

Appendix C

Housing

This appendix provides supporting content for housing related policies and satisfies the Metropolitan Council requirements related to housing. By law, the comprehensive plan must include a housing element and implementation program that address existing and projected housing needs established by the Metropolitan Council.

EXISTING HOUSING NEED

Housing Assessment

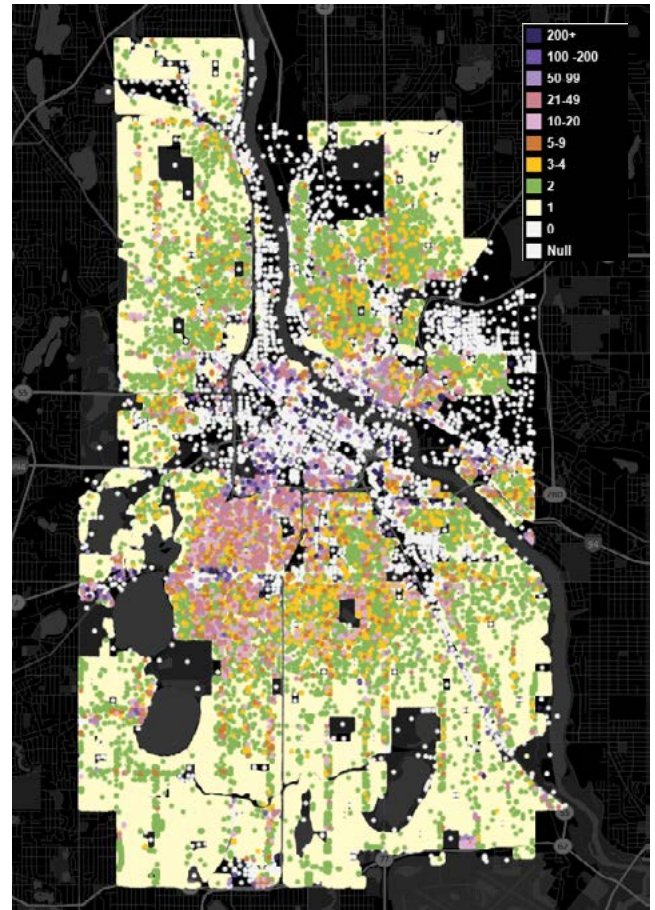
The Metropolitan Council Estimates that Minneapolis contained 190,395 housing units in 2016. That is an increase of 12,108 housing units since 2010 or annual average of just over 2,000 housing units.

Housing Types

Housing types vary across the City. Many areas of Minneapolis lack housing choice, both in the type of units, but also in the size of the units (measured by the number of bedrooms). Areas of our city that lack housing choice today were built that way intentionally. In the first half of the twentieth century, zoning regulations and racist federal housing policies worked together to determine who could live where, and in what type of housing. This, in turn, shaped the opportunities available to multiple generations of Minneapolis residents. A map of the distribution of building types and housing units in Minneapolis is located on the next page.

According to American Community Survey (ACS) estimates for 2012-2016 Minneapolis has approximately 78,000 single family homes representing approximately 43 percent of Minneapolis' housing units. Minneapolis has 102,000 multifamily homes, representing approximately 56 percent of Minneapolis' housing units.¹

FIGURE 1. DISTRIBUTION OF BUILDING TYPES AND HOUSING UNITS. SOURCE: MINNEAPOLIS ASSESSOR 2015.



1. The American Community Survey (ACS) estimates for housing units differ from housing unit counts derived from the Minneapolis Assessor data. Future work is needed to reconcile these numbers.

Housing Tenure

Forty-seven percent of Minneapolis' housing units are owner occupied, or roughly 80,000 units. This is a decrease of approximately 4,000 units since 2006. Fifty-three percent of Minneapolis' housing units are renter-occupied, or roughly 89,000 units. This is approximately a 17,000 unit increase since 2006.

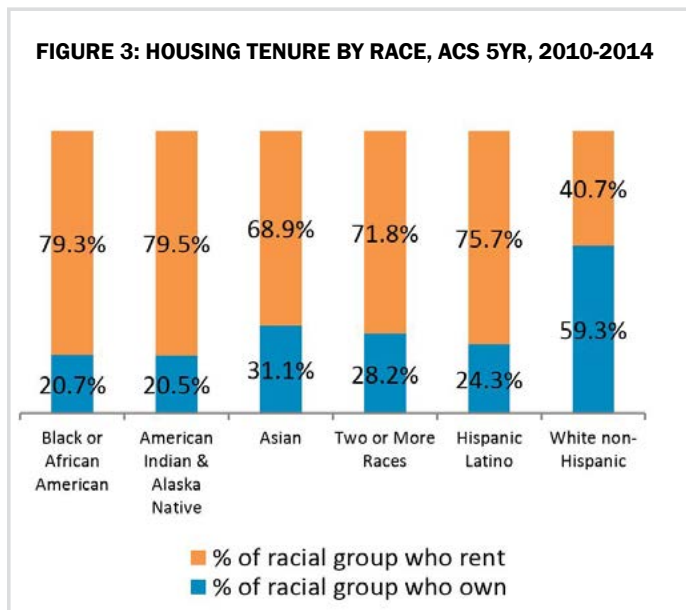
FIGURE 2. CHANGE IN HOUSING TENURE 2010 TO 2016.

SOURCE: AMERICAN COMMUNITY SURVEY 5YR DATA

	2016	2010
Owner Occupied	80,520 (+/- 1,131)	84,866 (+/- 1,295)
Percent Owner	47%	51%
Renter Occupied	89,283 (+/- 1,110)	82,275 (+/- 1,520)
Renter Occupied	53%	49%

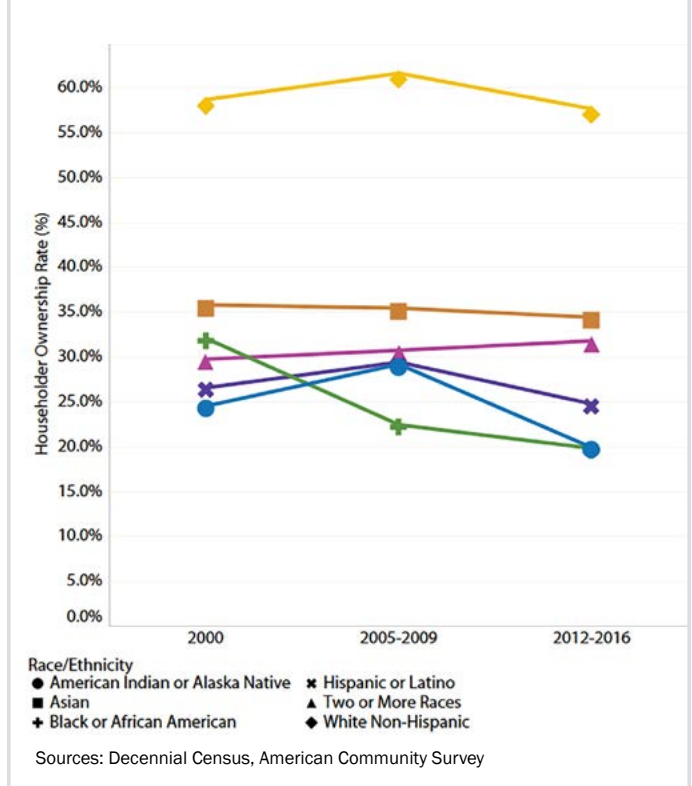
Housing Tenure by Race

Minneapolis' homeowners are disproportionately white compared to Minneapolis' population. Nearly half of Minneapolis' renter-occupied housing is headed by a person of color.



There is a 36 percentage point gap between White, non-Latino households who own their home and households of color that own their home.

FIGURE 4. HOUSING TENURE BY RACE, ACS 5YR, 2010-2014..

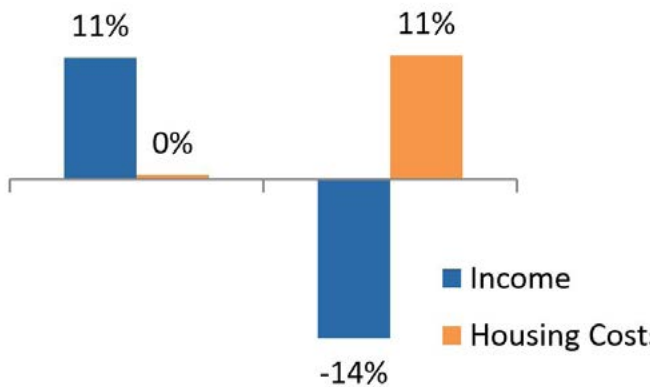


Changes in Household Incomes and Costs

In reviewing changes in housing costs and incomes between 2000 and 2014, it is clear that owner households as a group are largely better off than in 2000, with increasing incomes and stabilized housing costs. Compared with those who were renting in 2000, today's renters face reduced incomes and increasing rents.

FIGURE 5. PERCENT CHANGE IN MEDIAN INCOME AND MEDIAN HOUSING COSTS BY OWNER/RENTER STATUS IN MINNEAPOLIS 2000-2014 . SOURCE: U.S. CENSUS BUREAU, ACS 1-YEAR ESTIMATE.

Percent Change in Median Income and Median Housing Costs by Owner/Renter Status, 2000 -



Household by Tenure

FIGURE 6. HOUSEHOLDS BY TENURE, CHAS 2010-2014

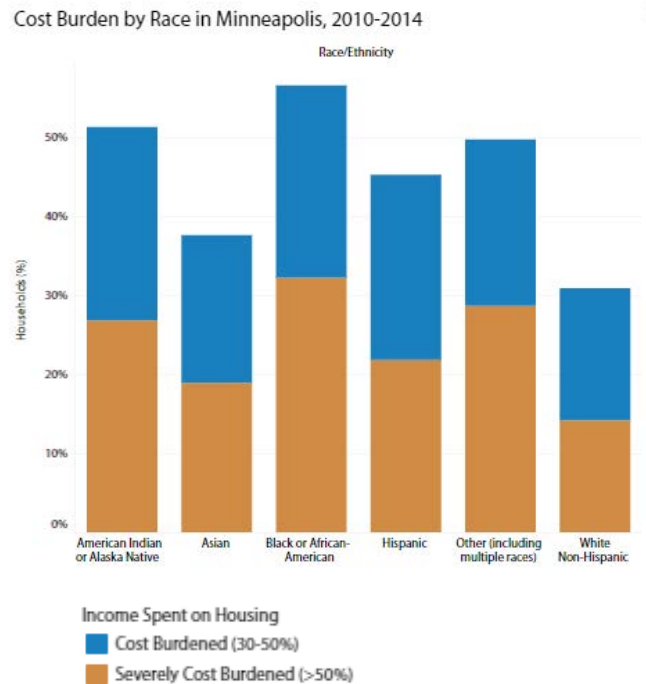
Tenure	Renter	Owner	Total
Owner Occupied	31,365	5,365	36,730
Percent Owner	14,320	7,885	22,205
Renter Occupied	13,810	11,545	25,355
Renter Occupied	7,450	8,375	15,825
Greater than 100% AMI	16,990	47,525	64,515

Minneapolis' largest portion of its households own their home and make more than 100 percent of the region's area median income (AMI). Its second largest portion of its households rent and make less than or equal to 30 percent of the region's AMI.

Cost Burdened Households by Race

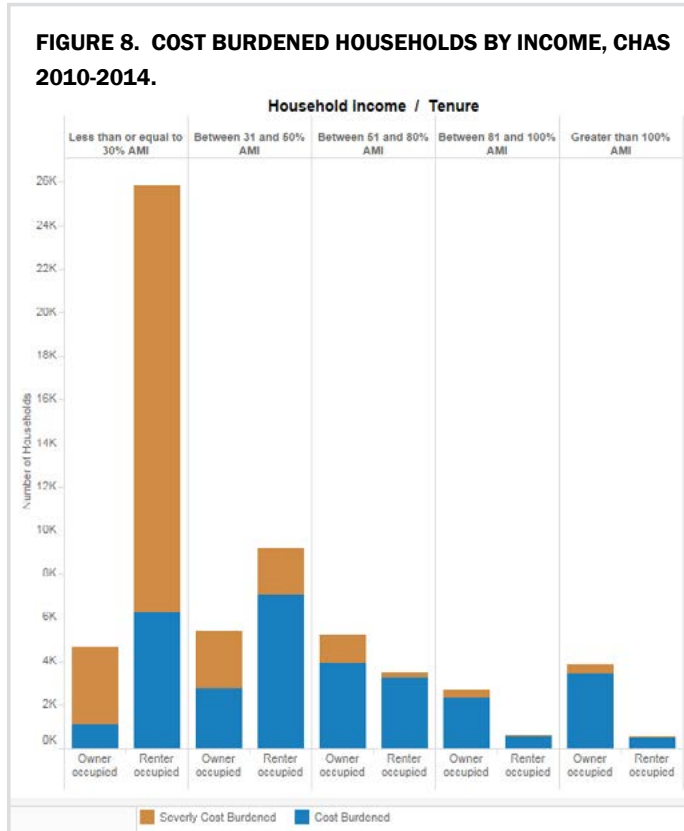
Forty-nine percent of all households in Minneapolis are cost-burdened- households in which more than 30 percent of household income goes toward housing; but this is not equal across racial groups. Over 50 percent of black households and American Indian households, and over 45 percent Hispanic households in Minneapolis are cost-burdened, whereas one in three white households are cost-burdened.

FIGURE 7. COST BURDENED HOUSEHOLDS BY RACE, ACS 5YR 2010-2014 .



Cost Burdened Household by Incomes

Nearly 39 percent (roughly 33,000) of Minneapolis’ renter households make less than or equal to 30 percent of the region’s area median income. Nearly 78 percent of those households (approximately 25,000) are cost burdened (spend 30 percent of their income on housing) and nearly 60 percent (approximately 19,000) are severely cost burdened (spend at least half of their income on housing).



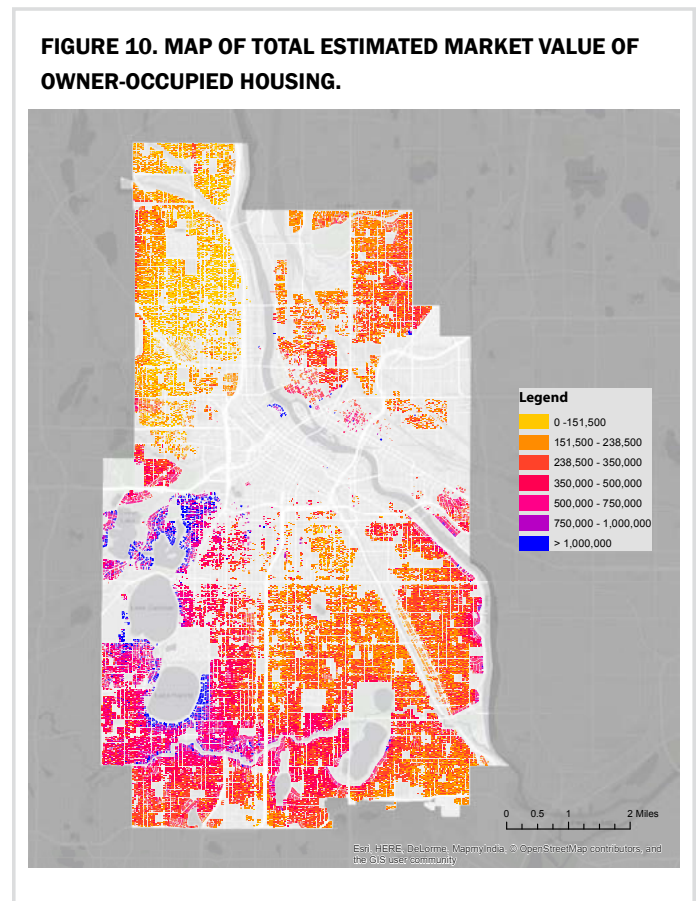
Based on HUD data from 2010-2014, there are approximately 30,000 households in Minneapolis that are cost burdened that make less than or equal to 30 of the area median income (AMI), this would suggest there is a potential need of approximately 30,000 housing units affordable to households making less than 30 percent AMI.

About 14,000 households in Minneapolis making between 31 and 50 percent AMI are cost burdened and approximately 8,000 households that are cost burdened earning between 51 and 80 percent AMI. And there are 3,000 households making between 81 and 100 percent AMI that are cost burdened.

FIGURE 9. TABLE OF HOUSING UNITS BY COST BURDEN HOUSEHOLDS.

Households by AMI	Owner-Occupied	%	Renter	%
less than 30%	4,625	80%	25,820	78%
31% - 50%	5,355	68%	9,215	64%
51% - 80%	5,200	45%	3,465	25%
81% - 100%	2,655	32%	580	8%

Existing Housing Affordability



Of Minneapolis owner occupied single family homes \$151,500 is what the Metropolitan Council would consider affordable to a household making 50 percent of the regional AMI (or approximately \$45,200 for a household of four).¹ A single family home purchased for \$238,500 is what the Metropolitan Council would consider affordable to a household making 80 percent of the regional AMI (or approximately \$68,000 for a household of four).

¹ Information on how the Metropolitan Council determines this number <https://metro council.org/Handbook/Files/Resources/Fact-Sheet/HOUSING/Area-Median-Income-and-Housing-Affordability.aspx>

FIGURE 11. TABLE OF AFFORDABLE HOUSING UNITS BY AMI.

Households by AMI	Owner-Occupied	%	Renter	%
less than 30%	0	0%	15,785	18%
31% - 50%	21,350	26%	32,410	39%
51% - 80%	26,125	32%	26,825	32%

FIGURE 12. TABLE OF LEGALLY BINDING AFFORDABLE HOUSING.

DATA SOURCE: HOUSING LINK

Housing by Population	# of Properties	# of Units
Seniors	44	-
Disabled	24	-
Families	139	-
Other subsidized units	71	10,993
Total	**	23,135

**These groupings are not mutually exclusive and cannot be totaled.

Narrative of Existing Housing Needs

In 2007 Minneapolis and the Metropolitan Council established a goal for Minneapolis to produce 4,424 housing units affordable at or below 60 percent AMI between 2011 and 2020. Between 2011 and 2017, Minneapolis produced 2,406 housing units affordable at or below 60 percent AMI. To meet this goal, Minneapolis will need to average the creation of 609 housing units per year between 2018 and 2020. Minneapolis is currently averaging the production of 370 units per year.

Barriers to Meeting Existing Housing Needs

The City of Minneapolis financially supports affordable housing projects in partnership with Hennepin County, the Metropolitan Council, the State of Minnesota, and the federal government. All of these financial resources are oversubscribed, meaning more affordable housing projects are seeking resources than can be funded at any given time. Projects wait, sometimes for years, to receive funding through various programs. This slows and constrains the production and preservation of affordable housing.

Construction costs and land values in the region and specifically in Minneapolis are rising. This is driving up the per-unit costs for affordable housing and increasing the funding gap needed to support affordable housing production. The increased gap then requires either

additional funding sources or more funding from existing sources, funding sources that are oversubscribed, thus slowing the production of legally binding affordable housing.

As new legally binding affordable units are constructed, others are retiring due to meeting their statutory requirement for affordability. These projects are often recapitalized through affordable programs and compete for funds with new legally binding affordable housing projects. In 2017, Minneapolis extended the length of required affordability from 20 years to 30 years for affordable housing units the City helped finance.

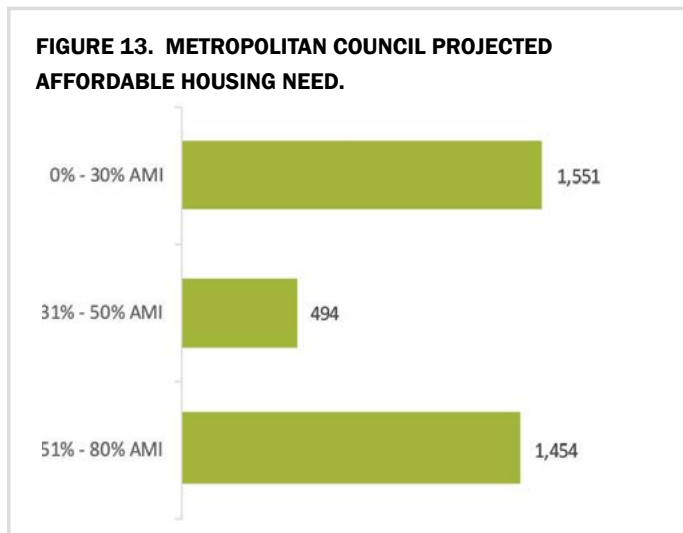
Another barrier to affordable housing production is also a barrier to all development in Minneapolis. Generally, development in Minneapolis is frequently not allowed as-of-right at the level of development intensities called for and supported in adopted land use policy. This requires seeking re-zonings, conditional use permits, and in some case variances to achieve development allowed by adopted land use policy. This creates uncertainty and can add time delays that can increase the cost of development.

PROJECTED HOUSING NEED

The Metropolitan Council projects Minneapolis’ population to grow to 459,200 by 2040. Based on recent and anticipated demand for urban living, local and regional investments in transportation and other infrastructure Minneapolis anticipates it will grow by a greater than the 40,000 people projected by the Metropolitan Council. The proposed land use plan in the draft of Minneapolis 2040 accommodates this growth through:

- Allowing the most intense development (typically buildings ranging from 10 to 30 stories) at the intersection of high frequency transit routes, Metro stations, and in downtown Minneapolis.
- Allowing development of four to six stories along high frequency transit routes, and development of up to four stories along many public transit routes.
- Allowing development on interiors of neighborhoods that can include up to three dwelling units.

Based on a formula derived by its forecasted growth for Minneapolis, the Metropolitan Council has determined Minneapolis' allocation of the regional need of affordable housing is 4,449 new units, distributed across different affordability levels. See graphic that follows for distribution of affordable units:



The real current and projected need for affordable housing in Minneapolis likely considerably exceeds the projected housing needs suggested by the Metropolitan Council. A starting point for a measurement of current and projected need is to consider the number of households that are cost burdened at various bands of income (see figure 8).

The City of Minneapolis will guide residential land at densities sufficient to create opportunities for affordable housing using multiple options based: (1) on the minimum residential density of 6, 8 or 12 units per acre, (2) the allocation of affordable housing need by percentage of AMI and (3) the use of affordable housing programs and tools such as density bonuses.

DESCRIPTION OF PUBLIC PROGRAMS AND FISCAL DEVICES

The Metropolitan Council requires comprehensive plans to include “a description of public programs, fiscal devices, and other specific actions that could be used to meet the

existing and projected housing needs identified in the housing element.”

The City of Minneapolis uses specific tools to fund, monitor and support our housing programs. For example, the federal HOME Investments Partnership program (HOME) and the federal Community Development Block Grant (CDBG) program are two funding sources of the Affordable Housing Trust Fund (AHTF) Program. The primary purpose of the Affordable Housing Trust Fund (AHTF) Program is to assist in financing the production and preservation of affordable and mixed-income rental housing projects with 10 units or more in Minneapolis. Program funds are available on a competitive basis to projects that need gap financing to cover the difference between total development costs and the amount that can be secured from other sources.

Although CDBG funding does not require a match, to qualify for HOME funding a financial match must be included. Financial matches are the following but not limited to: cash contributions (e.g. housing trust funds, foundation grants, and private donations), proceeds from Housing Revenue Bonds with the automatic 4% Low Income Housing Tax Credit entitlement and/or cost of supportive services provided to the families residing in HOME-assisted units during the period of affordability.

In addition to CDBG and HOME funding the City of Minneapolis offers Low Income Housing Tax Credits (LIHTC). In efforts to monitor and address expiring LIHTC properties, the City of Minneapolis tracks expiring tax credit properties in collaboration with Minnesota Housing. The also City participates in the Interagency Stabilization Group (ISG), which is a multi-funder collaboration focused on the preservation of declining and often tax credit funded projects. Preservation of existing affordable housing is a priority for the City, which is incentivized through scoring in both the Affordable Housing Trust Fund and Housing Tax Credit programs. The City has amended its Qualified Allocation Plan (QAP) in recent years to require developers of new tax credit projects to waive their rights

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to a Qualified Contract. The City has also increased the minimum affordability term on 4% tax credit projects from 15 to 20 years, and added points to incentivize even longer affordability terms.

The following table of city housing resources is intended to meet the existing and projected housing needs identified by the Metropolitan Council. It is current as of May 2018.

City Resources	Summary
<p>Multi-Family Housing: 9% Low Income Housing Tax Credits</p> <p><u>Level of Affordability</u> (30-60% AMI)</p> <p><u>Sequence</u> 5-10 years</p>	<p>~\$1.2 million/year via sub-allocator formula based on population. Available on an annual competitive basis to provide private equity financing for affordable and mixed income rental projects, both new construction and preservation. Awarded based on adherence to published Qualified Allocation Plan. LIHTCs typically provide a 70% subsidy for projects</p>
<p>Multi-Family Housing: Affordable Housing Trust Fund</p> <p><u>Level of Affordability</u> (0-50% AMI)</p> <p><u>Sequence</u> 5-10 years</p>	<p>~\$10 million per year via City budget. Available on an annual competitive basis (pipeline for any unallocated funds) to provide gap financing for affordable and mixed income rental projects, both new construction and preservation. Funding is typically provided as a low/no interest deferred loan. \$25k/affordable unit maximum subsidy.</p>
<p>Multi-Family Housing: Housing Revenue Bonds / 4% Low Income Housing Tax Credits</p> <p><u>Level of Affordability</u> (50-60% AMI)</p> <p><u>Sequence</u> 5-10 years</p>	<p>~\$50 million/year via entitlement issuer formula based on population. Available on a pipeline basis (project must meet threshold scoring) to provide private capital for financing affordable and mixed income rental projects (currently), both new construction and preservation. HRBs are paired with an allocation of 4% Low Income Housing Tax Credits, which typically provide a 30% subsidy for projects.</p>
<p>Multi-Family Housing: Pass Through Grants</p> <p><u>Level of Affordability</u> (20% of units up to 60% AMI)</p> <p><u>Sequence</u> 5-10 years</p>	<p>CPED staff manages a large portfolio of grant funds on behalf of our funding partners at DEED, Hennepin County and the Metropolitan Council. These grant funds are associated with specific programs and range in utilization from environmental investigation and clean up to grants directly associated with new construction of affordable and mixed income housing.</p>

City Resources	Summary
<p>Multi-Family Housing: Tax Increment Financing</p> <p><u>Level of Affordability</u> (30-60% AMI)</p> <p><u>Sequence</u> 10 or more years</p>	<p>Provides for use of Tax Increment Financing to support affordable housing development.</p>
<p>NOAH Preservation: 4D Program</p> <p><u>Level of Affordability</u> (50-80% AMI)</p> <p><u>Sequence</u> 5-10 years</p>	<p>4d status offers a lower property tax classification to apartment owners who have at least 20 percent of their units at an affordable at 60 percent of area median income, as evidenced by a recorded declaration of land use restrictions.</p>
<p>NOAH Preservation: Small and Medium Multifamily Program & NOAH Preservation Fund</p> <p><u>Level of Affordability</u> (50-60% AMI)</p> <p><u>Sequence</u> 5-10 years</p>	<p>Strategies to assist with acquisition and preservation of Naturally Occurring Affordable Housing.</p>
<p>Single-Family Housing: Minneapolis Homes Development Assistance</p> <p><u>Level of Affordability</u> (up to 115% AMI)</p> <p><u>Sequence</u> 0-5 years</p>	<p>The program is designed to create new construction housing opportunities on City-owned vacant lots, includes incentives for direct development by a homebuyer and creation of long term affordable housing. Prioritize proposals serve between 50-80% AMI (average is 60% AMI) to ensure long-term affordability.</p>
<p>Single-Family Housing: Minneapolis Homes: Build/Rehab</p> <p><u>Level of Affordability</u> (unrestricted AMI)</p> <p><u>Sequence</u> 0-5 years</p>	<p>The program is designed to redevelop vacant buildings and vacant lots suitable for 1-4 unit residential development. There is no affordability restrictions, however a majority of the homes sold are typically naturally affordable up to 80% AMI.</p>
<p>Single-Family Housing: Home Ownership Works</p> <p><u>Level of Affordability</u> (up to 80% AMI)</p> <p><u>Sequence</u> 0-5 years</p>	<p>The program supports the development of owner-occupied housing that is sold to homebuyers whose income is at or below 80% of the area median income (AMI).</p>

City Resources	Summary
<p>Single-Family Housing: Homebuyer Assistance Program</p> <p><u>Level of Affordability</u> (up to 80%, 115% and unrestricted AMI)</p> <p><u>Sequence</u> 0-5 years</p>	<p>There are a variety of products - three products with different income level restrictions- designed to assist Minneapolis homebuyers with down payment and closing costs toward the purchase of their new home.</p>
<p>Single-Family Housing: Home Improvement Programs</p> <p><u>Level of Affordability</u> (up to 30%, 80%, 115% and 150% AMI)</p> <p><u>Sequence</u> 0-5 years</p>	<p>There are four products with different income level restrictions, however this program mainly supports the rehabilitation of owner-occupied housing that is owned by homeowners whose income is at or below 80% of the area median income (AMI).</p>
<p>Inclusionary Housing Policy</p> <p><u>Level of Affordability</u> (0-60% AMI)</p> <p><u>Sequence</u> 0-5 years</p>	<p>Affordable housing is required for rental and ownership housing for residential new development projects that receive city funding or are located on city-owned land. There is a proposal to expand the policy to cover more development in 2019.</p>
<p>Homelessness Response: Emergency Solutions Grant Program</p> <p><u>Level of Affordability</u> (up to 30% AMI)</p> <p><u>Sequence</u> 0-10 years</p>	<p>Funds for the renovation or rehabilitation of emergency shelters for people experiencing homelessness and to positively convert buildings for use as emergency shelters; \$400,000/year for capital repairs; \$150,000/year for street outreach (plus matching funds from the City General Fund); ~\$280,000/year for rapid rehousing.</p>