



**JOINT CITY COUNCIL AND HRA WORK SESSION WORK SESSION
VIRTUAL MEETING HELD VIA WEBEX
FEBRUARY 16, 2021
5:30 PM**

Call to order

1. Review the Inclusionary Affordable Housing Policy, and consider possible revisions.

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



STAFF REPORT NO. 4
WORK SESSION
2/16/2021

REPORT PREPARED BY: Julie Urban, Housing & Redevelopment Manager

DEPARTMENT DIRECTOR REVIEW: John Stark, Executive Director
2/10/2021

OTHER DEPARTMENT REVIEW: N/A

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
2/11/2021

ITEM FOR WORK SESSION:

Review the Inclusionary Affordable Housing Policy, and consider possible revisions.

EXECUTIVE SUMMARY:

In 2018, the City adopted an Inclusionary Affordable Housing Policy (Policy) requiring that all new development receiving financial assistance from the City include affordable housing. Specifically, the Policy requires all housing developers receiving public subsidy to either:

- Make at least 20% of all housing units be affordable to either renters earning less than 60% of the Area Median Income (AMI) or owners earning less than 115% of the AMI, or
- Pledge 15% of the net-present-value of the subsidy they receive to the Richfield Housing and Redevelopment Fund.

At previous work sessions, policymakers reviewed potential revisions to the Policy in the following areas:

1. Levels of affordability;
2. Larger units;
3. Accessible units;
4. Length of affordability;
5. Ordinance vs. policy;
6. In lieu fee;
7. Size of project, and
8. Replacement for affordable housing removal.

At the work session, staff will review the issues and challenges presented by each of these areas, along with public feedback received to-date, and offer recommendations for moving forward.

DIRECTION NEEDED:

Participate in a review of the Policy, providing direction on how to move forward with revisions to the Policy.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

- In October 2018, an Inclusionary Affordable Housing Policy was adopted by the City Council, Housing and Redevelopment Authority and Economic Development Authority.
- The Policy was reviewed in August 2019, and policymakers requested that additional information be collected on several potential revisions.
- The revisions were scheduled for review in March but were delayed due to the COVID-19 pandemic's impact on staff time and the ability to hold in-person meetings. A work session was held on September 21, 2020, and policymakers requested that additional opportunities for public input be provided.
- Since that time, input has been received through the Community Housing Team members, Richfield Disability Advocacy Partnership (RDAP), Kids@Home families, and a general survey.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- The Policy furthers the Comprehensive Plan goal to provide a full range of housing choices that meet residents' needs at every stage of their lives, and ensure a healthy balance of housing types that meets the needs of a diverse population with diverse needs.
- The Comprehensive Plan identifies the need in the community for an additional 66 units of housing affordable at 30% of the AMI. The proposed Policy change encourages the development of these more deeply affordable units.
- The current Policy is consistent with the City's Housing Visioning Statement that calls for a full range and balance of housing types and its Affordable Housing Policy Statement, which encourages developments to contain a mix of market-rate and affordable units, with a higher proportion of market-rate units.

C. CRITICAL TIMING ISSUES:

- Any Policy revisions would not apply to projects currently in process, although staff has been encouraging both deeper affordability and accessible units with the projects in process.
- An Inclusionary Housing Policy is a tool most effective in a strong housing market. It's important to have a policy reflective of community values in place to respond to the current strong market.

D. FINANCIAL IMPACT:

Several of the proposed revisions would increase the cost of development and could require additional local resources and/or outside funding.

E. LEGAL CONSIDERATION:

The City has the authority to create an Inclusionary Affordable Housing Policy that applies to the use of its financial resources.

ALTERNATIVE(S):

Policymakers may choose to continue receiving public input before making any decisions on revisions.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

	Description	Type
▢	Presentation	Presentation
▢	Existing Policy	Backup Material



Inclusionary Housing Policy Review



Agenda

Current policy, goals, feedback, issues/challenges and staff recommendations for the following Inclusionary Housing Policy (IHP) items:

1. Levels of Affordability
2. Bedroom Size
3. Accessibility
4. Length of Time
5. Ordinance vs. Policy
6. In lieu fee
7. Size of Project
8. Replacement for affordable housing removal

Background

- Approved in October 2018
- 20% of units receiving financial assistance must be affordable at 60% of the AMI or a payment in lieu equal to 15% of the tax increment paid to the HRF

Informal Policy – Results Since 2012

- Lyndale Plaza – 19 units @ 50% AMI; 2 Type A units
- Chamberlain – 31 new units, 33 improved/preserved units @ 50% AMI; 15 Type A units
- Henley I – 8 @ 60% AMI (\$600,000 HRF); 2 Type A
- RF64 – 64 owner units @ 100/115% AMI (\$486,000 HRF)

- Scattered site single-family - owner:
 - 5 @ 60% AMI - new
 - 5 @ 80% AMI – new
 - 5 @ 80% AMI – improved/preserved

IHP Progress To-Date - Rental

	# of New Units	# Preserved Units	Bedroom Size
Constructed/Planned @ 50% AMI	55	51	Eff/1BR new 2BR preserved
Constructed/Planned @ 60% AMI	25		Eff/1BR/2BR
TOTAL	80	51	

ADA Accessible Units = 3 units (1 and 2 bedroom)

Payment In Lieu = \$2.1 million

Level of Affordability

- Current policy = 20% at 60% Area Median Income (AMI)
- Goal: Encourage deeper affordability
- Feedback: “Affordable” housing is not affordable enough; 60% AMI is not very affordable for Richfield, support services needed/not needed for 30% AMI; 5% affordable at 30% AMI should be required
- Issues: Expensive, outside resources scarce and restrictive, focused on supportive housing for 30% AMI

Level of Affordability

- Staff recommendation:

Affordability Level	% of Units
RENTAL	
60% of Area Median Income (AMI)	20%
50% of AMI	10%
30% of AMI	5%
OWNER-OCCUPIED	
115% of AMI	20%
100% of AMI	10%
80% of AMI	5%

Bedroom Size

- Current policy: None
- Goal: Create more affordable, larger units
- Feedback: High need for larger units, shortage of rental housing large enough for families
- Issues: Expensive

Bedroom Size

- Staff recommendation: Encourage larger units but allow flexibility (not proportionality) and consider adding resources

Accessibility

- Current policy: None
- Goal: Increase number of apartments accessible to people with physical disabilities
- Feedback: High need, can only achieve through new construction, need a variety of sizes, 4+ units should have accessible unit, needs to be affordable and accessible, landlords don't typically pay for accommodations (e.g., grab-bar installation)
- Issues: Type A vs. ADA Accessible

Accessibility - Data

- Of the City's approximately 5,300 apartment units:
 - 707 rentals for seniors and/or people with disabilities, have elevators, accessibility features (13%)
 - 599 non-restrictive units built since 1987, have elevators (11%)
 - 585 non-restrictive units have been built since 2000 with an elevator and 2% Type A units (i.e., accessible-ready)
 - 10.9% of people in MN have a disability; 4.9% of those ambulatory; 10.1% of people in Richfield have a disability; 5.5% of those ambulatory (37% are < 65 years) (2018 ACS)

Accessibility

Staff Recommendation:

- 5% of units Type A/Accessible
- 3% Type A/2% Accessible the goal but allow flexibility
- Encourage mix of bedroom sizes
- Explore creating a fund to pay for accommodations
- Must also be affordable unless paying 15% in lieu fee
- Can't opt out of accessibility requirement if paying 15% in lieu fee
- Add building permit fee reduction for accessible units

Length of Time

- Current policy: Length of Tax Increment Finance (TIF) district, minimum of 10 years
- Goal: Maintain affordability over a period of time consistent with amount of financial assistance being provided
- Feedback: 10 years isn't long enough
- Issues: Compliance when TIF is no longer collected; some recent projects expect to decertify well before 25 years

Length of Time

- Staff recommendation: Increase to 15 years minimum



Ordinance vs. Policy

- Current policy: Policy
- Goal: Encourage new affordable units
- Feedback: new development without affordability is not worth it; new market rate development doesn't help affordable; don't tie to PUD
- Issues: Compliance when TIF is no longer collected; some recent projects expect to decertify well before 25 years

Ordinance vs. Policy

- Staff recommendation: Keep as a policy
- legal unknowns, compliance issue, pushing every project to TIF, market rate developments have benefits.
- If policymakers want to go this direction, we need to do more work on compliance.

In Lieu Fee

- Current policy: 15% of tax increment
- Goal: Provide flexibility for developments, revenue source for HRF
- Feedback: want in lieu fee to be comparable to the cost of a new unit elsewhere
- Issues: 15% TIF is max by state law, cash up front a challenge

In Lieu Fee

- Staff recommendation: no change recommended

Size of Project

- Current policy: 5 units
- Feedback: anything 4+ should have an accessible unit
- Issues: Compliance is onerous on a small development, TIF not generally available to assist (price reduction not enough), discourages small, in-fill projects

Size of Project

- Staff recommendation: 20 unit minimum



Replacement for Affordable Housing Removal

- Current policy: Length of TIF district, minimum of 10 years
- Goal: Maintain affordability over a period of time consistent with amount of financial assistance being provided
- Feedback: 10 years isn't long enough
- Issues: Compliance when TIF is no longer collected; some recent projects expect to decertify well before 25 years

Accessibility Feedback

- Accessible and Affordable
- Few, if any choices
- Roll-in showers
- Existing NOAH apartments can't be easily made accessible; new construction is the option to expand choices
- Want a range of bedroom sizes
- Experience that landlords won't pay for accommodations

General Feedback

- Existing buildings are in poor shape, but smaller buildings/landlords offer greater flexibility – put up with poor conditions for that flexibility.
- Need lower rent (“affordable” isn’t affordable)
- Want support (community)
- Requirements (e.g, security deposits) make it difficult to get into new buildings
- More bedrooms needed for families (kids become teenagers and sharing bedrooms is challenging)
- Base policy on community needs
- Support for putting financial resources towards affordable and accessible housing

Next Steps - Options

- Move forward on items on which there's agreement (March consideration)
- Bring back draft of changes to April work session
- Gather more feedback and report back in April at a work session:
 - Schedule a work session that's open to the public to listen directly to feedback
 - Schedule more listening sessions with small groups and/or host a general session with whoever shows up

City of Richfield
Richfield Housing and Redevelopment Authority
Richfield Economic Development Authority
Inclusionary Affordable Housing Policy

The City of Richfield, Richfield Housing and Redevelopment Authority, and Richfield Economic Development Authority are committed to building a community that is welcoming and affordable to a diverse population of individuals and families at all stages of their lives. As such, we hereby establish the following policy for the inclusion of affordable housing in development proposals.

Requirements

1. Housing Development Projects containing the construction of at least 5 new units which receive Financial Assistance from HRA, EDA or City:
 - a. Must contain at least 20% affordable units
 - i. At least 20% of rental housing units must be made affordable to tenant households earning no more than 60% of the Area Median Income over a period of ten years or the duration of the subsidy (whichever is longer);
 - ii. At least 20% of owner-occupied housing units must be made affordable to, and initially sold to, households earning no more than 115% of the Area Median Income;
 - iii. At least 20% of the grand total of housing units in a mixed rental/ownership development must be affordable at the affordability levels established in 1.a)i and 1.a)ii,
 - or;
 - b. Must contribute to the Richfield Housing and Redevelopment Fund
 - i. 15% of the "net present value" of Tax Increment generated by the project (or 15% of the net present value of other types of assistance) must be pledged to the Richfield Housing and Redevelopment Fund over a period of ten years or the duration of the subsidy (whichever is longer), or;
 - ii. A pro-rata combination of the above (i.e. 10% affordable units and a 7.5% contribution) may be considered, and;
 - c. Must agree to provide 90 days' advance notice to the public body providing funding of any sale of the property,
and;
 - d. Must agree to not discriminate against households utilizing Housing Choice Vouchers (Section 8) or other forms of rental assistance.
2. Non-Housing Development Projects that receive Financial Assistance from HRA, EDA or City and which result in the loss of affordable housing:
 - a. Affordable housing units eliminated by the project must be replaced on-site or at another location in Richfield by the developer at similar affordability levels, or;
 - b. 5-15% (depending on the magnitude of the loss of affordable housing) of the "net present value" of the Financial Assistance provided must be pledged to the Richfield Housing and Redevelopment Fund over a period of ten years or the duration of the subsidy (whichever is longer).

Incentives

3. Housing Development Projects which include affordable units (as outlined in 1a above) are eligible to apply to the City for the following considerations regardless of whether or not they receive Public Financial Assistance:
 - i. Building Permit Fee Reductions (10% reduction for rehabilitation and/or 5% reduction for new construction);
 - ii. 4d Property Tax Reduction (rental projects);
 - iii. Consideration of code flexibility (e.g., smaller setbacks, excessive impervious surface, etc.) in planned unit developments;
 - iv. A housing unit density bonus of 5-15% (e.g., a project in an area that allows 8-24 units/acre could add an additional 1-4 units/acre and remain in compliance).

Exceptions

4. With regards to "scattered-site single family housing development," at least 20% of the units newly constructed or rehabilitated and converted to long-term affordability in any three-year period must meet the proscribed affordability requirements.
5. The City Council or Board of Commissioners of the Housing and Redevelopment Authority or Economic Development Authority may vary the application of this policy as circumstances warrant with the adoption of findings of the reasons for doing so.

Adopted as revised:

This 24th day of April, 2019 by the Richfield City Council.



Mayor



City Manager

This 15th day of April, 2019 by the Richfield Housing and Redevelopment Authority.



Chair



Secretary

This ~~19th~~ Day of ~~April~~ 2019 by the Richfield Economic Development Authority.



President



Secretary