Demographic shifts. 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. Concurrently, three-quarters of net new households will be older households, headed by individuals age 65 and older. This group's needs and preferences will shape the location and type of real estate added over the next three decades. Only one in five net new households will be households with children, while nearly two in 10 households will be individuals living alone.

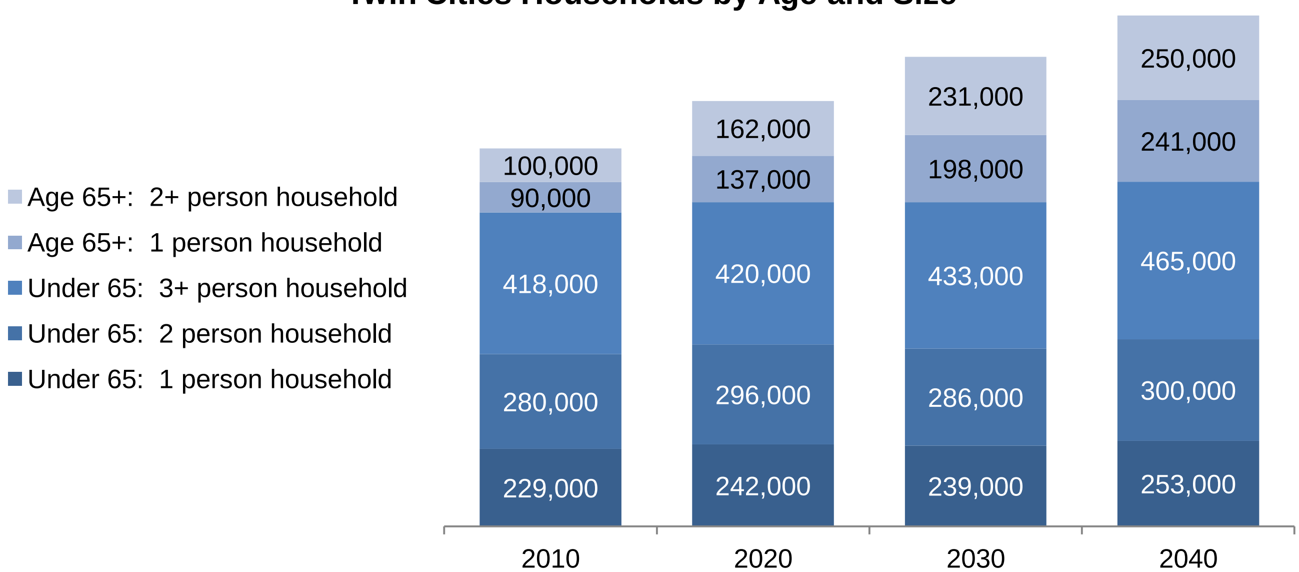
Older households and households without children (whether young or old) are more likely to prefer attached housing in walkable, amenity-rich neighborhoods. While many senior households want to age in place, the massive increase in the senior population will magnify the impact of those seniors who choose 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 to rent increases as seniors age.

Twin Cities Population by Age



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, 74% 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 homebuying 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.

Twin Cities Households by Age and Size



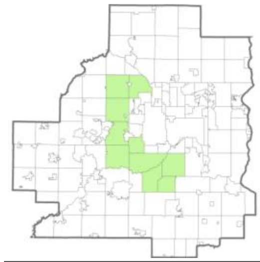
Looking ahead to 2040, the Council forecasts robust growth across a range of communities in various stages of development. Following World War II, the construction of the modern highway network surrounding the developed core of the Twin Cities region revolutionized accessibility and opened up a supply 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 (see Part II for a map).

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.

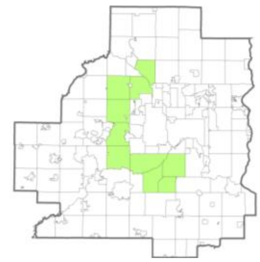
The Council's forecasts to 2040 anticipate that significant growth in households will continue in the Suburban Edge and Emerging Suburban Edge. Communities in these two designations have relatively ample supplies of undeveloped land and will attract almost half of the region's forecasted household growth. 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. This redevelopment, infill development, and higher densities in the older, urbanized, and most accessible parts of the region more efficiently use existing regional infrastructure, but can also be complex and costly for developers and local units of government.

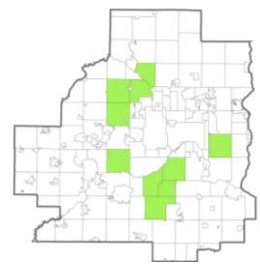
Top 10 growing communities in the 1970s:



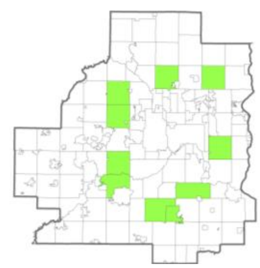
in the 1980s:



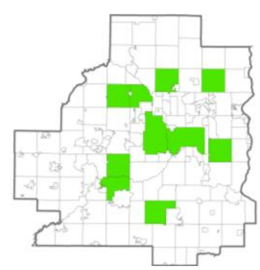
in the 1990s:



in the 2000s:



2010 to 2040:



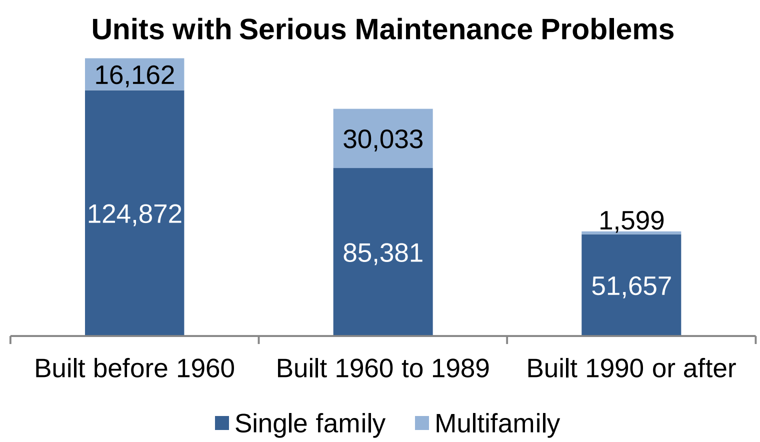
Housing challenges facing our region today and tomorrow

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

Over 260,000 single-family units and nearly 48,000 multifamily units have a serious maintenance problem, such as water leaks or holes in the floors.[3] Of particular concern are nearly 125,000 single-family units and 16,000 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 53,000 newer units (those built in 1990 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.

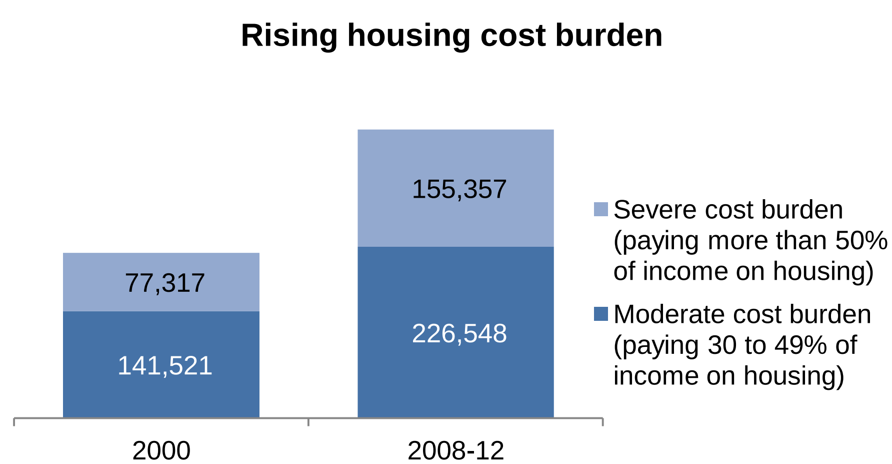
[3] Data are from the 2007 American Housing Survey Public Use File and cover the 13-county Minneapolis-St. Paul-Bloomington metropolitan statistical area. For single-family (detached or attached) units, a "serious maintenance problem" includes one or more of the following: (a) water leaks from the inside or outside of the structure, (b) holes in the floors, (c) holes or open cracks in the walls or ceilings, (d) large areas of peeling paint or broken plaster, (e) a sagging roof, (f) missing roof material or hole in roof, (g) missing bricks or siding, (h) sloping outside walls, (i) boarded-up or broken windows, and (j) a crumbling or openly cracked foundation. For multifamily units (two or more units in the structure), a "serious maintenance problem" includes only items (a), (b), (c), and (d) from the above list due to data availability.

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. As a result, rates of housing cost burden have increased across the region, particularly between 2000 and the 2008-2012 period:

- The number of households experiencing severe housing cost burden doubled between 2000 and 2008-2012.
- The number of households experiencing any housing cost burden grew by 75% over the same time period.
- By the most recent data period, over one-third of households in our region were paying at least 30% of their income for housing, and one in seven were paying at least 50% of their income for housing.

  This includes 119,000 metro households earning 50% of area median income or less who are paying more than 50% of their income on housing.[4]
- Households of color experience severe housing cost burden at nearly twice the rate of white, non-Latino households.[5]



[4] U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy data (2007-2011).
[5] 2008-2012 American Community Survey Public Use Microdata Sample data.

Housing Cost Burden Example

While the 30% "rule of thumb" by which housing is "affordable" when a household pays no more than 30% of income on housing is pertinent to households across the full array of households, 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.

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.

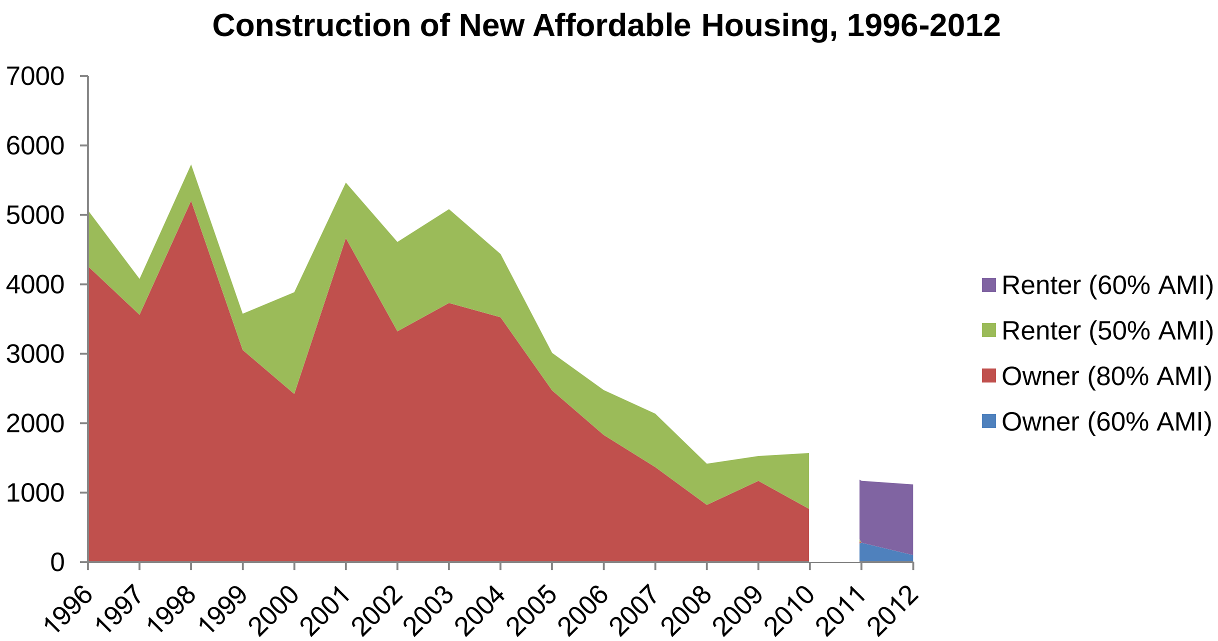
In addition to the publicly-subsidized affordable housing stock, there are also many units of naturally-occurring affordable housing—housing whose rents or sale prices make them affordable to low- and moderate-income households. Using an affordability threshold of 80% of area median

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

	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	$17,400	$29,050	$44,750
Two-person	$19,900	$33,200	$51,150
Three-person	$22,400	$37,350	$57,550
Four-person	$24,850	$41,450	$63,900
Five-person	$26,850	$44,800	$69,050
Six-person	$28,850	$48,100	$74,150
Seven-person	$30,850	$51,400	$69,250
Eight-person	$32,850	$54,750	$84,350

income, the region has 460,000 affordable owner-occupied units and 309,000 affordable rental units that are not subsidized.[6] 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.

Looking ahead, the Council forecasts that our region will add 110,000 households with incomes less than 60% of area median income by 2040.[7] Even if we are successful at addressing today's housing cost burden, the challenges will continue to grow with the region's ongoing population growth.



Choice, Place and Opportunity

By 2040, 40% of the Twin Cities population will be people of color, compared to 24% in 2010. However, significant disparities along racial and ethnic lines—in income, poverty, 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 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

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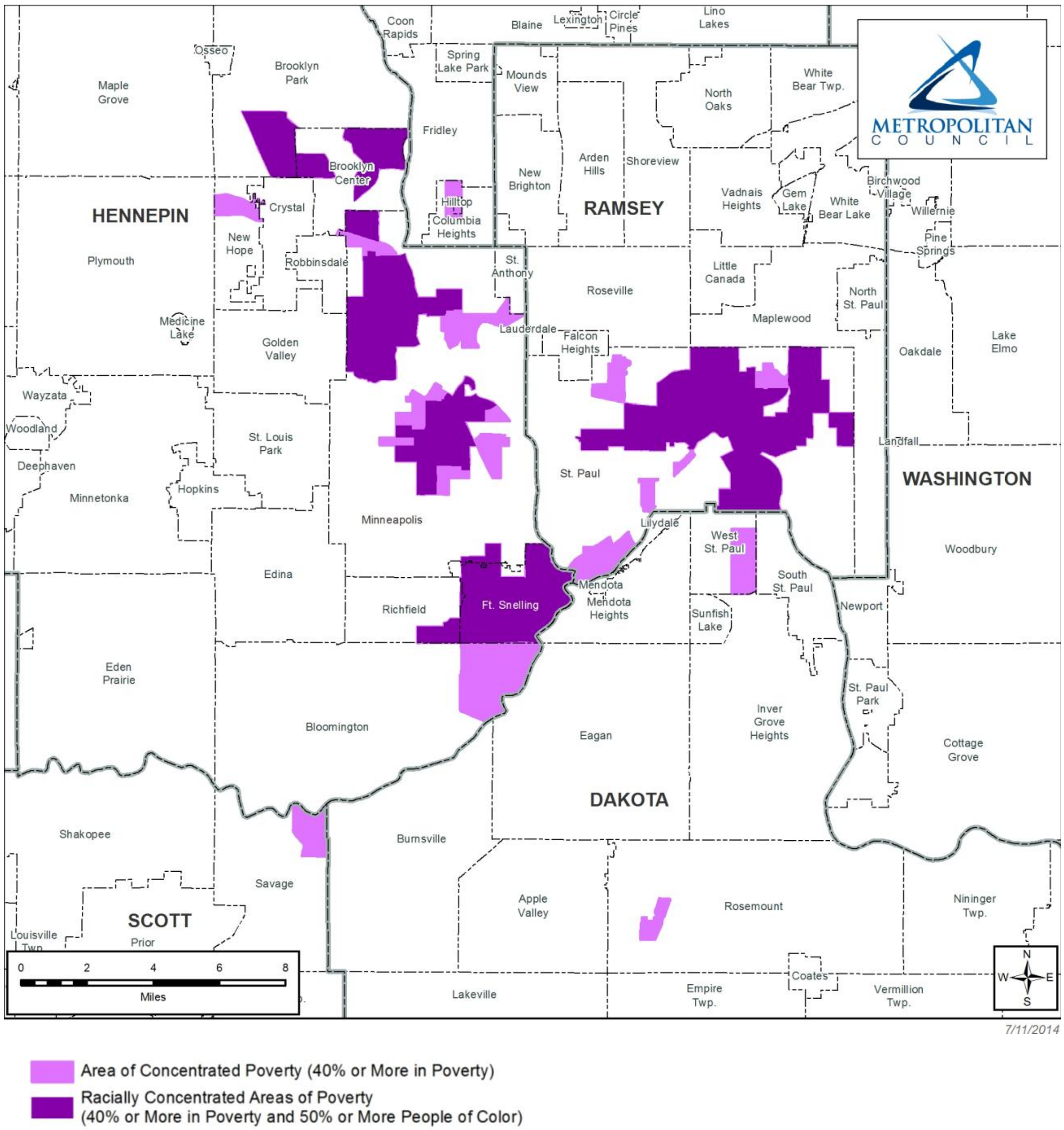
[6] This estimate of naturally-occurring affordable owner-occupied units was calculated using 2014 parcel data to identify units whose sales prices or assessed value would produce monthly mortgage payments (including principal, interest, property taxes, and insurance) at or below 30% of the monthly household income of a household earning 80% of the area median income. This estimate of naturally-occurring affordable rental units was calculated using the 2007-2011 Comprehensive Housing Affordability Strategy (CHAS) data.

[7] This excludes seniors who own their home free and clear and are not cost-burdened. Including those, the number is 143,000.

economic vitality of our region. Rather, expanding opportunity in more of our region's neighborhoods will improve outcomes for individuals, families, the economy, and the region as a whole.

Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty



Households of color are more likely to live in areas of concentrated poverty than white households at rates beyond that 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.

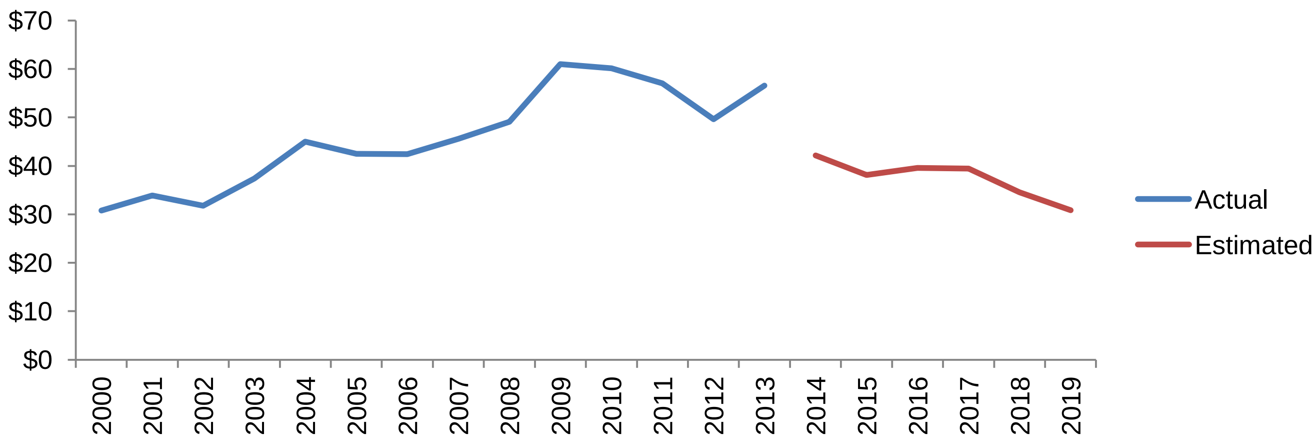
Living in areas of concentrated poverty hurts people in many ways. Areas of concentrated poverty usually suffer from high crime and tend to have schools with lower test scores and graduation rates. Living in areas of concentrated poverty can undermine physical and mental health. It reduces the cognitive abilities of children, 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.

Barriers that limit residential choices—such as racial discrimination and a lack of affordable housing in a variety of locations—hinder the ability of residents to move out of areas of concentrated poverty and contribute to the creation of Racially Concentrated Areas of Poverty (RCAPs), defined as census tracts where 40% or more of the households earn incomes that are less than 185% of the federal poverty level and 50% or more of the residents are people of color. In 1990, all of the region's RCAPs were in Minneapolis and Saint Paul. By the end of the 2000s, these RCAPs remained and expanded into Brooklyn Center, Brooklyn Park, Richfield, and the federal lands constituting Fort Snelling. Since 1990, the share of the region's residents living in RCAPs rose from 3% to 9%. Blacks and Native Americans—historically the groups experiencing the region's worst discrimination—face the highest hurdles to leaving these areas of concentrated poverty.

Inadequate financial resources to address housing challenges

The funding available for existing housing programs is inadequate to fully address the region's housing challenges. Future budget estimates for the US 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.

Budget for the U.S. Department of Housing and Urban Development (in billions)



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 does not address the housing needs of any of the existing low- and moderate-income households who were paying more than 30% of their income on housing (that is, experiencing housing cost burden) at the end of 2010). Over the first two years of the decade the region added 2,272 new affordable units, meeting less than 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 without addressing either the need for affordable housing that existed in 2010 or the growing need that accompanies continued household growth.

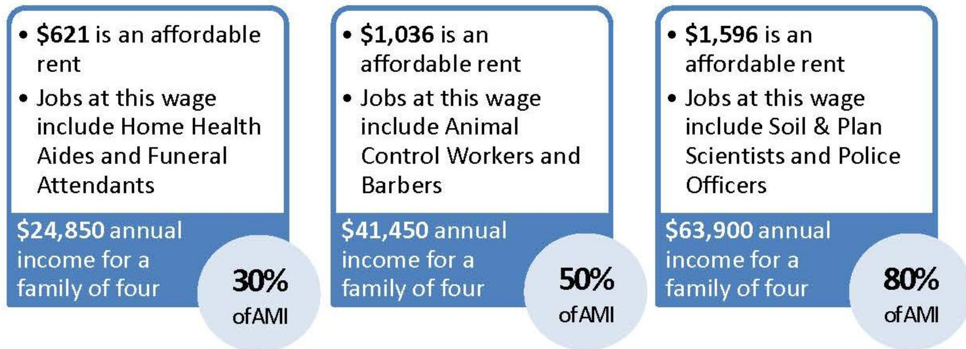
From 2011 to 2013, the "Super RFP"—the state's largest single source for financing housing for low-income households and which includes contributions from federal, state, and non-profit funding partners including Minnesota Housing, the Minnesota Department of Employment and Economic Development (DEED), the Minnesota Department of Health, the Family Housing Fund, the Greater Minnesota Housing Fund, and the Metropolitan Council—deployed all available resources to fund construction of less than 2,000 new affordable rental units in the metro area, far below the need. Many of these units received capital through the Low Income Housing Tax Credit (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, please see the Appendix.)

Affordable housing helps build communities

The availability of housing affordable and appropriate to an individual's or household's needs can be problematic for households across an array of incomes. Generally speaking, housing is 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 a plethora of factors, not the least of which is a resistance in some communities to welcome and promote affordable housing development.

Great strides have been made in improving the quality of affordable housing and reducing the stigma of affordable housing. More people are familiar with the idea that many working households, even those considered "professional," make incomes that qualify them for "affordable" housing. Despite this, additional education is needed. Many people still believe that housing affordable to low- and moderate-income households is undesirable in their community. Furthermore, the need remains greatest for households at the lowest income levels or who have other significant support needs, such as mental illness, chemical dependence, or disabilities. Having a variety of housing types, including housing affordable to very low-income households or those with special support needs, is not only a necessity, but part of a well-balanced, economically resilient community and an economically competitive region.

Low Income: What does it really mean?



Source: U.S. Bureau of Labor Statistics

While there is little argument over the need for housing affordable to lower income households, there is less agreement over how to create affordable housing, where to locate it, what it should look like and what populations it should serve. Proposed housing developments often meet strong resistance, and proposers and supporters are forced to try to disprove or contextualize negative aspects of affordable housing, regardless of whether they are real or perceived.

Some of the common arguments against affordable housing include:

Concern: Affordable housing lowers nearby property values.

> **Reality:** Research has found that affordable housing has no long-term negative impact on surrounding property values.[8,9] Recent research on the relationship between affordable low-income housing tax credit 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 located proximate to affordable development was as strong or stronger than those less proximate in 96% of cases.[10] 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 determines 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:** Research has found that smaller affordable housing properties (50 units or less) have no correlation with increases in crime, but some larger concentrations of affordable units, such

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[8] Agnew, Spencer. 2010. *The Impact of Affordable Housing on Communities and Households*. Available from: www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_010263.pdf.
[9] National Association of Realtors, 2014. Field Guide to Effects of Low-Income Housing on Property Values. Available from: www.realtor.org/field-guides/field-guide-to-effects-of-low-income-housing-on-property-values.
[10] Family Housing Fund Public Education Initiative. 2014. *Affordable Rental Housing Does Not Reduce Property Values: Evidence from the Twin Cities*.

as large public housing buildings, seem to increase crime rates. However, other large projects had no correlation with increased crime, especially among newer and more professionally-managed developments.[11] Poorly managed properties are more susceptible to increased crime rates and since poorly managed properties are more likely to be affordable, a negative association persists.

Concern: This is not the appropriate place for affordable housing.

Reality: Some communities believe that affordable housing proposals would bring "new poor" to their neighborhood. However, people who need affordable housing probably already live in the area. Additional affordable housing is needed everywhere, from rural centers to emerging suburban subdivisions to older suburbs and the urban center. While not all types of affordable housing may be appropriate in all locations, every community has people with disabilities, households experiencing food insecurity, cost burdened residents, and/or seniors with fixed incomes. And many wealthy communities need services and amenities that employ workers who need affordable housing options.

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-Saint 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 planning and coordinating the region's growth and setting policies to deal with regional issues. On 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 non-profit sector—helps us maintain a quality of life that other metropolitan areas envy.

[11] Agnew, Spencer. 2010. *The Impact of Affordable Housing on Communities and Households*. Available from: www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_010263.pdf.

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 free-standing 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.

Under the Metropolitan Land Planning Act, local governments must prepare 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 in creating 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 and recognizes that the future's increasingly complex housing issues demand ever more innovative strategies and greater collaboration.

The Council funds housing development through the four accounts established under the Livable Communities Act (Minn. Stat. 473.25-473.255)—the Tax Base Revitalization Account, the Livable Communities Demonstration Account, the Local Housing Incentives Account, and the Inclusionary Housing Account. The Council uses these financial resources to support the construction, preservation, and rehabilitation of housing, including market-rate, mixed-income, and income-restricted development. Municipalities who participate in the Livable Communities Act must negotiate affordable and life-cycle housing goals with the Council (Minn. Stat. 473.254, subd. 2).

The Council's Housing and Redevelopment Authority (Metro HRA) administers more than 6,200 Section 8 Housing Choice Vouchers for program participants spread across Anoka, Carver, and most of suburban Hennepin and Ramsey counties. Participant families may rent any type of housing in the defined Metro HRA service area made available by a participating property owner. Although demand always exceeds supply, the Metro HRA works with landlords and program participants to make service effective and efficient and optimize the number of households it serves. Consistently ranked by the US Department of Housing and Urban Development (HUD) as among the highest of its peers, the Metro HRA also delivers several other programs that support regional households in need, including programs for people with disabilities, such as the state-funded Bridges program.

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 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 more than 6,500 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; and
- 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 document has five primary sections:

- Part I introduces the Plan and outlines the demographic and socioeconomic challenges defining the region's housing future.
- Part II outlines Council and suggested local roles 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 III delves more deeply into the core Council housing policies and functions.
- Part IV describes several opportunities for impact, that is, housing issues that are broader and more complex than the Council can advance alone.
- Part V identifies key issues for the Council in implementing this Plan, including the indicators that the Council will use to monitor its success.

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 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. Focusing on outcomes allows for flexibility when implementing a shared strategic vision.

Housing plays a key role in advancing all five of the *Thrive* outcomes. This section of the Housing Policy Plan outlines shared housing strategies that advance the *Thrive* outcomes and identify the roles of the Metropolitan Council roles and local jurisdictions. In many cases, the strategies defined in this section will require collaborations beyond the Council and its local government partners. The Council hopes that identifying these broad regional priorities in the Housing Policy Plan will catalyze the conversations and broad regional partnerships necessary 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 emerging transit 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 the use of the region's existing housing stock and leveraging existing and planned infrastructure 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 while also providing 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, and involve rehabilitation, renovation, or modernization; 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.*
- Finally, preservation can mean 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 which are nearing the end of the useful life of major building systems or contractual obligations for affordability. (See Appendix B for definitions of each.) 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 does not prepay a maturing HUD mortgage and tenants will not be 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 – which may or may not preserve the housing, let alone 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, and 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 preserving 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 the U.S. Department of Housing and Urban Development for affected households in the event of a subsidy contract opt-out or mortgage prepay of a federally subsidized property.

Local role

- Use local code enforcement to maintain the housing stock, preserve property values and protect safe neighborhoods for their residents.
- Require rental property licensing and encourage tenant screening, crime-free and drug-free lease addendums, and sufficient property management activity to ensure the quality of housing stock.
- Provide technical assistance programs to homeowners.

- 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 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 “naturally occurring” affordable housing or more simply, “unsubsidized affordable housing”. The rents that the housing can demand in the private market given the properties’ quality, 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 comprise nearly six in 10 units affordable to households at or below 50% of area median income, or approximately 120,000 housing units in the region.[12] Many of these properties also offer appealing locations, proximate to natural resources such as rivers, lakes, and parks, features that would be difficult to replicate in today’s economic environment and that merit consideration as pertains their preservation in support of environmental justice and equity.

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 are either uninterested in or 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 naturally occurring 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 on the ongoing use of properties as housing for low- and moderate-income households.

As many of these properties are in strong locations, it will also be particularly critical to develop strategies for preserving unsubsidized affordable housing located in or near current or future transit

[12] Minnesota Preservation Plus Initiative. 2013. *The Space Between: Realities and Possibilities in Preserving Unsubsidized Affordable Rental Housing*.

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 families 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* report, as many as 40% of “naturally occurring” units affordable to households earning at or below 50% of AMI are occupied by higher-income households.[13] When these households move out is the ideal moment to expand opportunities for lower-income households to move into these naturally-occurring affordable units.

Naturally occurring or 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 programs offer low- or no-interest loans for low- or moderate-income homeowners to 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 home ownership viable. Many cities and counties administer or fund these rehabilitation and homebuyer assistance programs.

Council role

- Provide technical assistance and tools to local governments for preserving naturally occurring affordable rental housing (see more about technical assistance in Part III).
- Work with partners in housing finance, development, advocacy, and others 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 non-profit development firms, for naturally occurring affordable housing that is for sale (see Appendix for definition of right of first refusal and offer).
- Acknowledge contributions to programs that enable or maintain naturally occurring affordable housing, including both homeownership and rental options, through the Housing Performance Score process (see more about the Housing Performance Scores in Part III).

Local role

- Continue to use housing code enforcement, inspections processes, and use or contemplation of adoption of rental licensing as tools to maintain naturally occurring affordable housing.
- Lead or participate in local rental property owner associations to inform property owners of opportunities to maintain the affordability of their naturally occurring affordable housing properties.
- Communicate the value and importance of naturally occurring affordable housing, ensuring that property owners feel engaged and appreciated.

[13] Minnesota Preservation Plus Initiative. 2013. *The Space Between: Realities and Possibilities in Preserving Unsubsidized Affordable Rental Housing*.

- Explore use of tax abatement, fee waivers, or other locally available finance tools to encourage the maintenance and preservation of naturally-occurring affordable housing.
- Provide incentives such as reduced inspection fees or home rehabilitation grants that encourage the quality upkeep of naturally occurring 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 meet the region's growth to 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. Residential density also increases overall housing affordability by allowing more housing units per acre of land.

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.

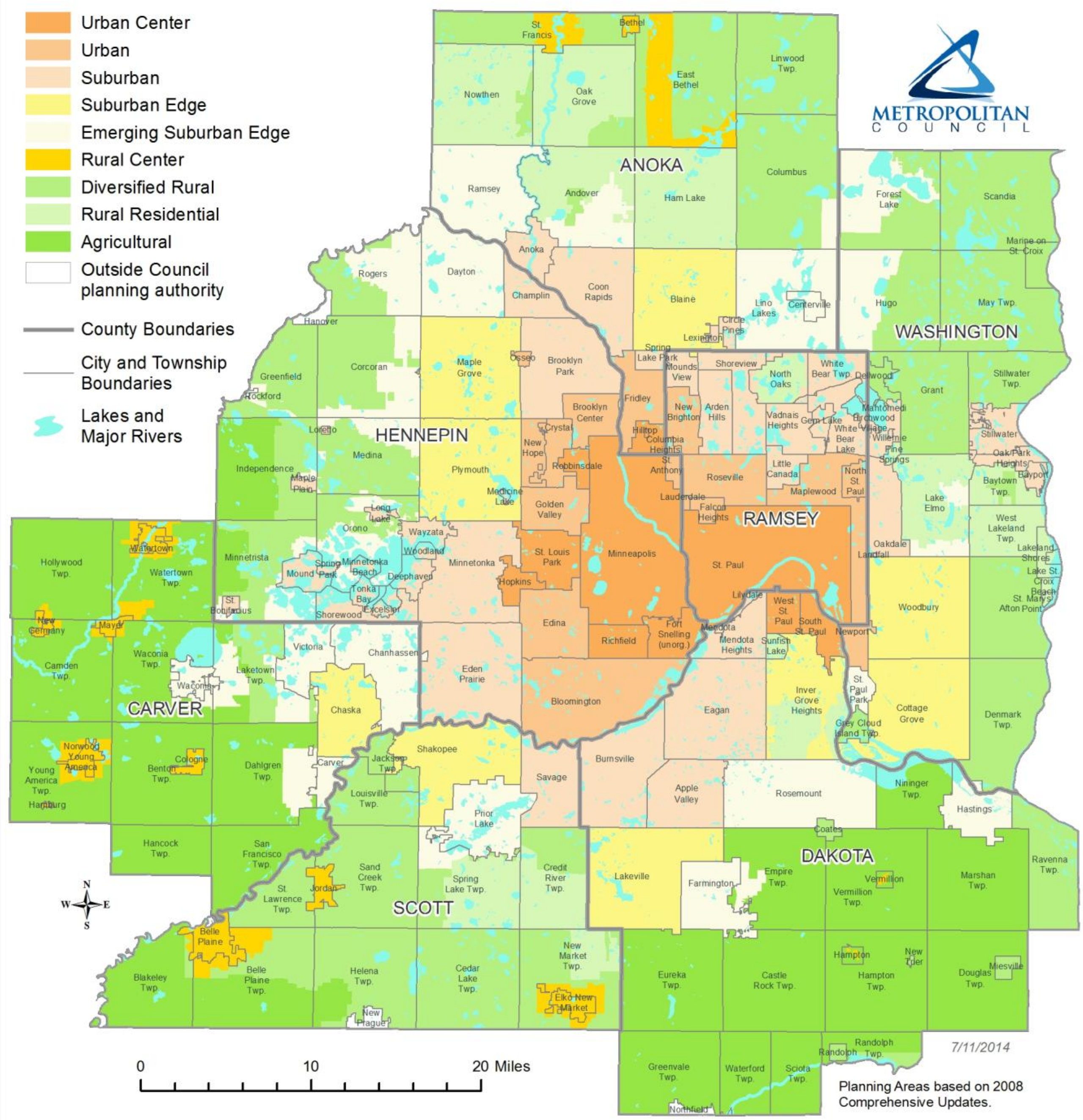
Each community's values are unique, so how and where density is guided is determined by each community consistent with regional policies. Communities in the Metropolitan Urban Services Area (MUSA) and Rural Center communities are expected to plan for achieving the overall minimum average density expectations[14] in their community across all areas identified for new growth, development, and redevelopment.

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	1-2.5-acre lots existing, 1 unit / 10 acres where possible
Diversified Rural	4 units / 40 acres
Agricultural	1 unit / 40 acres

[14] 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 projected by local ordinances such as steep slopes.

Community Designations
from *Thrive MSP 2040* as adopted May 28, 2014



Council role

- Advance the Council mission of ensuring 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.
- Continue to exempt communities without sewer service from the calculation of the Allocation of Affordable Housing Need (see more in Part III).

Local role

- 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.
- 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 resiliency and provide connections to jobs, schools, and amenities.

Focus housing 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. Our transitway network is still in development with opportunities to invest in transit across the urbanized parts of our region. 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.

As our region makes significant investments in transit, particularly transitways, we must also ensure that the inevitable changes in neighborhoods along transit do not displace existing low-income residents. The increased accessibility that transit investments provide can lead to rising housing costs, making it more important to take proactive steps to preserve a mix of housing affordability and protect housing options for existing low-income residents alongside newer higher-income residents.

In addition, the ***2040 Transportation Policy Plan*** explicitly outlines expectations for residential density for new housing and mixed-use development and redevelopment around transit stations and high-frequency transit service. Integrating housing development and transit planning creates development patterns that support high transit demand and expand travel choices for households, allowing more people the options of driving fewer miles, not owning a car or having with fewer cars per household.

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).
- Elevate awareness of the role housing plays in transit-oriented development.
- 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 around transit stations and high-frequency transit service.
- Expect local plans and programs to create or preserve a mix of housing affordability along transit stations.
- Align its resources and work with other partners to help 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 local cities (or coalitions of cities along a particular transit corridor) in the identification of high opportunity sites, districts, or areas.

Local role

- Plan for increased residential density in strategic transit and transportation corridors.
- Develop a focused strategy for preservation of existing housing—particularly higher density housing—located near current and future transit areas.
- Work with local and regional partners to progress major transit investments.

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 and families, 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 can not only reduce or improve commute times, but also reduce 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 who are necessary to meet the needs of the region's growing economy and 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 the talent needed by employers in our region. To plan for and invest in the infrastructure, amenities, and quality of life the region needs to be economically competitive, the Council will contribute to a quality of life and cost of living that attract and retain a talented workforce.

Affordable housing choices at all income levels fosters economic competitiveness by providing 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.[15] 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 details in Part IV).
- Encourage local governments to address gaps in housing choices within their local housing stock.

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

- 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, opportunity, and transit.

Local role

- Provide resources for housing construction or rehabilitation either directly or through funding programs such as Community Development Block Grants.
- 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.

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

The combined cost of housing plus transportation (H+T) consumes a disproportionate amount of household income. By one recent estimate, eliminating an automobile can save a household more than $9,000 annually—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 further 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, but 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 decisionmaking as well as regional and local planning.

Council role

- Provide information on regional and sub-regional cost burden levels and trends, housing and transportation costs.
- Encourage a full range of housing options in locations that allow for good walking or biking commutes, or convenient transit commutes.

Local role

- 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.

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—traditionally 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. On the other hand, 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 as well as 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 streamline 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 role

- Identify key brownfield and infill sites and provide a stable, predictable local regulatory process to attract developer interest.

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 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. But being affordable (housing is generally regarded as affordable when a household pays no more than 30% of its gross income for it) is only part of the puzzle—people want to live in places they feel good about and proud of, whether as a temporary life stop or as a long-term investment. They need a *home*, not just an apartment, a condo, a townhome or single family house. And perhaps above all, people need real choice in determining where, in what style, and with what amenities both inside and out their home might be. 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 its 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 welcoming for households of various types and origins

To make such options a truly available reality, particularly where private market activity may prove spotty 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 or is occurring
- Expand the palette of market rate and affordable housing options—across the full region and including its central communities—supporting, creating, or bolstering shared housing markets
- Maximize linkages between housing needs of all types and available opportunities of the same
- Create incentives for common sense initiatives that highlight local housing assets, fostering inclusive development and making the most of local and regional resources

Creating options means balancing competing priorities and needs. For example, while changing demographics suggest a need for more smaller units, housing cost burden is particularly acute among low or moderate income households seeking 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 about technical assistance in Part III).
- Strategically invest Council resources to assist community efforts 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.
- Invest in and encourage new affordable housing in higher-income areas of the region, particularly in areas that are well-connected to jobs, opportunity, and transit.
- 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 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 role

- Prepare a local comprehensive plan that addresses the housing planning requirements of the Metropolitan Land Planning Act, including guiding sufficient land to support a community's share of the regional affordable housing need, and housing element and implementation plan sections that identify the programs, fiscal devices, and official controls to be employed to address a community's share of the regional need for affordable housing (see more in Part III).
- 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 through for new housing construction or rehabilitation either directly or through funding programs such as Community Development Block Grants.
- 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 non-profit models such as Twin Cities Habitat for Humanity.
- Acquire land where appropriate and feasible to support future inclusionary or 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 naturally-occurring, to inform the housing element of the local comprehensive plan.
- Participate in Livable Communities Act programs by negotiating affordable and life-cycle housing goals that support regional and local housing needs, and prepare a Housing Action Plan to address those goals and become eligible to access grant funding to address local development and redevelopment objectives.

- Utilize the Urban Land Institute—Minnesota and Regional Council of Mayors' Opportunity City Program's *Community Site Principles* and other tools that foster best practices for maximizing land use and connecting with job and transportation networks.

Using housing investments to build a more equitable region

By 2010, nearly one in eight of our region's residents lived in an Area of Concentrated Poverty. Areas of Concentrated Poverty can be associated with a lack of private investment, poorer performing schools, an absence of job opportunities, higher crime rates, and lower quality housing stock. These negative associations should be addressed directly—it is too easy to assume that these impoverished communities are undesirable places to live or invest. Public interventions should address educational opportunities, crime, and the quality of the housing stock as well as spread the message that many wonderful, desirable qualities exist in these neighborhoods, including access to a variety of transit options, rich neighborhood history, diverse housing stock, and proximity to downtown job concentrations. There is opportunity to reduce the perceptions that low-income neighborhoods are inherently dangerous or without desirable qualities and increase the likelihood of private investment in these areas.

One of the most destructive outcomes facing a community with a high concentration of poverty is the private market's decreasing investment in that community. The social and supportive services that often arise to address the problems of the community (jobs programs, public assistance offices, supportive housing) only strengthen the perception that investment is a losing proposition. Thus a destructive cycle perpetuates. Public and non-profit 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 becomes risky for both the private and public sectors.

Conversely, improvements to an impoverished neighborhood, such as a transit investment, may inflate the cost of housing and displace residents living in poverty just as conditions are improving. The scale of these concerns may be only resident perceptions or based in data, but households being priced out of their neighborhood is not expanding housing choice. Moreover, the fear of gentrification reveals the real challenge of creating communities that provide a full range of housing options. Low-income neighborhoods may be as wary of market-rate development as so-called higher-income neighborhoods are of affordable housing.

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 of adding affordable housing in higher-income areas, maintaining a mix of housing affordability in areas where future and pending 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.

Council role

- Work with communities to create more income-diverse neighborhoods, including strategically targeted subsidies to develop market-rate housing in areas that lack market-rate options.
- Use Livable Communities Act resources to catalyze private investment in Areas of Concentrated Poverty.

- Work with our partners and stakeholders to identify indicators used to measure how projects, supported with Council resources, advance equity, including providing opportunities to residents of Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty, lower-income households, or people with disabilities.
- Encourage private market interest in these targeted areas through transit investments, education and marketing support to local communities.

Local role

- Prioritize income-diverse neighborhoods in planning efforts, including comprehensive planning.
- Expand or continue efforts to mitigate Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty with crime reduction efforts, investment incentives, and place-making initiatives.
- Provide or provide financial support to 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.

Expand the supply of housing options accessible to people with disabilities

As our population ages, the availability of quality, accessible housing options for people with disabilities will be increasingly important. Housing affordability is particularly important issue for people with disabilities as nearly half of households with disabilities in the region experience housing cost burden, compared to less than one-third of household without disabilities.[16] 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).[17] The difficulties in housing this population are confirmed by the high proportion of homeless adults that suffer from disability. According to a 2012 study on homelessness in Minnesota, 55% reported having a serious mental illness, and 51% a chronic health concern.

The 1996 *Olmstead Decision* ruled that people with disabilities are best served alongside everyone else and must be integrated in the community as much as possible. As part of recommitting to enforce the Olmstead Decision, the State of Minnesota published the *2013 Minnesota Olmstead Plan*. The plan proposes strategies for improvements for people with disabilities in the workplace, schools, transportation, and other areas. 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

[16] 2008-2012 American Community Survey Public Use Microdata Sample data.
[17] Office of the Lieutenant Governor. 2013. *Putting the Promise of Olmstead into Practice: Minnesota's 2013 Olmstead Plan*. p. 38.

- Increase access to information about housing options
- Actively promote and encourage providers to implement best-practices and person-centered strategies related to housing

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 state's large stock of project-based Section 8 properties, households with disabilities are disproportionately represented, with 21% of units occupied by households with a non-elderly person with a disability (compared to 10% of the overall state population).[18] When these properties are rehabilitated or modernized, accessibility features are often included to ensure compliance with federal and state statutes and to better the living experience for tenants with disabilities. When new properties are constructed, public entities often require that a specified percentage be designed to accommodate people with disabilities and furthermore that the recipient of funding affirmatively market the units to prospective tenants with disabilities.

Funders, architects, and others are also increasingly embracing "universal design," 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 persons with disabilities to move about freely, positioning controls and switches so they are readily reachable, and use of task lighting directed to specific areas.

Despite the significant progress made in housing persons with disabilities, however, there is little 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 persons with disabilities living in non-accessible units and "making do." Better tracking these potential mismatches and bolstering affirmative marketing plans and requirements so that people with disabilities actually live in units intended for them may be wise next steps. 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 as pertains regional investments in transit and community development.

Council role

- Encourage the use of flexible or universal design principles in projects funded through the Livable Communities Act.

Local role

- Offer local homeowners access to rehabilitation loan or grant programs that finance the retrofitting existing housing to better meet the needs of people with disabilities.
- Encourage housing for people with disabilities to locate in places with access to amenities and services.

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[18] *Putting the Promise of Olmstead into Practice: Minnesota's 2013 Olmstead Plan*.

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 Rent Assistance Program. The program helps over 6,000 households throughout Anoka, Carver, and most of suburban Hennepin and Ramsey Counties. In total the region is served by 15 Section 8 administrators with a total of approximately 18,500 vouchers. All administrators have lengthy waiting lists of additional eligible households.

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

Research shows that information and services provided to voucher holders about housing in opportunity-rich neighborhoods reaps benefits including higher employment rates for adults and higher graduation and college attendance rates for the children. Mobility programs include landlord recruitment, pre-move counseling, housing search assistance and post move counseling to help provide families the tools necessary to 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 greater coordination and cooperation 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. Mobility counseling is staff intensive and includes landlord outreach, participant recruitment, pre-move counseling, housing search assistance and post-move support.
- Make project-based Section 8 Housing Choice Vouchers available through the Super RFP process, helping to support project feasibility and provide stability in long-term operation for select projects.

Local role

- 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 to create mobility options for recipients, including offering competitive rent limits in higher-cost neighborhoods and providing mobility counseling.

Livability

> **Key takeaway:**
>
> Our region's ongoing prosperity depends on ensuring the continued livability of our region for our changing demographics.

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. Livability adds value to our region by helping to retain and attract a talented workforce, increasing living choices, building community identity, highlighting the unique qualities of local places, and supporting individual decisions that reinforce those qualities. 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 391,000 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 there has been increased demand for multifamily housing not only for seniors but overall. 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 homes comprise 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 within the city of Minneapolis, reinforcing the disproportionate concentration of multifamily housing in our region's largest two cities; together, Minneapolis and Saint Paul have more than four 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 each group, 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 multi-generational living than our current housing stock supports. As these residents come to the region, will they find places that facilitate their settlement, 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 meets 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?

The Millennial generation, born in the 1980s and 1990s, is the largest generation demographically and seems to have different lifestyle preferences. Millennials tend to favor urban amenities, access to transit and bicycling options, and more dense and active neighborhoods rather than the auto-oriented subdivisions of their youth. 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. Critical to the region's future prosperity, will we have places that retain and attract these individuals and households? If their living preferences and economic conditions continue to diverge from their parents' generations, will our region's communities continue to offer them satisfying living situations?

Council role

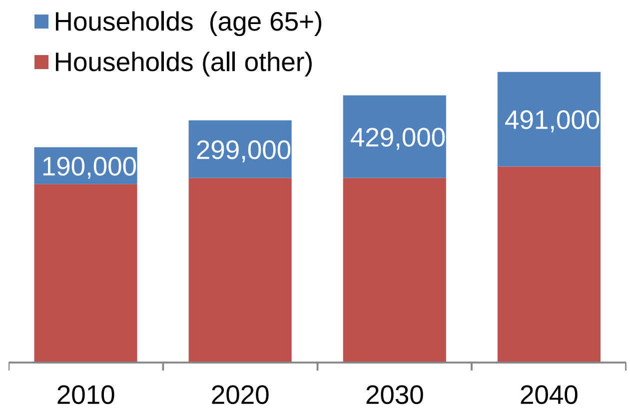
- Encourage and invest in a wide variety of housing options throughout the region to serve an increasingly diverse population, including viable housing choices for low- and moderate-income households and senior households.
- Promote the importance of culturally sensitive housing and community design.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

Local role

- 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.

Plan housing choices for the growing senior population

As residents age their needs, preferences, and travel behaviors shift; some communities may be poorly designed to accommodate their residents' future needs. Seniors—the "Silver Tsunami" of those 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. How cities, counties, regions, states and the nation respond to this pressing housing challenge is imperative, and will by necessity draw on the collective drive to identify new funding resources and means of development.



As people age, their housing needs and preferences tend to change. 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). To "age in place" is a term that has come to represent the ability for senior households to remain in either their current housing or at least in their current community when financial, health, or ability changes alter their specific housing needs. 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, hearing loss, or limited income. Some seniors who want a different type of home in their community have trouble finding appropriate housing where they want live. Are there adequate housing choices, including age-integrated options, available for seniors to stay active, conveniently access goods and services, and/or be near friends and family?

Older households and households without children (whether young or old) 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 limited incomes and have greater interest in or need of rental housing options; this propensity increases with age.

Council role

- Encourage the use of flexible design principles in projects funded through the Livable Communities Act.

Local role

- Locate new senior housing in places with access to services and amenities that seniors want and need.
- Offer local homeowner rehabilitation programs that finance retrofitting existing housing to better meet the needs of aging residents, particularly in areas that offer transportation options.

Align investments to support place-making, 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. Place-making can happen through private building and public infrastructure 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 comingle 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 place-making 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 expand travel choices for households, allowing more people the option to live without a car or with fewer cars per household.

Council role

- Participate in regional efforts to reduce the institutional barriers to mixed-use development.
- Support and lead local and regional efforts to foster transit-oriented development through the Council's Office of Transit-Oriented Development, which will lead Council efforts to:
    - Prioritize transit-oriented development 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 transit-oriented development
    - Provide clear policy guidance to local partners concerning the types of plans and local controls that will be needed to effectively implement transit-oriented development
    - Collaborate with partners, including local governments and private sector stakeholders, in transit-oriented development activities including policy development, specific Council-led development projects, site-specific transit-oriented development resources and opportunities, and station area planning to enable transit-oriented development
- Provide Livable Communities Act grants to local government to support transit-oriented development projects.
- Explore the expanded use of local planning assistance grants, loans and technical assistance for local station area planning efforts in support of transit-oriented development.
- 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 role

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

Sustainability

"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:

Key takeaway:

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

- 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 greenhouse gas 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 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.

Land use patterns can impact the quality of both our surface water and groundwater, both through the quantity of stormwater generated from development entering those water bodies and pollutants contained in that stormwater (non-point source pollution). Land use patterns that integrate natural areas into development at the site level add to livability and help avoid costly future projects needed to alleviate environmental impacts of development, such as infrastructure to assist in the management of stormwater. A pressing concern is the possible impact of future development on the reliability of groundwater as a water source. Consideration of what affects our groundwater resources is important during planning and development processes to ensure that we are not negatively affecting those resources and that we are taking advantage of any 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 sewer systems overloaded from large 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 choosing to reduce their contributions to climate change and attempting to mitigate its impacts through a variety of energy reduction measures, including developing in a more compact land use pattern and reducing automobile dependency for example. Taking these measures ensures that communities are better prepared to deal with 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.
- 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 role

- Plan land use patterns that facilitate groundwater recharge and reuse, and reduce per capita water use to protect the region's water supply.
- Identify local measures that would result in household reductions in water use, energy consumption, and emission of greenhouse gases.
- 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 though 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 non-toxic 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.
- Give funding consideration in Livable Communities Act grants to projects that use cost effective, short payback elements promoted by Green Communities criteria, the Minnesota Sustainable Building Guidelines or other green and sustainable building practices.

Local role

- Consider distributing low-cost testing kits to identify homes with dangerous levels of radon, or lead or asbestos testing services.

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.

Integration

Integration is the intentional combining of related activities to achieve more effective, greater results, leveraging multiple policy tools to address complex regional challenges and opportunities. Housing is central to this integration, but is not a statutory 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

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

There is a need for better understanding of the interdependencies among housing, water, and transportation, considering the infrastructure systems owned and operated by the Council (that is, 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 pertains 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 about the Regional Solicitation in Part III).

Integrate housing into transitway planning and development

Under the most recent criteria for evaluating transitway investments for federal New Starts and Small Starts funding through the Federal Transit Administration, the affordable housing, plans and policies to maintain or increase affordable housing in the corridor are among the scoring criteria used to determine the award of federal resources to fund the build-out of the 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 of 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[19]

In addition, FTA also 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."[20]

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 Part III for more information)
- 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 support high transit demand and expand travel choices for households, allowing more people the option to live without a car or with fewer cars per household.

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[19] Federal Transit Administration, U.S. Department of Transportation, "New and Small Starts Evaluation and Rating Process: Final Policy Guidance," issued August 2013, p. 11.
[20] "New and Small Starts Evaluation and Rating Process: Final Policy Guidance," p. 18.

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.

Improve alignment between housing policy and education decision-makers

There is emerging awareness of the iterative nature of housing policies and education policies. Areas of concentrated poverty have—or are believed to have—poorer performing schools. 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. Therefore, opportunities to maintain a mix of incomes in a community become more difficult, and disinvestment in areas of poverty is reinforced. Unfortunately, unaligned jurisdictions, decision making bodies, and a lack of communication has inhibited the ability of the two “worlds” to work together to improve outcomes for both.

One example is the impact land use and zoning have 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 for a school that will see a decrease in attendance over time. Similarly, school investments can have a big impact on the desirability of a neighborhood for families with children. If land use guidance does not provide adequate land for family housing, that school’s attendance may not justify the investment, or we may put unnecessary burdens on transportation systems that connect families to that school.

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

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.
- Explore how to empower school districts to more effectively comment on local comprehensive plans.
- Encourage school district planners and local planners to communicate and collaborate.

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 metro area. While local governments address housing based first on the needs of their citizens, the true opportunities and impacts of housing development do not stop at city boundaries. The concept that "if one of us succeeds, we all succeed" has never been more relevant as we learn from our past policy decisions and explore current and future housing needs in the context of quality of life, infrastructure investments, the availability and affordability of quality housing, and economic competitiveness.

Nonetheless, how regional policies affect local communities must be understood and considered. Cities and townships have different resources, priorities, and geographic characteristics. The value of the Council's role in housing lies in providing objective regional guidance toward goals that help position the metropolitan area as a desirable place to live and work while providing the resources and technical assistance that mitigate any real or perceived negative impacts of those goals in a local context.

The Council also looks broadly at the region and identifies what challenges are most universal and provide the most opportunity for impact. In a context where needs are many and resources are not, it is more important than ever to focus efforts toward the opportunities with the greatest chance of success.

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 non-profit stakeholders that fund housing, to align priorities and investments to meet the housing needs of the metro region.
- Expand and promote greater communication between "traditional" housing partners and underrepresented housing stakeholders.
- Participate to share regional and Council perspectives in housing policy and finance forums such as the Metropolitan Housing Implementation Group, the Interagency Stabilization Group, and the Super RFP selections process.

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 adaptive 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.

Accountability

Results matter. For the Council, accountability includes a commitment to monitor and evaluate the effectiveness of its housing policies and practices toward achieving shared outcomes and a willingness to adjust course to improve performance.

Adopt a data-driven approach to measure progress

Accountability focuses on measuring and managing progress toward outcomes to improve our region's performance. For example, an outcome-oriented approach measures how affordably, effectively and efficiently our region's residents are housed—not only the units of new housing built with public resources. Actions without outcomes waste public resources.

With *Thrive MSP 2040*, the Council is adopting 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, not only how much money we are investing or how many units of affordable housing we are building. 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?"

Housing can be an emotional, controversial topic. There isn't much more important to one's quality of life than one's housing. Discussion of housing issues must include sensitivity and balance and requires policies and actions that are based on objective information. Anecdotal evidence can be powerful but can also skew the perceptions of decisionmakers toward the views of the most empowered to speak.

The Housing Policy Plan Indicators (see Part V) will assess regional progress on the outcomes and strategies in this pan. 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 dialogue with partners and stakeholders—what can and will the Council do to advance these housing outcomes, what will others do to advance these outcomes? And where are the gaps, overlaps and opportunities?

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.
- Track all new housing and new affordable housing constructed in the region.
- Maintain an annual Inventory of Affordable Housing.

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 more than 6,500 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:

- The triumvirate of affordable housing measures:
    - Allocation of affordable housing need.
    - Goals for affordable and life-cycle housing.
    - Housing Performance Scores.
- 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 section 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: The triumvirate of measures

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

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

As the following table outlines, these three indicators serve different functional roles that are often confused.

Council Role	Allocation of Affordable Housing Need ("Need")	Livable Communities Act Affordable and Life-cycle Housing Goals ("Goals")	Housing Performance Scores ("Scores")
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 Plan	Strengthen and elevate participating communities' commitment and focus on creating affordable and life-cycle housing	Scores are factored into various funding criteria (currently only in Livable Communities Act programs)
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 plans	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 plans

To simplify communication about these measures and the Council roles, this plan will use “Need” to refer to the Allocation of Affordable Housing Need, “Goals” to refer to the Livable Communities Act Affordable and Life-cycle Housing Goals, and “Scores” to refer to the Housing Performance Scores.

Allocation of Affordable Housing Need (Need)

Under the Metropolitan Land Planning Act, local comprehensive plans must include a housing implementation program that plans for the provision of their fair share of the region’s forecasted need for housing for low- and moderate-income households:

> “…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)

Determined every 10 years as a precursor to the decennial comprehensive plan updates, the Allocation of Affordable Housing 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, or barriers to building that housing. The Need measures future affordability demand and does not incorporate existing unmet demand for affordable housing.

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 progress toward creating affordable housing opportunities

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.

Households earning 80% or less of the AMI range from working families and empty nesters to households experiencing long-term homelessness and 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 “band” allocation providing three Need numbers to cities and townships in the region:

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 30-50% of area median income 50-80% of area median income

- Need for housing units affordable to households earning 30% or less of area median income

- Need for housing units affordable to households earning 30-50% of area median income
- Need for housing units affordable to households earning 50-80% of area median income

The three bands 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 50% 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 bands allow the Need for units affordable between 50% and 80% of AMI to be reduced accordingly while leaving the Need for units affordable at less than 50% of AMI relatively unchanged.

Adjustment factors

In addition to allocating a Need that is distinguished by levels of affordability, the Council will make certain adjustments that will place relatively more new affordable housing where it can help low-income families the most. 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, three 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 more new affordable housing for those workers.
- **Proximity to transit:** Placing new affordable housing in proximity to high-frequency transit (defined for this purpose as areas within one-half mile of a transit station or high-frequency bus route), whether bus or rail, helps lower-income households decrease their transportation costs and spread their resources farther.
- **Existing affordable housing:** Placing new affordable housing in communities where existing affordable housing is scarce expands choice for low-income households.

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	More low-wage jobs than low-wage workers living in the community	More low-wage workers living in the community than low-wage jobs
Proximity to transit	Proximity to transit options such as Light Rail Transit, Bus Rapid Transit, and high-frequency bus service	
Existing affordable housing	Lesser share of existing affordable housing than the region	Greater share of existing affordable housing than the region

The threshold for housing affordability and the adjustment factors for determining the Need provide a framework for determining a community's share of the Need. This framework will be the basis for a detailed methodology for determining the Need that the Council will develop in partnership with affordable housing stakeholders as a part of the implementation of this Plan.

Council actions:

- Use the above-defined framework to define a detailed methodology for determining the Allocation of Affordable Housing Need for 2021-2030 in time to inform the 2018 round of local comprehensive plan updates.

Goals for Affordable and Lifecycle Housing (Goals)

Under state statute, communities which choose to participate in—and therefore, be eligible to receive grants through—the Livable Communities Act must negotiate Goals for Affordable and Lifecycle Housing. The 1995 Livable Communities Act funds community investment that revitalizes economies, creates viable housing options, and links land use and transportation. The Livable Communities Act'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 additionally 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 new 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 further in Part III of this plan. The two measures are products of different legislation with different intents and requirements, and one of the desired outcomes of this *Housing Policy Plan* is to improve the understanding of their roles 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 (Scores)

The Council currently uses Housing Performance Scores to give priority for Livable Communities Act funding to communities that are maintaining or expanding their supply of affordable housing and using fiscal, planning, and regulatory tools to promote affordable housing. Local governments use a variety of tools to encourage affordable housing ranging from providing local funding to affordable housing projects to granting flexibility in zoning to reduce the cost of housing development.

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

Emerging from this Housing Policy Plan will be a new set of scoring criteria the Council will create to develop local Scores annually. Jurisdictions vary widely in their fiscal, technical and human resource capacity, existing built environments, cost and availability of land, and existing level of developer interest, and the Housing Performance Scores should recognize these differences. For the legitimacy of the Scores, all cities and townships should believe they have a real possibility of achieving a high Housing Performance Score. Additionally, the Housing Performance Scores can serve as a platform for the Council and cities to inventory programs and activities and contemplate new means of addressing local housing needs given available resources.

Framework for developing new Housing Performance Scores

- Use the following broad categories for the Scores:
  - Tools available at the local level.
  - Tools or resources used in the last five years.
  - Number of affordable housing units or affordable housing opportunities created in the last five years.
  - Existing stock of affordable housing.
  - Local participation in state, regional, or county housing programs whether as an administrator, lender, funding allocator, pass-through entity, or funding applicant.
  - Applications (whether funded or unfunded) submitted to the Consolidated Request for Proposals (the “Super RFP”), county-issued RFPs, or other major competitive funding processes.
- Align counts of existing affordable housing (including naturally occurring affordable housing) with the 30%, 30-50% and 50-80% of area median income bands defined in the Allocation of Affordable Housing Need.
- Expand the list of scoring opportunities to reflect the full and evolving range of housing activities, programs, and tools used by local jurisdictions, including new elements such as:
  - Strategies to preserve naturally-occurring affordable housing.

  - Fair Housing & Equal Opportunity efforts.
  - Efforts to recruit landlords to accept Section 8 Housing Choice Vouchers.
  - Foreclosure prevention, counseling, mitigation, and remediation.
  - Energy, water, and other resource conservation.
- Use the mechanisms of the Affordable Housing Production Survey and Housing Performance Score process to refer jurisdictions to best practice resources, technical toolkits, and funding opportunities.
- Evaluate the potential utility of using the Housing Elements and Implementation Plan components of local comprehensive plans as an assessment component under the Scores (task for 2015 and 2016).
- Plan for the transition from the existing scoring system to the new Housing Performance Scores developed under this plan.
- 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.

The Council expects these refinements to the Scores will lead to not only a better ability to evaluate local performance on expanding affordable housing but also greater opportunity to help cities connect tools, ideas, and resources with development opportunities, potential partners, and a larger pool of funding and technical options.

The Council currently uses the Housing Performance Scores in its Livable Communities Act programs as a means of rewarding communities with a clear and demonstrable commitment to providing affordable housing options. The Council is exploring opportunities to expand the use of Housing Performance Scores in other funding programs (see p. 56).

Council actions

- Use the above-defined approach to update the Council's calculation of Housing Performance Scores beginning in 2015.
- Identify additional opportunities to use the Housing Performance Scores as an element of evaluating funding applications submitted to the Council.

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 aims to stimulate housing and economic development in the seven-county metro area. The Act authorizes the Council to:

- Levy funds 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 housing for rental and ownership to help municipalities meet their negotiated Goal.
- *Inclusionary Housing Account*, used only during 1999 and 2000 when it was funded by a one-time legislative appropriation, defines an "inclusionary development" as a new construction project, involving owner-occupied or rental housing (or a combination of both), with a variety of prices and designs which serve families with a range of incomes and housing needs.

From 2011 to 2013, the three active Livable Communities Act accounts funded the construction and rehabilitation of 9,422 total housing units, of which 4,338 are affordable at 60% of area median income. In addition, the Council has also created special pools of funding within the Livable Communities Demonstration Account and the Tax Base Revitalization Account to support transit-oriented development.

The Livable Communities Act not only provides access to funding opportunities within the Council but also aims to elevate engagement and awareness of affordable housing need among participant cities. As a result, participation in the Livable Communities Act 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 Initiatives 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 Livable Communities Act funding. A review of what local expenditures may count toward ALHOA and how it is certified will help the Council ensure that the purpose and intent of the match is being met.

Council actions to expand the role that the 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 used to measure how projects, supported with Livable Communities Act resources, advance equity, including helping residents of Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty, lower-income households, or 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. Its main objective is to help advance regional policies and priorities through the allocation of federal transportation funds to a variety of locally-initiated projects that address transportation needs. For context, the distribution for fiscal years 2018-2019 (to be completed in 2015) is expected to be a total of 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 incent communities to expand affordable housing options and to be consistent across the Council, the Council is recommending that the Regional Solicitation process use the Housing Performance Scores.

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

- Propose to the Transportation Advisory Board the inclusion of the Housing Performance Scores (existing and as updated in this plan) 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) to 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; other types of buildings, such as multifamily residential, pay a prorated SAC fee based on the estimated potential capacity of wastewater they may generate. Some multifamily dwellings of four or more units can also receive discounts on the SAC due, ranging from 20% for a 'typical' multifamily apartment building without individual laundry facilities to 40% for multi-dwelling publicly-owned or publicly-subsidized properties with no individual laundry facilities, garbage disposals, or dishwashers. Local governments may waive 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 structurally challenging to leverage SAC to promote affordable housing. However, there is an opportunity to demonstrate the Council's commitment to affordable housing development through its handling of SAC. The proposal below, modeled after the existing provisions for Phased Redevelopment Plans, represents one approach that the Council believes may be feasible within existing statutory and administrative frameworks.

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

- Explore developing an "Affordable Housing SAC Credit" (AHC) for cities that demolish buildings (residential or non-residential) to reduce blight in a defined Area of Concentrated Poverty.
    - If SAC was paid for these sites, the sites are eligible to generate an AHC credit from and at the time of a demolition which the City could "book" and use (against any SAC due) elsewhere within its borders. (Under current rules, the City can eventually get a credit when a new use occurs on the site at lesser permanent demand.)
    - Demolition of buildings connected to the Metropolitan Disposal System but constructed prior to 1973 and for which no SAC was ever paid ("non-conforming, but grandparented") would generate AHCs that cities could use anywhere within their boundaries to offset SAC charges for new affordable housing or mixed-income residential projects in which at least 20% of the units are affordable.

Transit-Oriented Development

Transit-oriented development (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. 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 Transit Oriented Development (TOD) throughout the region. In 2014, the Council created an Office of Transit-Oriented Development (TOD) within Metro Transit to support and lead local and regional efforts to foster transit-oriented development.

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 that exist 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 its 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 naturally occurring affordability 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 (PSS). 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 PSS points, the application must demonstrate that it is consistent 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.

Review of 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. After the adoption of *Thrive MSP 2040* and the systems and policy plans (including this *Housing Policy Plan*) and the anticipated 2015 distribution of Systems Statements, local governments will begin this decade's round of local comprehensive plan updates. 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 systems 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 system plans (Minn. Stat. 473.175).

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

- acknowledges the community's share of the region's need for low- and moderate-income housing (the Need); and
- includes an implementation section identifying the programs, fiscal devices, and official controls the community will use to address their Need (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 of local comprehensive plans, including stronger alignment between the housing implementation programs and the Need.

Council actions to review comprehensive plan updates to expand housing choices

- Work with local governments and other appropriate stakeholders through 2015 to determine how to more effectively review the Housing Element and Housing Implementation Program in local comprehensive plans in preparation for the 2018 round of local comprehensive plan updates.
- Incorporate new review criteria into the 2015 update of the Local Planning Handbook.

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 stronger housing elements and housing implementation programs in local comprehensive plans as well as 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 goals 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, and 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, such as the Minnesota Housing Policy Toolbox, the Family Housing Fund, and the Minnesota Challenge-winning initiative of the Center for Urban and Regional Affairs (CURA) and the Housing Preservation Project to identify 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/or supplement these types of offerings. Topics that may be of particular interest include:

- Accessory dwelling units
- Cost-effective affordable housing preservation
- Naturally occurring affordable housing preservation
- Access to naturally occurring affordable housing for low-income households
- Mixed-income development
- Advancing equity in housing
- Flexible, resilient, and culturally sensitive design
- Community engagement
- Place-making and housing
- Sustainable practices in housing design, rehabilitation, and construction
- Inclusionary housing

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, and 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 incenting the construction of new housing. Council staff is positioned to assist interested communities in the identification of key housing sites, districts, or areas in their community. Additional support can be made available to evaluate strategies for site control (including acquisition, assembly, and funding sources), liaise with the development community, and market housing opportunities. The Council sees an opportunity to provide technical assistance to support communities which desire to expand their housing choices but lack the experience to attract developers.

Council staff can further assist in the development process by providing knowledge of the complex development finance world that dictates so much of what's 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 around community engagement. Meaningful community engagement continues to be a challenge for governmental entities—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 Housing Implementation Plan—and the Need at all levels of affordability.
- Identify opportunities for local governments to improve their performance on the 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 in local comprehensive plans.
- 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, 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 organization.

Part IV: Opportunities for Impact

The process of developing this Housing Policy Plan has produced rich conversation and discussion over the last year. However, it has become clear that there are a series of even richer dialogues that the region needs to have beyond what the Council was able to achieve in developing this Plan. This section describes areas where the Council intends to conduct additional analysis and convene or participate in broader regional discussions on how to move ahead in the coming years. If appropriate, the Council will amend the Housing Policy Plan to reflect any new policy direction emerging from these discussions.

Items on the Council's future housing policy workplan include:

- Reduction of barriers to development of mixed-income housing.
- Exploration of inclusionary housing strategies.
- Assessment of feasibility of strategies to share risk.
- Shared regional strategies to affirmatively further fair housing and address housing discrimination.
- Building wealth and expanding investment in Areas of Concentrated Poverty.

Reduce barriers to development of mixed-income housing

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, including transitway 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 "80/20s" in which 80% of units are market rate and 20% are affordable and where 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 at 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" or "well-to-do". 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 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 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. In addition, these two demand functions may be perceived to have very real and possibly detrimental effects *on each other*. For example, a would-be investor that has found success in market rate development but is inexperienced in affordable housing developing might ask:

- Will higher-income residents want to live in the same building, on the same floor, or next to a lower-income household, and vice versa?
- What will happen if a market rate tenant learns that the nearly identical unit down the hall is renting for several hundred dollars less per month? Could this drive up vacancy rates?
- Will the amenities needed to be competitive with other market rate developments be possible with the reduced rental proceeds from the affordable units?
- Will the lower-income households need special services or different types of amenities that will strain the operating budget and potential profit?

If these questions lead potential investors to believe that demand for either the market 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 and incorporates local controls such as a density bonus not only to incent affordable development but also to secure other community benefits including parking, open space, or streetscape improvements.[21] In our region, many cities require affordable units when tax increment financing is provided to projects, as well as through use and deployment of other fiscal, regulatory, and planning incentives and tools.

Among the potential strategies to reduce the impediments to mixed-income development are:

- *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, but this in part 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 which will be constructed nearby.
- *Adjusting Use of Public Financing*—one approach to address the challenges in mixed-income housing involving tax credits 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.

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 and institutional barriers to the development of mixed-income housing.
- Provide local governments best practices on the development of mixed-income housing.
- Work with partners to plan, build, and operate the transit infrastructure that attracts mixed-income development.
- Continue to support successful mixed-income development with Livable Communities Act funding

[21] Urban Land Institute. 2012. *Making Mixed-Income Housing Work*. http://urbanland.uli.org/economy-markets-trends/making-mixed-income-housing-work.

Explore inclusionary housing strategies

The term "inclusionary housing", and "inclusionary zoning" in particular, originated as a strong response to discriminatory practices such as exclusionary zoning and redlining. These formally institutionalized practices blocked attempts to expand affordability and housing choice, or to integrate various populations. Whether motivated by racial animus, economics, or investment expectation, these practices create and reinforce segregation, and act as powerful symbols of related public issues such as educational parity, job availability and training, and equal access to opportunity.

To address the challenges of economic and social segregation, and to overcome powerful political and social stereotypes about housing lower-income persons and families, several cities developed inclusionary zoning. In its purest form, inclusionary zoning requires that any development receiving 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%.[22] A number of cities nationally and locally have used inclusionary housing policies and programs to good effect. Developments that are intended to be mostly affordable are blending in market rate units in a less traditional but unique way, and mostly market rate developments are including affordable units.

Inclusionary program policies and strategies share some common goals:

- To create mixed-income neighborhoods and properties where residents benefit equally from public investment.
- To incorporate affordable housing into housing of comparable quality and with similar amenities.
- To leverage private investment to incentivize affordable unit provision or to provide site-specific or local investments in infrastructure for use and enjoyment of all residents.
- To make local requirements around affordable housing more predictable and therefore efficient.
- To use local regulatory and review controls to supplement scarce financial resources.
- To use combinations of local controls, exceptions, or waivers in conjunction 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 argue the validity of such goals, mandatory inclusionary zoning has come under intense scrutiny from those who believe it impinges on property rights or detracts from future development. The pushback in many jurisdictions has led to an increasing desire to achieve greater inclusion 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 can theoretically 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.

[22] Urban Land Institute. 2012. *Making Mixed-Income Housing Work*. http://urbanland.uli.org/economy-markets-trends/making-mixed-income-housing-work.

- *On & Off-Site Options*—in certain locations and market contexts, it may be more financially feasible or logistically practical to "split off" the market rate units from the affordable units rather than physically combining them into a single structure. While this may run the risk of diluting goals pertaining to economic and social integration, allowing a developer to pursue a market rate project portion in one location and the affordable project portion in another, presumably proximate, location is another option to consider.
- *Cross-Typology Approaches*—Similar to On & Off-site Options, Cross-Typology Approaches add housing typology to the list of flexible features. Depending on the local price and availability of land, the local desire to expand housing types available, and other factors, cross-typological inclusionary strategies may or may not be desirable. Essentially, however, this concept—under which a developer may have the flexibility to include two or more different types of housing (such as single family, townhome, or multifamily rental) as part of an inclusionary effort—could be attractive.
- *Inclusionary "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-use 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 inclusionary-focused set of financial or procedural benefits.
- *Payment in Lieu Strategies*—allowing a participant under a voluntary or mandatory inclusionary 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 development or an affordable development fund elsewhere.
- *Promoting the Availability of Land*—while it is clear not all local jurisdictions have the same level of financial and technical resources, promoting the availability of parcels that can support density and provide adequate economic potential to make the inclusion of affordable units and the development overall not only feasible but 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 can be in position to achieve affordability objectives and possibly secure developer investments in community infrastructure by significantly reducing costs and making the parcel available for developer competition.

The track record and literature on inclusionary policies is growing over time, as is the number of cities employing some form of inclusionary strategy. While questions remain for many 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. Whether the approach is cooperative and incentive-based, or mandated by law or policy, this area remains an important opportunity for impact.

Council Role

- Convene regional conversations about inclusionary housing strategies.

- Continue to incent inclusionary housing strategies by reflecting their use in Housing Performance Scores (see Part III).
- Incent inclusionary housing strategies through comprehensive plan review by recognizing their contribution to a local government's planning for meeting their "fair share" of the affordable housing need.
- Provide data, research, and best practices on inclusionary housing.

Assess feasibility of strategies to share risk

Achieving a more socially and economically integrated region and beginning to narrow 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 what types of markets, will adequate yield on investment. 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 as used by insurance companies, which band together to guard against catastrophic risks such as floods or earthquakes, but would protect the investors' interest as opposed to self interest as with insurance company risk pools. Contributors would be mission- and financially-motivated stakeholders that have vested interest in the project-specific and larger regional outcomes. If claims against the pool were required, the individual loss to specific contributors is mitigated. Similarly, a portfolio of individual projects, all with individual risk profiles but critically including "slam dunk" projects receiving the highest tax credit pricing or attracting 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.

Council Role

- Investigate future Council roles in strategies to share risk.

Reduce or eliminate impediments to fair housing

The 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."[23] 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; and
- 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.

[23] Section 42 of the United States Code. The Fair Housing Act.

- *Real Estate Steering* is a discriminatory practice by a real estate agent that discourages households of color from pursuing homes in white neighborhoods, or where agents only show homebuyers homes 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 white household despite having a roughly equivalent qualification profile.
- *Discrimination in rental housing* is an all too common practice experienced not only by households of color but those of different national origin, people with disabilities, and other populations. Despite federal prohibitions of refusing to rent to a tenant on the basis of race, color, national origin, religion, mental or physical disability, gender, or family status, proving rental discrimination can be challenging as regulatory enforcement mechanisms are weak.

In July 2013, the U.S. Department of Housing and Urban Development (HUD) issued a proposed rule on Affirmatively Furthering Fair Housing. As of July 2014, HUD has not released a final version of the rule, which is facing political challenges in the U.S. House of Representatives. As a result, federal guidance is in flux.

Choice, Place and Opportunity: An Equity Assessment of the Twin Cities describes the region's history of discrimination and segregation by income and race. The Fair Housing Implementation Council provides a regional venue for local entitlement communities to develop the regional Analysis of Impediments to Fair Housing and to leverage their use of Community Development Block Grant and HOME funds from the U.S. Department of Housing and Urban Development to affirmatively further fair housing. However, the scope of the monitoring necessary to both understand and address the full extent of housing discrimination in the region is beyond the resources available.

The Council and the Council's Housing Policy Plan have a role to play in the larger regional fair housing conversation but lack the authority to tackle this issue alone. For example, the Council is planning to provide financial support to regional research and other activities related to fair housing, discriminatory lending practices, and real estate steering to identify where discriminatory practices are occurring and limiting housing choices. Local governments should also develop and adopt standards or policies for promoting fair housing and equal opportunity and report evidence of discriminatory housing practices, such as real estate steering. to the appropriate federal and state authorities. However, the scope of impediments to fair housing are beyond the role of the Council and its local government partners. While there is agreement that race-based disparities in mortgage and home lending patterns are result from discriminatory practices, there is no clear agreement on who is responsible for ending these practices. The Council hopes to engage in a larger regional conversation to develop strategies, roles, and responsibilities to expand fair housing in the Twin Cities region.

Council role

- Provide financial support to regional research and other activities related to fair housing, discriminatory lending practices, and real estate steering to determine if discriminatory practices are occurring and limiting housing choices.
- Collaborate in regional initiatives to address discriminatory lending practices, real estate steering or other discriminatory practices found to be limiting housing choices.
- Partner with HousingLink to connect renter households with opportunities and promote fair housing practices.

- Recognize local efforts to further Fair Housing and by including Fair Housing elements in the Housing Performance Scores
- 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 are Areas of Concentrated Poverty or Racially Concentrated Areas of Poverty and offering to serve as the data partner 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 Twin Cities resident deserves to live in a community 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 comprehensive 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, including Racially Concentrated Areas of 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 comprehensive 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 Twin Cities resident deserves to live in a community 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.
- 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 are Areas of Concentrated Poverty or Racially Concentrated Areas of Poverty.
- 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), which together strive to ensure equitable participation in projects and procurements by underutilized businesses and companies owned by people of color and women.

Part V: Next Steps

This document has repeatedly referenced additional work needed to implement this plan and to clarify concepts that need additional conversation and definition. Changes to the established Council roles in housing—including the Allocation of Affordable Housing Need, the Goals for Affordable and Life-cycle Housing, the Housing Performance Scores, and expanded roles in technical assistance—are examples of the Council's next steps to refine and implement this plan.

To that end, a summary of the work plan that has been identified throughout the plan is provided below.

Priorities through the end of 2014:

- Finalize the methodology for the revised Housing Performance Scores.
- Identify and pursue additional opportunities to use the Score as an element of evaluating funding applications submitted to the Council such as the Regional Solicitation for Transportation Funding.
- Identify indicators to measure how Council-supported projects advance equity.
- Explore how to fund the Inclusionary Housing Account.
- Plan for expanded technical assistance offerings and integrate with other Council functions.
- Refine and, if appropriate, implement the proposal to create a Sewer Availability Charge Affordable Housing Credit rule.
- 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 through 2015 and the issuance of Systems Statements:

- Finalize the methodology for the 2021-30 Allocation of Affordable Housing Need.
- Determine how to more effectively review the Housing Element and Housing Implementation Program in preparation for the 2018 round of local comprehensive plan updates and incorporate new comprehensive plan review criteria into the Local Planning Handbook.
- Inventory existing best practices to expand housing choice and identify areas requiring additional investigation.
- Evaluate the potential utility of using the Housing Elements and Implementation Plan components of local comprehensive plans as an assessment component under the Scores.
- 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.

Priorities for 2016 through 2018 (when local comprehensive plan updates are due):

- Expand technical assistance to communities that are trying to increase housing choice

Ongoing efforts:

- Participate in existing housing collaborations and seek new opportunities to partner with organizations and collectives that wish to expand housing choice
- Convene or participate in regional discussions around reducing the barriers to mixed-income housing, exploring inclusionary housing strategies, assessing the feasibility of strategies to reduce risk, and furthering fair housing.
- Elevate awareness of the opportunities to expand housing options

As part of the implementation of this plan, the Council will continue to collaborate and consult with members of the community, especially historically under-represented 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.

Implementation: Resiliency

Resiliency refers to the adaptability of something, in this case the goals and objectives of this plan. Despite our best knowledge and efforts, it is impossible to predict exactly what the characteristics of our region will be in the long-term. Some predictions are more certain than others, and while it may be all but inevitable that the population will grow and a large share of the growth will be people over the age 55, it is much more difficult to accurately predict migration patterns, which are subject to changing political and social environments, or infrastructure conditions that may drastically change due to natural disasters. While it is our duty to plan for the most likely scenarios, it is valuable to briefly consider some "what-ifs." This allows us to better prepare for contingencies and avoid unintended consequences that can render the best-laid plans ineffective at best and harmful at worst

What if some or all planned fixed-route transitways do not materialize?

This plan assumes that transitways with a Locally Preferred Alternative (LPA) approved will be built. Many housing goals and objectives direct an increase in density and intensity to where future transit stations are planned, and many communities and markets begin to factor future transit into decisions long before the lines are built or fully funded. Furthermore, the importance of housing's relationship with transit supports the many policies that recommend prioritizing a mix of housing affordability around transit. While the Twin Cities region has proven to be competitive in securing the state and federal resources required to realize planned transit expansions—largely comprised of Light Rail Transit (LRT) and Bus Rapid Transit (BRT)—there is no guarantee any additional LRT or BRT routes will be constructed beyond the existing system.

Transit-oriented-development describes development that can be highly successful even without the high-intensity transit that identifies it. A mix of uses, a walkable environment, and access to jobs and amenities describe many existing rural downtowns and suburban neighborhoods with no current access to significant transit options. If planned fixed-route transitways are not realized, well-planned transit-oriented development can still succeed—though a re-evaluation of certain key characteristics, for example parking maximums and traffic management, could be necessary.

The strategic emphasis on ensuring a mix of housing affordability near transit would also be affected if major transit investments planned for the region are not realized. While it is true that affordable housing is needed in every type of community, increased emphasis on providing a mix of housing affordability near transit may no longer be justified if the associated transit is not built. Some planned LRT and especially BRT routes would still be served by frequent bus service, but others are planned along corridors that would be more difficult to reach without the associated transitway. The market is certainly aware of this, with many developers hesitating to build projects that are not feasible without the planned transit. But public and non-profit entities are more cognizant of the rising costs of land and construction and are trying to make the most of their resources by planning ahead for increased housing options near planned transit lines. This is good planning, but an effort to review housing-related strategic acquisitions, infrastructure preparations, and key land use requirements (densities, parking requirements, etc) that are directly related to planned LRT or BRT lines should have contingency plans if those lines are not realized. Furthermore, the Council should consider any impacts on a community's Housing Element and Implementation Plan, as well as its Need, Goal, or Score that may require an intermediate adjustment prior to the next planned cycle.

What if anticipated resources do not materialize?

When it comes to affordable housing, there is more need than resources. The funding needed to fill the gap between the cost of building affordable housing and the return on investment that developers seek is already less than what is necessary to meet the Need. Nonetheless, it would be wise to consider the possibility that even today's limited funding could disappear. Because of the awareness of the gap between funding and need, most of these strategies are already on our radar, but a quick look at ways to stretch dollars and perhaps new momentum to utilize such methods is worthwhile.

Guarantees address a project's *risk* rather than its gap. Some housing projects may have everything they need to be built except the confidence of a lender. This has had great significance in the previous five years as the housing market tries to recover from the Great Recession. Lending requirements have made challenging but desirable projects, such as mixed-income and mixed-use developments, even more difficult to build. For a government or philanthropic entity that wants to support such projects, the option of using funding to guarantee the repayment of an investment has the potential to sustain multiple projects, and if done well, can build market confidence in certain types of projects.

Another way to stretch housing resources is to consider converting grant programs that protect, preserve, or create new housing options into revolving loan funds. Even at low- or no- interest, these loans are repaid and can then been used over and over again. This opportunity to fund multiple projects with the same source of funding is attractive, but risks alienating the most difficult, but important, housing projects that depend on grants to get built. While the costs and benefits of this strategy should be considered carefully, it remains a way to extend the life of housing resources.

Implementation: Measuring Success

More and more we are aware of the importance of our success as a region—our true competition is with other metro areas. While we must still be sensitive to the ability of local governments to support their individual goals and growth, we must also work together to ensure success for all. In that spirit, this conclusion to the *Housing Policy Plan* asks: what does success look like?

The importance of data, research, and objective measures has been relayed throughout this document. One of the key assets of the Council is its ability to collect, analyze, and disseminate the information that will help set priorities and evaluate success in housing policy in the region. This section of the plan allows us to measure its success by defining quantitative indicators to be evaluated and publicly disseminated annually. These indicators are not the exhaustive data and research needed to measure success and inform future efforts, but do offer the primary indicators to assess whether the region is moving in the right direction. Quantifying what we can to gauge our impact is imperative, but the purpose of doing so is not to create mandates or set specific targets. Indeed, some of the solutions we are striving for cannot be measured with data. However, thoughtful, specific indicators allow us to have a richer conversation about our progress in meeting serious housing challenges and changing course if and when appropriate.

These and other indicators will provide the objective measures that hold the Council and the region accountable for the housing goals, strategies, and policies in this plan. Measuring these indicators regularly will identify any need to amend policies and plans that are not helping us reach our goals.

Measure	What's being measured	Baseline and desired direction
1. Housing cost burden	Encourage and invest in a wide variety of housing options, including viable housing choices for low- and moderate-income households	31% of region's households pay at least 30% of income on housing 13% of region's households pay 50% or more of income ↓
2. New affordable housing created	Support housing development, including the construction of affordable housing	1,118 new affordable housing units*** built in 2012 ↑
3. Balance of low-income households and affordable housing	Create and maintain housing choices across the region	83% of the region's communities lack sufficient affordable housing* for their households with income under 30% of AMI ↓ 34% of the region's communities lack sufficient affordable housing* for their households with income between 30% and 50% of AMI ↓ 12% of the region's communities lack sufficient affordable housing* for their households with income between 50% and 80% of AMI ↓
4. Balance of low-income households and affordable housing in transit station areas**	Ensure a mix of housing affordability along the region's transit routes and corridors	X% of the region's transit areas** lack sufficient affordable housing* for their households with income under 30% of AMI ↓ X% of the region's transit areas** lack sufficient affordable housing* for their households with income between 30% and 50% of AMI ↓ X% of the region's transit areas** lack sufficient affordable

		housing* for their households with income between 50% and 80% of AMI
5. Share of regional residential development in transit areas	Foster transit-oriented development	38.2% of the total number of permitted housing units in 2012 were located within one-half mile of a transit station or hi-frequency bus line ↗
6. New affordable housing units in higher income areas	Encourage new affordable and mixed-income housing in higher-income areas of the region	X units ↑
7. Share of region's population living in Areas of Concentrated Poverty and Racially Concentrated Areas of 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	11.8% in Areas of Concentrated Poverty ↓ 9.2% in Racially Concentrated Areas of Poverty ↓
8. Share of Section 8 Housing Choice Voucher holders living in Areas of Concentrated Poverty and Racially Concentrated Areas of Poverty	Promote greater Section 8 mobility for voucher holders and greater participation in Section 8 among property owners across the region	38% in Areas of Concentrated Poverty ↓ 31% in Racially Concentrated Areas of Poverty ↓
9. Regional increase in Housing Performance Scores (Scores)	Cities across the region making a clear and demonstrable commitment to provide affordable housing	34.7 average score in 2013↑ 7 communities with scores over 80 ↑
10. Affordable housing units funded with Council programs	Council resources help create and preserve housing choices across the region	835 affordable*** units in 2012 (out of 1928 total units funded) ↗

*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
**Transit station areas are defined as ½ mile around Light Rail Transit or Bus Rapid Transit stations, either existing or planned with an approved Locally Preferred Alternative
***Only includes units affordable to households at or below 60% AMI

Appendix A: About the Housing Policy Plan Work Group

In contemplating its first housing policy plan update in nearly 30 years, the Council recognized the need to solicit input, ideas, and perspectives from a wide array of stakeholders and in a variety of forums. Among these is the Housing Policy Plan Work Group (HPPWG), a 26-person advisory team created to advise the Council on key housing issues, policies, and implementation options related to the Housing Policy Plan. This diverse 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 finance, development, operations, & long-term management
- Research findings regarding the stock of "naturally occurring affordable housing" and potential means for ensuring the ongoing viability and affordability of this often overlooked affordable resource
- The implications of *Choice, Place and Opportunity: An Equity Assessment of the Twin Cities* Assessment and the need for a concerted, shared, and sustained response
- Best practices around housing policies and policy plans from across the nation
- Key population trends and changes in preferences that need to be carefully considered in accommodating and planning for regional growth and in developing housing policy

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, through which the Council communicates to local jurisdictions their respective "fair share" of housing affordable to low and moderate income households; its Housing Performance Score system, which is used in evaluating progress toward local and regional housing goals and as part of the ranking and selection of projects under Livable Communities Act programs; and in assessing 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.

Members of the Housing Policy Plan Work Group:

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

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

Appendix B: Glossary of Affordable Housing Programs and Funding Sources

Accessibility
Refers to the design, construction, or modification of housing to enable independent living for persons with disabilities. Under the 1988 Amendments to the Fair Housing Act, seven key construction requirements must be met for a building to be accessible: accessible building entrance on an accessible route; accessible common and public use areas; doors usable by a person in a wheelchair; accessible route into and through the dwelling unit; light switches, electrical outlets, thermostats and other environmental controls in accessible locations; reinforced walls in bathrooms for later installation of grab bars; 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 single family neighborhoods, to provide a typically lower-priced housing alternative, with little or no negative impact on the character of the neighborhood. Because the units are usually small, they are more affordable than full-size rentals. There are three types of accessory units:

- Interior - using an interior part of a dwelling;
- Interior with modifications where the outside of the dwelling is modified to accommodate a separate unit (this could include a unit over the garage if the garage is attached)
- Detached - a structure on a residential lot that is separate from the main dwelling, yet by definition still "accessory" and so smaller than the main unit (this would include a unit over the garage if the garage is detached).

Affordable Housing
There is no universal, legal definition of affordable housing What is considered "affordable" by a family earning $100,000 a year will likely be out of reach for another family that earns only $25,000 a year. Incomes and housing costs also vary by location. Within the context of programs aiming to provide affordable housing, however, area median income is a typical starting point for determining what is considered affordable housing. For example, in recent years the Council has used 60% of the metro area median income in calculating and communicating local fair share of affordable housing need (*Need)*, and has counted activity by local governments serving households at or below 60% of area median income as “affordable” activities. However, this is only part of the equation. The other is the use of two rules of thumb that contemplate not just the income that a households earns, but the percentage of their income they can or should expect to pay for housing. The first rule of thumb is common in multifamily housing, where the federal government considers housing to be affordable if an income qualifying family spends no more than 30% of its income on its housing costs, including utilities. Using this benchmark, a family earning $30,000 a year could afford to pay up to $9,000 a year (or $750 a month) on housing. In the single family market, lenders underwriting home purchases typically require that families spend no more than some set percentage of income (such as 28%) for mortgage payments, taxes and insurance. It is the *combination* of these elements that determines whether housing is affordable under federal or state programs, where affordable housing exists when a household that 1) is earning an income low enough to meet the targeted income limits under a housing program (that is, at or below 60% of area median as used under the tax credit program), 2) pays no more than 30% of its gross income on housing. For the purposes of this plan, the Metropolitan Council

adopts the affordability definitions as set forth by the US Department of Housing and Urban Development (HUD), under which housing is "affordable" for low, very low, and extremely low income households when they pay no more than 30% of gross household income on housing. Low, very low, and extremely low incomes are defined as follows:

- Low Income: a household earning no more than 80% of the Area Median Income for a household of four, adjusted for family size
- Very Low Income: a household earning no more than 50% of the Area Median Income for a household of four, adjusted for family size
- Extremely Low Income: a household earning no more than 30% of the Area Median Income for a household of four, adjusted for family size

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 what share of forecasted regional household growth will make less than 80% of the Area Median Income, and therefore need affordable housing in order to not be cost burdened. The Allocation of Affordable Housing Need is the determination of each community's share of this regional need. Communicating forecasted affordable housing need numbers is the first step in helping communities determine the housing goals and objectives to be included in the housing element of their comprehensive plans.

Area of Concentrated Poverty
People living in poverty are often clustered in certain neighborhoods rather than being evenly distributed across geographic areas. Measuring this concentration of poverty is important because researchers have found that living in areas with many other poor people places burdens on low-income families beyond what the families' own individual circumstances would dictate. Many argue that this concentration of poverty is correlated with higher crime rates, underperforming public schools, poor housing and health conditions, as well as limited access to private services and job opportunities. The Council's definition of areas of concentrated poverty are census tracts where more than 40% of residents live below 185% of the federal poverty line (as context, 185% of the poverty threshold for a typical family of four in 2012 was $43,460).

Area Median Income
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, though particularly for affordable housing programs. The important uses of area median income include but are not limited to:

- Use as a housing and economic market indicator
- Use as an important element in estimating future need and affordable demand
- Use as an important distinguishing factor between extremely low, very low, low, and moderate income households and housing strategies to serve them
- A tool around which legislators envision affordable housing programs and strategies
- A key input into project underwriting, tenant screening, compliance strategies and more
- A essential component in design and implementation of housing programs

Bridge Loan (aka interim financing, gap financing)
A short-term loan that is used until a person or company secures permanent financing or removes an existing obligation. This type of financing allows the user to meet current obligations by providing

immediate cash flow. 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 & Opportunity Report
The formal name of a Fair Housing and Equity Assessment (FHEA) required by the US Department of Housing and Urban Development (HUD) as a condition of a Sustainable Community Regional Planning Grant. The report involved analysis of the region's racial and ethnic diversity, identifying Racially Concentrated Areas of Poverty (RCAPs) and High Opportunity areas, describing public investments and policies as well as the jurisdiction's fair housing landscape. This information, gather through both community engagement and secondary data sources, provides a full picture of regional equity and access to opportunity and outlines how the report's findings will inform key policies including regional planning.

Consolidated Request for Proposals (see Super RFP)

Community Development Block Grant (CDBG)
Created under the Housing and Community Development Act of 1974, this 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. CDBG replaced several categorical grant programs, such as the Model Cities program, the Urban Renewal program, and the Housing Rehabilitation Loan and Grant program.

Community Fix-Up Program (Minnesota Housing)
This program assists communities to address specific home improvement needs and goals by promoting partnerships between Fix Up lenders and community organizations. The partnerships provide for the origination and purchase of qualifying Community Fix Up loans that provide supplemental funds and/or other value-added incentives or services to borrowers. Community Fix Up loans have a slightly lower interest rate than Fix Up loans. A pool of funds is available to the approved initiative for two years as long as Agency funding is available and the Fix Up lender remains in good standing with Minnesota Housing.

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 that future residents will have the same affordable home ownership opportunities. A Community Land Trust (CLT) creates affordable housing by taking the cost of land out of the purchase price of a home. It keeps housing affordable for future buyers by controlling the resale price of houses on CLT land through a ground lease and resale formula. Home owners leasing CLT land under their home enjoy the security, control, tax advantages and ability to build equity just like any home owner. If they sell their home, the resale formula insures that the home remains affordable for the next family.

Community Revitalization Plan
A large-scale, coordinated effort to restore vibrancy to communities that have faced long-term disinvestment, to create economic and other opportunities for low-income residents, to avoid displacement and gentrification as revitalization activities are underway, and that allow current residents to benefit from revitalization efforts. Location of a project in an area under a Community Revitalization Plan is often integrated in Qualified Allocation Plans for Low Income Housing Tax Credits.

Comprehensive Plan
Plans prepared 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.

Construction Loan
A short-term loan 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. Because there is no guarantee that the builders will be able to obtain long-term funding and a construction loan is not intended to fund an entire project, construction loans are fairly risky, and, as a result, have high interest rates.

Credit Enhancement
Credit enhancement in general terms can be defined as a measure taken with the goal of reducing credit risk and boosting the credit rating of a security. 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. Credit enhancements play an important role in asset securitization as they are particularly important to credit rating agencies.

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 projected by local ordinances such as steep slopes.

Density Bonus
Density bonuses are a zoning tool that that permits developers to build more housing units, taller buildings, or more floor space than normally allowed, in exchange for provision of a defined public benefit, such as a specified number or percentage of affordable units included in the development. An affordable housing density bonus program can be designed to allow developers to contribute to a housing fund in lieu of building the affordable units.

Developer
A developer is an individual that builds on land, thereby increasing its value. The developer may be an individual, but is often a partnership or a corporation. Developers are extremely concerned with providing useful buildings and structures. Useless buildings have no value, which means they can't be sold or rented. However, the building can only sell if it's in the right location, has utilities (defined as the availability from adjacent public roadways and with a sufficient capacity of water, sanitary sewer, storm sewer, electrical power, natural gas, telephone and cable) construction costs can be managed, and the project completes on time. Typically this involves retention of a professional engineer who specializes in supervision of construction and an architect to design an attractive, welcoming development. Many developers retain long-term ownership of profitable rental properties.

Disadvantaged Business Enterprise (DBE) Program
The Metropolitan 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. The DBE program is a project for increasing the participation of women and minority owned businesses in the award of federally assisted contracts. The methods of administering these two federally mandated programs are very similar.

The US DOT DBE Program requires the Council to set a general participation goal, an aspirational goal for DBE participation on a project. The Council has set a three-year DBE goal of 15.5% for federal fiscal years 2013-2016 on USDOT assisted projects. Most US DOT-assisted Council Transit contracts adopt the 15.5% DBE goal, but when the participation general goal might not be appropriate contract specific goals are utilized. Contract specific goals are for individual contracts and are calculated by the relative availability of DBEs and other appropriate information.

The Council also participates in the U.S. Environmental Protection Agency (EPA) DBE program for federally funded environmental services-related projects. The EPA grants federal funds to the Metropolitan Council through a revolving loan fund established through the Minnesota Public Facilities Authority (PFA) for Environmental Services infrastructure projects such as wastewater treatment network and facilities. These requirements are designed to encourage loan recipients and prime contractors to utilize DBEs whenever procurement opportunities occur.

Unlike the US DOT DBE program, the EPA DBE Program categorizes DBEs into further designations:

- Women Business Enterprise (WBE)
- Minority Business Enterprise (MBE)
- Minority Women Owned Businesses (WBE/MBE). Firms who are certified as Minority Women Owned Businesses (WBE/MBE) can be utilized towards the WBE and MBE goal.

The EPA requires the Council to establish “Fair Share” participation goals, the current fair share goals for 2013-2016 are designated into MBE and WBE Goals.

- For construction contracts - 5% MBE & 5% WBE
- For design projects - 7% MBE & 7% WBE

Emergency Loan Program (Minnesota Housing)

Provides a 0%, 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 and other hazardous toxins, repair or replacement of failed electrical, plumbing, heating, septic, ventilation, or other systems, structural failure, roof repair, and other emergency conditions.

Emergency Solutions Grants (ESGs, fka Emergency Shelter Grants)

The Emergency Solutions Grants Program (ESG) 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. Congress authorized and funded “enhanced vouchers” to subsidize rents for tenants facing opt-out or prepayment, but only upon occurrence of a specified "eligibility event."

Equal Opportunity
A principle of non-discrimination which emphasizes that opportunities in education, employment, advancement, benefits and resource distribution, and other areas should be freely available to all citizens irrespective of their age, race, sex, religion, political association, ethnic origin, or any other individual or group characteristic unrelated to ability, performance, and qualification.

Fair Housing Act
A federal law originally passed in 1968. The law prohibits discrimination by landlords, real estate agents, municipalities, lenders, and homeowners' insurance companies, if the discriminatory practices make housing unavailable to people because of race or color, religion, sex, national origin, family status, or disability. Discrimination includes such things as steering, redlining, and imposing greater requirements on some groups than on others. Limited accessibility that makes housing practically unavailable for persons with disabilities is a form of discrimination. Housing providers may not unreasonably limit the number of people living in a unit or restrict families to only certain areas of a complex. It is, however, legal to limit a project to people over 55, as allowed by the Housing for Older Persons Act of 1995.The many faces of discrimination are varied and sometimes subtle. It is recommended that all persons involved in real estate become thoroughly familiar with the law.

Fair-Market Rent
Fair Market Rent (or FMR) is calculated by HUD to estimate the rent that would be required to be paid in the particular housing market area in order to obtain privately owned, decent, safe and sanitary rental housing of modest (non-luxury) nature with suitable amenities. This Fair Market Rent includes utilities (except telephone).

Fast-Track Permitting or Approval
An attempt to shorten the duration of a development project by scheduling tasks typically undertaken in sequential order at the same time or over a shortened period. To fast-track local permitting and approval processes, local governments may look to eliminate unnecessary steps in its processes. The promise of a faster, simpler, and more predictable experience can be a powerful incentive to developers eager to begin construction and minimize holding costs.

Feasibility Study
An analysis of the ability to complete a project successfully, taking into account legal, economic, technological, scheduling and other factors. Rather than just diving into a project and hoping for the best, a feasibility study allows project managers to investigate the possible negative and positive outcomes of a project before investing too much time and money.

Federal Home Loan Banks (FHLBs)
An organization created by the Federal Home Loan Bank Act of 1932 to increase the amount of funds available for lending institutions who provide mortgages and similar loan agreements to individuals. This system was created in response to the depressive economic conditions of the era, which had impaired the U.S. banking system. Having served its original objectives well, the FHLB system now primarily focuses on increasing the amount of loanable funds available for affordable housing and community development projects. It continues to have a material impact on housing and development financing, offering funds to member institutions at rates that are usually lower than commercially competitive prices.

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. When the Federal Housing Administration was established in 1934, it was intended to stimulate the housing industry. By providing insurance to lenders, the idea was that more people would be able to qualify for mortgages, and therefore, purchase a home. FHA loans are generally given to people who otherwise would be unable to qualify for a conventional home mortgage loan.

Federal Mortgage Interest Deduction
A common itemized deduction that allows homeowners to deduct the interest they pay on any loan used to build, purchase or make improvements upon their residence. The mortgage interest deduction can also be taken on loans for second homes and vacation residences with certain limitations. The amount of deductible mortgage interest is reported each year by the mortgage company on Form 1098. This deduction is offered as an incentive for homeowners.

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 unique 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 be reticent to originate regardless of rate considerations (that is, early in the development process where the rate of project fall-out is much higher).

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. These tools may also be effectively combined with local control adjustments or incentives such as relaxed parking requirements or provision of a density bonus to provide a compelling proposition to potential developers.

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.

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

- Affordability Gap: occurs when the monthly mortgage payment 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 that the local market will bear

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. The spate of mortgage foreclosures that swept the nation during and following the Great Recession is still heavily impacting housing markets, communities, and individuals' lives. As a result, foreclosure relief, recovery, mitigation, and counseling programs are still a high priority for many housing focused government and non-profit actors.

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
To compete for Livable Communities Act funding, communities must negotiate long-term affordable and lifecycle housing goals with the Council and develop a Housing Action Plan. The LCA's emphasis is on cooperation and incentives to achieve regional and local goals, including negotiated housing goals.

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. This type of agreement is often made if the borrower is an unattractive candidate for a loan. It is a way for people in dire need of financial assistance to acquire funds, without putting excessive risk on the lending financial institution.

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

Housing Performance Scores (the Scores)
The scoring system created and employed by the Met Council to evaluate city and county performance in the housing domain. The Housing Performance Scores uses a combination of survey, primary, and secondary data sources to derive a score for each community, and this is performed on an annual basis. Recommendations for a revised scoring system and new applications for using the Scores are major components of this Housing Policy Plan as described in Part III.

HOME Investment Partnerships Program
Provides formula 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 (Section 8 Program)
Federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible Households to use in the housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and the tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

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 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 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.

HousingLink
Established as a result of the 1995 Hollman v. Cisneros Consent Decree, which sought improved housing conditions and greater locational choice for families participating in the Section 8 voucher and public housing programs. The decree stipulated that an affordable housing information clearinghouse be established to ensure that low-to-moderate income families have access to the affordable housing information they need. To meet this stipulation, HousingLink was organized in 1997 as a 501(c)3 organization to meet this need, and began providing vacancy information as well as training and support to housing service agencies. Since that time, HousingLink has become Minnesota's primary source for affordable housing-related openings, data, information and resources.

Housing Opportunities for Persons with Aids (HOPWA)
The Housing Opportunities for Persons with AIDS (HOPWA) Program is a Federal program dedicated to the housing needs of people living with HIV/AIDS. Under HOPWA, HUD makes grants to local communities, States, and nonprofit organizations for projects that benefit low-income persons living with HIV/AIDS and their families.

Housing Revenue Bonds
Bonds issued to finance construction or rehabilitation of multi-family 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, in whole or in part, by federal agency guarantees or subsidies.

Implementation Plan (part of Comprehensive Plan)
In addition to the Housing Element of the Comprehensive Plan, local communities 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.

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 new construction mixed-income development, which could be owner-occupied or rental (or a combination of both), with a variety of prices and designs serving families with a range of incomes and housing needs. Under statute any funding awards made by the Metropolitan Council under this account must give preference to economically viable proposals to the degree that they: (1) use innovative building techniques or materials to lower construction costs while maintaining high quality construction and livability; (2) are

located in communities that have demonstrated a willingness to waive local restrictions which otherwise would increase costs of construction; and (3) include units affordable to households with incomes at or below 80% of area median income. Special priority is to be given to proposals where at least 15% of the owner-occupied units are affordable to households at or below 60% of the area annual median income and at least 10% of the rental units are affordable to households at or below 30% of area annual median income. The account also states that the Council "may work with municipalities and developers to provide incentives to inclusionary housing developments such as waiver of service availability charges and other regulatory incentives that would result in identifiable cost avoidance or reductions for an inclusionary housing development."

Inclusionary Zoning
Programs that originated in the early 1970s aiming to stimulate the production of affordable housing. Generally, these programs require that a minimum percentage of new housing units be set aside for low income households. Inclusionary zoning can be mandatory or voluntary. The goals of such programs are usually to help integrate people of multiple income levels into new developments and to avoid over-concentration of low and moderate income populations.

Income Limits
Maximum Household income by county or Metropolitan Statistical Area , adjusted for Household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income Limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes Income Limits each year for 30% of area median income , Very Low Income (50%), and Low-Income (80%), for households with 1 through 8 people.

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. Investment guarantees are relatively common in real estate and construction projects.

Livable Communities Act
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:
- Tax Base Revitalization Account (TBRA) – Cleans up brownfields for redevelopment, job creation and affordable housing.
- Livable Communities Demonstration Account (LCDA) – Supports development and redevelopment that links housing, jobs and services while demonstrating 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.

A portion of the funds in the first two accounts are targeted for transit-oriented development (TOD) projects. To compete for LCA funding, communities must negotiate long-term affordable and lifecycle housing goals with the Council and develop a Housing Action Plan to accomplish these goals.

In 2014, 94 participating communities are eligible to compete for funding from all three LCA accounts.

The LCA's emphasis is on cooperation and incentives to achieve regional and local goals. Local communities are positioned well to make decisions about how their cities and towns will grow and develop, but the LCA recognizes it often takes partnerships and shared resources to move from community plans to tangible results.

Livable Communities Demonstration Account, Livable Communities Act

The Livable Communities Demonstration Account (LCDA) funds innovative (re)development projects that efficiently link housing, jobs, services, and transit in an effort to create inspiring and lasting Livable Communities. Grants are available to fund basic public infrastructure and site assembly. Successful LCDA projects:

- Connect housing, jobs, civic sites, retail centers and local/regional transportation systems.
- Demonstrate a variety of housing densities, types & costs, creative placemaking, environmentally sensitive development, and compact land use.
- Catalyze additional development that efficiently uses land and infrastructure, and supports vibrant, diverse communities.

Previously funded project elements include street improvements, plazas, parks, demolition, design, development plans, implementation techniques, market studies, storm water management, zoning, land acquisition, master plans, utility relocation, site assembly and reconstruction.

Local Housing Incentives Account, Livable Communities Act

LHIA funds the expansion and preservation of affordable housing for rental and ownership to help municipalities meet their negotiated LCA housing goals. Grant funds cover gap financing costs such as land/property/structure acquisition, demolition, site preparation or infrastructure, general construction/structural additions, alterations and rehabilitation, interior and exterior finishing, roofing, electrical, plumbing, heating and ventilation. Soft costs, such as architects fees and travel expenses, are ineligible.

Communities participating in the Metropolitan Livable Communities Housing Incentives Program may apply for LHIA funds through the Super RFP and Application distributed by the Minnesota Housing Finance Agency. When submitting an application, municipalities must include an Acknowledgment of Receptivity form from the local unit of government and agree to match grant funding on a dollar-for-dollar basis.

Local/Land Use Controls/Regulations

Ordinances of government including requirement of permits and codes created to ensure private use of land resources are aligned with policy standards. Some forms of land use regulations including 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 the Alternatives Analysis phase of the Federal Transit Administration's New Starts/Small Starts application process. 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. For this reason, 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, or tax credit program) has become the premier financing tool for the development of new affordable housing, as well as the rehabilitation or acquisition and rehabilitation of existing affordable properties. Administered at the federal level by the IRS, rather than the more typical housing partner HUD, the tax credit program financed over 1.2 million units by 2010, distributed through more than 17,000 properties nationwide.

The LIHTC Program is formula-based, and sets a cap on the amount of credits a designated state agency or other "housing credit agency" (often referred to as suballocators) can award to projects annually through required "Qualified Allocation Plans," or QAPs. In Minnesota, the Minnesota Housing Finance Agency is the lead allocation entity, though in the seven county metro there are four suballocators—Minneapolis, Saint Paul, and Dakota and Washington counties.

While tax credit financing is complex, the concepts underlying it are relatively simple. Owners or developers of affordable projects need upfront capital to get their projects underway and built. This money can be contributed by the owner, developer, or by private investors. In exchange for the front-end infusion of capital, the owner or investors (most typically investors, who often purchase credits through tax credit "syndicators") can claim a dollar for dollar tax credit against their tax liabilities each year for 10 consecutive years. In this way, the program uses market and investment oriented principles to incent affordable development. Housing tax credits come in two primary forms—limited resource "9% credits" that are competitively awarded and count against the state tax credit volume cap, and "4% credits," a less scarce resource that generally do not count against the cap. Tax credit transactions are also often aided through the issuance by Minnesota Housing or other "Entitlement Issuers" of tax exempt bonds (subject to a state bond volume cap) that contribute to the project's "eligible basis" and help determine the amount of tax credits awarded to a given project.

Manufactured Housing & Manufactured Housing Parks
A housing unit constructed primarily off-site prior to being moved to a piece of property where it is set. The cost of construction per square foot is usually considerably less for manufactured housing than for traditional on-site homes (stick-built homes). This type of housing also includes "modular homes" - homes divided into multiple sections that are constructed off-site, then assembled like building blocks at the property. Financing a manufactured home can be different than financing a stick-built home. If the manufactured home is purchased separately from the land on which it will sit, a personal property loan is the most common type of financing. Personal property loans carry a higher interest rate than traditional mortgages. If the manufactured home and the land are purchased together, a traditional mortgage might be available. The Federal Housing Administration and Department of Veterans Affairs have manufactured-housing loan programs.

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 the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining project-specific demand.

Market Rate Rent
The rent that an apartment, without rent or income restrictions or rent subsidies, would command in the *primary market area* considering its location, features and amenities. Market rent should be adjusted for *concessions* and owner paid utilities included in the rent.

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 land-use planning policy in the seven-county Minneapolis-St. Paul metro region. While its intent and provisions extend well beyond housing, the statute requires that communities adopt comprehensive plans that "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 use of official controls and land use planning to promote the availability of land for the development of low and moderate income housing." (Minn. Statute §473.859, Subdivision 2).

Minnesota Housing Finance Agency (Minnesota Housing)
The state's "affordable housing bank" created by the State Legislature in 1971 and one of the 50 state "housing finance agencies." State housing finance agencies are provided specific revenue-raising and other authorities including: the authority to issue mortgage revenue bonds to raise capital for first-time homebuyer loans; the responsibility of distributing Low Income Housing Tax Credits (through the Qualified Allocation Plan or QAP); and responsibility as the "state participation jurisdiction" under the HOME Investment Partnerships Program. In addition to these core activities, Minnesota Housing receives and allocates funds (both federal and state), serves as a pass-through, and directly acts as a lender, guarantor, and funder for a wide range of single family and multifamily activities. Minnesota Housing's reach in 'touching' affordable housing activities serving low and moderate income households cannot be underestimated given its range of professional services, technical assistance, support to non-profits, and much more. The Agency also earns significant income on its investment which are used both to retain high credit ratings and for mission-oriented investments in housing. Major programs offered by Minnesota Housing include:

- Mortgage Revenue Bond programs for 1st-time homebuyers
- Fix-Up and Community Fix-Up
- Impact Fund
- Rehabilitation Loan and Emergency and Accessibility Loan programs
- Preservation Affordable Rental Investment Fund
- Low and Moderate Income Rental Loan Program
- HOME Affordable Rental Program (HOME HARP)
- Economic Housing & Development Challenge ('Challenge')
- Publicly Owned Housing Program

Minority-Owned Business Enterprise (MBE)
A minority-owned business means a business at least 51% of which is owned and controlled by minority group members; or, in the case of a publicly-owned business, at least 51% of the stock of which is owned and controlled by minority group members. Identified minority groups are generally defined as having an ethnic background consisting of Asian, Black, Latino, East Asian Indian or Native American. Under certain HUD programs, each contractor must comply with requirements for outreach and affirmative efforts to achieve goals for minority business participation. The Minnesota Housing Finance Agency, when administering funds to which MBE requirements apply, sets a goal that 11% of all contract dollars be let to minority-owned and controlled business in the seven-county metro.

Mixed-Income Housing
A mixed-income housing development can be defined as a development that is comprised of housing units with differing levels of affordability, typically with some market-rate housing and some housing that is available to low-income occupants below market-rate. The "mix" of affordable and market-rate units

that comprise mixed-income developments differ from community to community, and can depend, in part, on the local housing market and marketability of the units themselves. One of the challenges in developing mixed-income housing is determining a mix of incomes that can be sustained over time. In practice, there is no single formula, or standard definition, of mixed-income housing. Communities and developers around the county must evaluate local market conditions, and develop locally supported concepts and characteristics of the mixed-income development.

Mixed-Use Development
Development projects may be classified as "mixed-use" if they provide more than one use or purpose within a shared building or development area. Mixed-use projects may include any combination of housing, office, retail, medical, recreational, commercial or industrial components. These projects might vary in scale from a single building occupied by a retail shop on the ground floor with an upstairs apartment to a comprehensive "urban village" development with multiple buildings containing separate but compatible uses such as a retail center, office building and medical clinic located adjacent to a multi-family housing complex. A single owner and business operator might occupy a mixed-use building, or multiple housing and commercial tenants could lease space within a mixed-use development project. Mixed-use projects often involve the redevelopment of buildings and blocks located in aging inner-city commercial districts. However, new construction of mixed-use development is occurring in urban and suburban communities as well.

Moderate Income
Person or Household with gross household income between 80 and 120% of area median income adjusted for household size.

Mortgage Insurance
An insurance policy that compensates lenders or investors for losses due to default of a mortgage loan. It is provided publicly the Federal Housing Administration (FHA) and by a network of corporate insurers through what is called private mortgage insurance. Mortgage insurance can apply to both single and multifamily properties, and is often a condition of the financing. In single family lending, for example, a borrower typically needs to put a down payment of 20% or more to avoid having to pay for mortgage insurance.

Mortgage Revenue Bond (MRB) Programs
The ability to sell mortgage revenue bonds helps raise capital used as a funding source for home mortgages. Mortgage revenue bonds help low- and middle-income first-time home buyers by offering long-term mortgages at below-market rates. A state can issue mortgage revenue bonds (a form of tax-free municipal bond) to investors, then use the capital proceeds to invest in that state's MRB home loan program. In order to qualify, prospective home buyers must earn below stated threshold levels for annual income, and must otherwise financially qualify for a mortgage from a conventional lender. Many mortgages that were funded by MRBs first originated through the Federal Housing Administration (FHA), Freddie Mac and Fannie Mae.

Multifamily Housing
Generally, the term referring to any residential structure 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 moderate and low 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, approximately 16.7% of the US population, approximately 51 million people, lives in a multigenerational household.

Naturally Occurring Affordable Housing

Simply put, naturally occurring affordable housing is housing that hasn't been publicly subsidized, or if it has where income and rent restrictions tied to the public finance have already been satisfied per original terms. The rent prices that the housing can demand in the 'non-subsidized 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, and is high enough to compel private consumers to avail themselves of the housing in a limited market of housing affordable and practical to household needs. Such housing presents unique challenges and opportunities to stakeholders in the housing community, including funders, bankers, building owners and management firms, advocacy groups, city officials, and others.

This unique housing stock is significant; as estimated in the "Space Between' report, unsubsidized rentals in the Twin Cities metro area comprise at least 57% of units affordable to households at or below 50% of Area Median Income (HUD's definition of "Very Low Income"), or approximately 120,000 housing units. Furthermore, 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.

Notices of Funding Availability (NOFAs)

These public advertisements that funding is being made available for a specified purpose are similar, but typically less intensive, than a Request for Proposals (RFP). At minimum, a NOFA will contain information on eligible applicants for the funding, eligible uses for the funding, the timeline for selection or award, and any special priorities, preferences, or requirements that will be used to evaluate applications to receive funds under the NOFA.

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 loan provided to a developer to cover early, pre-construction costs such as conducting a market study, feasibility, or housing needs study; obtaining site control (that is, entering into a purchase agreement); conducting environmental studies; identifying financing resources; preliminary cost analysis and design; obtaining government approvals to proceed, soliciting and reviewing construction bids. Predevelopment loans are considered to be risky due to the high probability of project fall-out. As such, it is a niche product often only offered from mission-oriented financial intermediaries. Like any loan, it can be interest bearing or non-interest bearing, repayable or forgivable, or with deferred payment. In certain instances predevelopment funds may be provided in the form of a grant.

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. The program is administered by HUD, which distributes the funds and issues regulations and policy notices which the individual owners and operators of this housing must follow. In Project Based Section 8 buildings, every apartment is subsidized directly by HUD, 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 buildings may not transfer their subsidies to a new location. When a tenant moves, the subsidy is made available to the next income-qualified tenant to occupy the apartment. No project-based Section 8 buildings have been built since 1983 when authorization for new Section 8 projects was repealed, making the preservation of Project-Based Section 8 properties (the financing of which is usually conditioned on the owner's willingness to remain in the program which keeps the federal subsidy intact) a top priority for many funders of affordable housing.

Public Housing
Public housing is housing financed by the federal government under the Public Housing Program and owned and operated by local housing authorities (often Public Housing Authorities, or PHAs) with ongoing capital and operating funds administered by HUD. Originally designed to accommodate families displaced by Urban Renewal, returning GIs after World War II, and African Americans moving from the agrarian south to the industrial north (the second of two "Great Migrations"), Public Housing became notorious in many communities due to poor physical design, lack of adequate upkeep, and extreme concentration of poverty. Despite the stereotypical image of Public Housing as a collection of desolate high-rise 'superblocks'—typified by massive developments such as St. Louis's Pruitt-Igoe Homes and Chicago's Cabrini Green—Public Housing comes in a surprising range of sizes and types, from scattered site single family houses to high-rise apartments for the elderly. Today, there are approximately 1.2 million households living in Public Housing units nationwide, managed by some 3,300 housing authorities. In Minnesota, there are 141 communities with at least one Public Housing asset, and the high rate of occupancy by the elderly, disabled, and single headed households with children make it an overlooked but critical part of the affordable housing stock.

The Public Housing Program has suffered from chronic underfunding and much of the stock faces severe capital needs and modernization. The Minnesota State Legislature has stepped up in recent years, allocating G.O. bonds for improvements to Public Housing assets, including a $20 million appropriation in the 2014 session. In the metro area the following cities and counties own and operate Public Housing assets: Bloomington, Carver County, Columbia Heights, Dakota County, Forest Lake, Hennepin County, Hopkins, Minneapolis, Mound, Plymouth, Ramsey County, Richfield, Scott County, South Saint Paul, St. Louis Park, Saint Paul, and Washington County.

Racially Concentrated Area of Poverty (RCAP)
Race makes a difference in shaping the region's geography of poverty and differentiates RCAPs from other areas of concentrated poverty. By limiting the ability of people of color to leave areas of concentrated poverty, race-specific barriers to housing choice perpetuate RCAPs. The Council defines racially concentrated areas of poverty as to census tracts where 40% or more of the households earn incomes that are less than 185% of the federal poverty level and 50% or more of the residents are people of color.

Rehabilitation Loan Program
The 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

disabled household resident, subject to prior approval by Minnesota Housing. Loans are originated by a network of participating lenders. In the metro area these include Anoka County HRA, Community NHS (Ramsey County & Saint Paul), Dakota County CDA, Greater Frogtown Community Development Corporation (Saint Paul) Greater Metropolitan Housing Corporation (Minneapolis, Ramsey County, Saint Paul, Washington County), Hennepin County HRA, Minnesota Valley Action Council (Scott County), Neighborhood Housing Services of Minneapolis, and Project for Pride in Living (Minneapolis, Saint Paul).

Rental Assistance Demonstration (RAD) Program
RAD allows PHAs and private owners of certain at-risk, federally assisted properties to convert their current assistance to long-term Section 8 contracts. 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. The program has two components:

- 1st Component - Allows Public Housing and Moderate Rehabilitation (Mod Rehab) properties to convert, under a competition limited to 60,000 units, to long-term Section 8 rental assistance contracts; and
- 2nd Component - Allows Rent Supplement (Rent Supp), Rental Assistance Payment (RAP), and Mod Rehab properties to convert tenant-based vouchers issued upon contract expiration or termination to project-based assistance.

RAD is considered a central part of HUD's current rental housing preservation strategy.

Requests for Proposals (RFPs)
A type of bidding solicitation in which a company or organization announces that funding is available for a particular project or program, and companies can place bids for the project's completion. The Request For Proposal (RFP) outlines the bidding process and contract terms, and provides guidance on how the bid should be formatted and presented. A RFP is typically open to a wide range of bidders, creating open competition between companies looking for work. A Request For Proposal for a specific program may require the company to review the bids not only examine their feasibility , but also the health of the bidding company and the ability of the bidder to actually do what is proposed. The RFP may provide detailed information on the project or program, but can leave leeway for the bidder to fill in the blanks with how the project would be completed or program run.

Requests for Qualifications (RFQs)
A RFQ is often used prior to the release of a Request for Proposals (RFP) to describe to would-be applicants the minimum qualifications for those interested in responding to the RFP and allowing for applicants to demonstrate their experience, financial position, or other required qualification aspects.

Right of First Offer
As used in the plan, a contractual obligation by the owner of an asset (public or private) to a rights holder (likely a government or non-profit organization) to negotiate sale of an asset with the rights holder before offering the property for sale to third parties. If the rights holder is not interested in purchasing the subject 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*. As used in this plan, right of first refusal would provide the right, but not the obligation, of a specific entity (likely a government or non-profit organization) or chain of entities to purchase a subject property. If the entity with the right of first refusal declined to purchase

the property/enter into the transaction, the property owner would be free to open bidding up to any 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
Provides capital advances to finance the construction, rehabilitation or acquisition (with or without rehabilitation) of structures that will serve as supportive housing for very-low-income elderly persons, including the frail elderly, and provides rent subsidies for the projects to help make them affordable. The program provides grant and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of AMI. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

Section 3
Most assistance under HUD housing or community development programs (that is, work connected with housing construction, reconstruction, conversion or rehabilitation) is considered “Section 3 Covered Assistance” and recipients must make dedicated efforts to extend contractual, labor, and procurement opportunities to Section 3 Residents and Section 3 Business Concerns. Although Section 3 is a goals-based program, strict reporting requirements and demonstration of good faith efforts are required.

A Section 3 resident is a resident of a metropolitan statistical area or non-metro county in which Section 3 covered assistance is expended who is either:

- A public housing resident; or
- A low or very low-income person

A Section 3 Business Concern is a business that meets one of the following criteria:

- It is at least 51% owned by Section 3 residents
- At least 30% of its full time employees are Section 3 residents, or were Section 3 residents within 3 years of their first employment with the company
- Provide evidence of a commitment to subcontract more than 25% of the dollar award of all subcontracts to business concerns that meet the first two bullets

Section 8 Housing Choice Voucher
Provides rental assistance to low-income families who are unable to afford market rents. Assistance may be in the form of vouchers or certificates. Program participants can use the voucher with any property owner that has applied and been accepted into the program, and at times can even take the voucher outside of the jurisdiction in which it was issued (referred to as ‘portability’). In a large portion of the metro, the Council’s Metro HRA serves as the allocating agency for Housing Choice Vouchers, with more than 6,500 households currently served.

Section 811 Program
Through the Section 811 Supportive Housing for Persons with Disabilities program, HUD provides funding to develop and subsidize rental housing with the availability of supportive services for very low-

and extremely low-income adults with disabilities. The program allows persons with disabilities to live as independently as possible in the community by subsidizing rental housing opportunities which provide access to appropriate supportive services. Section 811 provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization.

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.

The SAC fee is assessed on a per unit basis, and is usually assigned when a building permit is issued--either for a new building or issuance of a remodeling permit, or when a connection permit is issued for an existing building connecting to the sanitary sewer system for the first time (as might happen through sewer expansion). One SAC unit equals 274 gallons of maximum potential daily wastewater flow capacity. For context, a freestanding, single-family residence is charged one SAC unit, also called a base unit, which for 2014 was $2,485. Other types of buildings, including multifamily residential, pay a prorated SAC fee based on the estimated potential capacity of wastewater they may need.

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 quads) are treating as single family housing.

Steering
A term used to describe the illegal practice of real estate agents only showing certain ethnic groups located in specific ethnic areas.

Subsidized Housing
Most housing – affordable or otherwise – is provided by the private market place. That is, developers, homebuilders or landlords compete to sell or rent units to potential home buyers or tenants. Some households, however – particularly lower-income households – are at a great disadvantage when it comes to renting or buying market-rate homes. They may have to pay excessive portions of their income, crowd in with other families to pool resources, or live in substandard conditions. That is why various government programs have been created to help people obtain decent, affordable homes.

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. Many communities have long waiting lists for housing assistance. Housing supported by public investment for people on lower incomes in which rent or mortgage costs do not exceed a specific percentage, usually 30%, of the gross annual household income.

Tax Abatement
Reduction of or exemption from tax granted by government for a specified period, usually to encourage investment activities.

Tax Base Revitalization Account
TBRA provides $5 million annually to investigate and clean up brownfields - contaminated land, ground water, or buildings - for redevelopment. As one of the Metropolitan Council's Livable Communities funding accounts, TBRA provides key support for a wide range of projects, from affordable and market rate multifamily housing to commercial and industrial redevelopment. Council goals for TBRA include:

- Clean up contaminated sites in the 7-county metropolitan region
- Increase communities' local tax base
- Add or preserve living wage jobs
- Produce affordable housing
- Expand each community's range of housing choices
- Develop compactly
- Efficiently use existing transit and sewer services
- Encourage use of existing parks or walking trails
- Support projects that are poised for redevelopment

From 1996-2013, the Metropolitan Council awarded 370 pollution cleanup grants totaling over $99 million to projects in 45 cities and towns. New and completed projects are projected to net over $96 million increase in annual net tax capacity and more than 43,000 new and retained jobs.

Tax Credit
An item that reduces your actual tax. It differs from a tax deduction that reduces only your taxable income. A tax credit is generally much more valuable than a deduction, as the tax credit reduces the actual amount of tax that must be paid. A deduction, on the other hand, only reduces the taxable income. Therefore, the tax deduction is subject to the variation in the progressive tax rate. A tax credit does not depend on the tax rate and so it is of equal value to a taxpayer regardless of his income level.

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. An exemption is based on a status or circumstance rather than economic standing.

Tax Increment Financing
Financing procedure utilized by many local governments for redevelopment and improvement projects on existing structures. The cost of the improvements is assessed to future tax revenues by each taxing unit that levies taxes against the property. The taxing unit at the local level is responsible for determining how much of the increase in property tax due to the improvements will be used to repay the construction costs. The property that is seeking to use tax increment financing must be located with the city's jurisdiction.

Tenant Protection Voucher
Congress authorizes "tenant protection" vouchers to subsidize rents for tenants facing certain housing conversion actions not covered by enhanced vouchers (see enhanced vouchers above). These conversion actions include such events as conversions of public housing through demolition, sale or otherwise, foreclosures of HUD-subsidized mortgages, agency-initiated terminations of project-based Section 8 contracts, or, more recently, certain other prepayments. These tenant protection vouchers are ordinary Housing Choice Vouchers administered by the PHA, and include neither a higher payment standard nor a right to remain in occupancy. Sometimes, even though a conversion event might be nominally eligible for enhanced vouchers, because the condition of the property does not comply with

voucher Housing Quality Standards, the tenant must move in order to receive continued assistance and the vouchers are treated as ordinary tenant protection vouchers.

Super RFP (aka Consolidated Request for Proposals)
Housing development and finance is a complicated field, requiring a wide array of professional specialties, a high level of coordination and organization, and almost invariably, collaboration between local officials, project development teams, and public or private lenders. In addition, multifamily projects, and many single family developments, require numerous financing sources—at times as many as 10 or 12—to complete a single project. Looking to minimize risk exposure, funders for affordable housing development will typically each take a conservative view to the project's underwriting and the assumptions made by the development team as pertain revenues and operating expenses, may differ in their approach toward and requirements for project operating and capital reserves, and increasingly seek to be the "last one in," as it is considered less risky to commit loan or grant funds to a project that has already demonstrated the ability to secure all other needed sources. For developers, the time investment in terms of human and financial capital is significant as they assemble a complete list of sources, go through various processes to garner support and approvals, and gear up to ensure that compliance requirements tied to each funding source are managed and met.

In an effort to make the process of securing and deploying funding resources more predictable, efficient, and transparent, the state's primary affordable housing lender, the Minnesota Housing Finance Agency (or Minnesota Housing), coordinates what is known as the "Super" or "Consolidated" Request for Proposals (RFP). The Super RFP allows the Agency and its funding partners (Family Housing Fund, DEED, Greater Minnesota Housing Fund, MN Department of Health, and the Met Council) to use a single funding application and apply for several resources at once. This also provides flexibility as creative finance packages that best fit each project can be assembled during the project review and selection processes.

In addition, Minnesota Housing is also the primary allocating entity for federal low-income housing tax credits, the primary tool for new affordable development and major rehabilitation. The bulk of the state's tax credits are allocated through the Minnesota Housing Qualified Allocation Plan (QAP), and in the metro region through four "sub-allocators"—Dakota and Washington counties, and the cities of Minneapolis and Saint Paul. Through the Super RFP and concurrent solicitation for projects through the QAP, Minnesota Housing and its funding partners can make an array of housing resources available to local projects in the metro and throughout greater Minnesota while minimizing the number of individual applications that must be made for a given project. The process also allows for iteration between funders and for alignment of strategic priorities. Finally, the Super RFP structure helps to spot project finance gaps, and, when the gaps are financially justified and the project is well-supported, an appropriate resource to close the gap can often be identified.

Universal Design
A broad set of ideas and techniques intended to produce buildings, products and environments that are inherently 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
A term used interchangeably with "naturally occurring affordable housing," Simply put, unsubsidized affordable housing is housing that hasn't been publicly subsidized, or if it has where income and rent restrictions tied to the public finance have already been satisfied per original terms. The rent prices that the housing can demand in the non-subsidized 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, and is high enough to compel private consumers to avail themselves of the housing in a limited market of housing affordable and practical to household needs.

This unique housing stock is significant; as estimated in the “Space Between’ report, unsubsidized rentals in the Twin Cities metro area comprise at least 57% of units affordable to households at or below 50% of Area Median Income (HUD’s definition of “Very Low Income”), or approximately 120,000 housing units. Furthermore, 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.

US Department of Housing and Urban Development (HUD)
Established in 1965, HUD's mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. To fulfill this mission, HUD intends to embrace high standards of ethics, management and accountability and forge new partnerships — particularly with faith-based and community organizations — that leverage resources and improve HUD's ability to be effective on the community level. The proposed FY15 budget for the US Department of Housing and Urban Development (HUD) is for approximately $46 billion, with offsetting receipts and collections of about $14 billion. Core HUD programs, including the Project-Based Section 8, Section 8 Housing Choice Voucher, CDBG, HOME, and Public Housing make up approximately 86% of the budget. HUD regional offices in Minneapolis, Milwaukee, and Chicago are primary points of contact for Minnesota.

Veterans Affairs Supporting 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). VA provides these services for participating Veterans at VA medical centers (VAMCs) and community-based outreach clinics. HUD has awarded funding for approximately 10,000 HUD-VASH vouchers each year in 2008, 2009, 2010, 2012, and 2013. In 2011, $50 million was appropriated to serve approximately 7,000 voucher families. In addition, HUD set-aside $5.4 million from its 2010 allocation to competitively award over 600 project-based vouchers to existing HUD-VASH sites. Since 2008, a total of 58,155 vouchers have been awarded.

Woman-Owned Business Enterprise (WBE)
One of several “disadvantaged business enterprises” under federal law, a WBE is defined as an entity that is at least 51% owned or controlled by women. Under certain HUD programs, each contractor must comply with requirements for outreach and affirmative efforts to achieve goals for woman-owned business participation.

Zoning
Zoning is the regulation of the use of real property by local government, and restricts a particular territory to residential, commercial, industrial, or other uses. The local governing body considers the character of the property as well as its fitness for particular uses. Zoning *ordinances* divide a town, city, village, or county into separate residential, commercial, and industrial districts, thereby preserving the desirable characteristics of each type of setting. These laws generally limit dimensions in each zone. Many regulations require certain building features and limit the number and location of parking and loading areas and the use of signs. Other regulations provide space for schools, parks, or other public facilities. Zoning helps city planners bring about orderly growth and change. It controls population

density and helps create attractive, healthful residential areas. In addition, zoning helps assure property owners and residents that the characteristics of nearby areas will remain stable.

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