



**CITY COUNCIL AND HOUSING AND REDEVELOPMENT AUTHORITY WORK SESSION
VIRTUAL MEETING HELD VIA WEBEX
SEPTEMBER 21, 2020
5:45 PM**

Call to order

1. Review the Inclusionary Affordable Housing Policy. Consider possible revisions and a plan for seeking public input.

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. 25

WORK SESSION

9/21/2020

REPORT PREPARED BY: Julie Urban, Housing & Redevelopment Manager

DEPARTMENT DIRECTOR REVIEW: John Stark, Executive Director
9/15/2020

OTHER DEPARTMENT REVIEW: N/A

CITY MANAGER REVIEW:

ITEM FOR WORK SESSION:

Review the Inclusionary Affordable Housing Policy. Consider possible revisions and a plan for seeking public input.

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 a work session in 2019, policymakers reviewed several potential revisions to the Policy and directed staff to do further research on the following potential changes:

1. Encourage units with deeper affordability;
2. Encourage accessible and affordable units;
3. Apply the Policy to all public land sales regardless of whether or not it constitutes "Financial Assistance;"
4. Consider the cost of requiring that affordable units be spread across a mix of bedroom sizes, and
5. Consider the impact converting the Policy to an ordinance (regardless of public subsidy), thereby requiring affordability in all developments, would have on new development.

A follow-up work session was scheduled for March 16, 2020, which was then cancelled due to the COVID-19 pandemic restrictions on public meetings. Staff rescheduled the item on the Housing and Redevelopment Authority (HRA) agenda for July, bringing forward revisions that seemed to have agreement among policymakers and that recognized the economic uncertainty caused by the pandemic. The HRA asked that opportunities for public input be provided before moving forward on any revisions and asked staff to return with a plan for facilitating safe yet inclusive feedback.

At the work session, we will re-visit the above items and review the following provisions:

1. Require replacement of any affordable housing removed by a non-housing redevelopment project.
[Question: Should it also apply to residential redevelopment projects that remove affordable housing?]

2. Apply the Policy to any development with five or more units. [Question: Is income-qualifying an onerous burden on a small project; therefore, should the threshold be higher?]
3. Require a period of affordability as long as 10 years or the duration of the subsidy, whichever is longer. [Question: Should the minimum be longer than 10 years?]
4. Allow for a contribution to the Housing & Redevelopment Fund in lieu of providing affordable units in the amount of 15% of the net-present-value of the tax increment generated. [Questions: Should we require a greater in lieu, cash contribution?]

The following plan for community input will also be presented:

- "Plain language" fact sheet, bi-lingual
- Online survey
- Moment with the Mayor
- Virtual listening sessions (English/Spanish)

DIRECTION NEEDED:

Participate in a review of the Policy and the public input items, asking any questions, and providing feedback. Final feedback would be requested at a future work session, following opportunities for community input.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

- In October 2018, an Inclusionary Affordable Housing Policy was adopted by the City Council, HRA and EDA.
- 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.

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 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 some of the projects in process.
- Community input would be solicited in September and October. A follow-up work session would be scheduled in November or December.

D. FINANCIAL IMPACT:

- Several of the proposed revisions would increase the cost of development.

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 move forward with some revisions.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

Description	Type
▣ Inclusionary Housing Policy Presentation	Presentation
▣ Existing Policy	Backup Material
▣ Summary Sheet of Possible Revisions	Backup Material



Inclusionary Housing Policy Review



Agenda

1. Existing Affordability
2. Inclusionary Housing Policy Review
3. Community Feedback Plan
4. Review of Apartment Work Plan

Existing Affordability

Rental Housing					
Location	<= 30% of AMI	31% to 50% of AMI	51% to 60%	61% to 80% of AMI	81% of AMI and up
Metro Region	16%	27%	21%	22%	15%
Hennepin County	16%	23%	20%	21%	19%
Hennepin County Inner Ring (incl. Mpls)	19%	26%	20%	17%	19%
Hennepin County Inner Ring (excl. Mpls)	13%	21%	18%	25%	23%
Richfield	10%	33%	19%	24%	14%

Relative Position:

- We are low on “very affordable housing” (for <30% of AMI) – this is typically “subsidized” housing with services
- We are also low on “move up” and/or “luxury” housing
- We have a large percentage of housing for 31-50% of the AMI, but that proportion has been shrinking (41% in 2013)
- 67 to 121 units is our regional share of new affordable units over the next 10 years, per Metropolitan Council estimates.

Inclusionary Housing – Revisions

- 2019 work session review:
 - Deeper affordability
 - Accessible units
 - Mix of bedroom sizes
 - Apply the policy to all public land sales
 - Apply to all new construction? Impacts?

Inclusionary Housing – Revisions

- Additional items:
 - Replacement housing
 - In lieu payment
 - Length of time for affordability
 - Minimum size threshold

Inclusionary Housing – Revisions

- Encourage deeper affordability

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%

Inclusionary Housing – Revisions

- Encourage accessible units
 - Require fully accessible units
 - OR Increase Type A requirement
- Encourage a mix of bedroom sizes for affordable units that is proportional to the mix of the market-rate units
 - + \$60-70,000/unit 1BR
 - + \$60-70,000/unit 2BR
- Apply the policy to all public land sales regardless of whether or not it constitutes, “Financial Assistance”
 - Small properties – revisit minimum project size

Inclusionary Housing – Revisions

- Impact of applying Policy to all new construction:
 - Affordable units require a subsidy: market rents or government assistance
 - Limited rents/sf to support affordable units
 - Limited local resources to provide that subsidy
 - Competition for outside resources
- Benefits to market-rate development
 - Projects that don't require a subsidy contribute to the tax base immediately
 - Market-rate projects meet other City goals:
 - Diversified tax base
 - New housing choices
 - Removing blighted buildings
 - Remain competitive/vital
 - Market to support desired retail/services/ restaurants
 - Economic growth
 - New market-rate development increases supply

Inclusionary Housing – Revisions

- Additional items:
 - Amount of in lieu payment
 - TIF over life of District
 - Length of affordability
 - TIF District or 10 years
 - Compliance
 - Replacement policy – apply to all development that removes affordable housing
 - Minimum project size

IHP Progress To-Date

- Project approved
 - Henley II (82 units + 22 improved/preserved units)
 - 5 new units at 50% AMI
 - 18 units of NOAH improved/preserved at 50% AMI
 - 1 Type A; 1 Accessible
- Projects in planning stages
 - Enclave (150 units)
 - Proposing in lieu payment
 - Emi (41 units)
 - Proposing 8 affordable units at 50% AMI
 - 6501 Penn (69 units)
 - Proposing 100% income-restricted (income averaging), some fully-accessible units for people with disabilities
 - Needs outside funding to be viable (competitive)

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

Community Feedback

- Plain language fact sheet, bi-lingual
- Online survey
- Moment with the Mayor
- Virtual listening sessions



BUILDING AFFORDABLE HOUSING THROUGH AN INCLUSIONARY HOUSING POLICY

Apartments and apartment residents are an important part of the Richfield community, and in 2017, the Richfield City Council adopted these four goals to Strengthen Richfield Apartment Communities:

- **Preserve and Improve Affordable Rental Housing**
- **Increase Housing Choices**
- **Strengthen Tenant Protections**
- **Support Tenants and Apartment Communities**

Several tools were chosen to help achieve these goals. In 2018, City leaders adopted one of the tools, an Inclusionary Housing Policy (IHP), to help meet the goal of increasing housing choices in the community. The IHP requires that all new housing projects include some affordable housing or give money to the City's Housing & Redevelopment Fund (HRF).

City leaders are in the process of updating the policy to make sure it helps us achieve our goals. The questions we are asking include:

- *How do we encourage projects with units that are affordable to people with very low incomes? (e.g., a person on Social Security or earning minimum wage)*
- *The community needs more units for people with physical limitations. What kind of accessibility features do we want and how many housing units do we need? Do these units all need to be affordable?*
- *How do we encourage developers to build larger affordable units? (e.g., 2-3 bedrooms)*
- *Is the amount of money developers give the HRF enough?*
- *At what point does the cost of the requirements make new housing construction financially impossible?*
- *Given a limited amount of money, how do we prioritize the needs in our community?*
- *The policy applies only to developments that receive financial help from the city. Should it apply to all new development? Expanding the policy may push developers away or encourage every project to seek financial help from the city. Are we okay with that?*
- *What size housing project should the policy apply to? (e.g., a project as small as 10 units? 20 units?)*
- *How many years should we require the development to remain affordable?*
- *What changes (if any) should we make given the economic uncertainty caused by the COVID-19 pandemic?*

TELL US WHAT YOU THINK

Find a copy of the existing Inclusionary Housing Policy on the city's website: Richfieldmn.gov/IHP

- What should Richfield's priorities be for new housing?
- Are there other questions City leaders should be asking about housing and the IHP?
- Do you have ideas for how to safely get people's input during the pandemic?

Send your comments to Julie Urban, Housing Manager:

- Via mail to: 6700 Portland Avenue, Richfield, MN 55423
- Via e-mail to jurban@richfieldmn.gov - Subject Line: Inclusionary Housing Policy
- Or leave a message at 612.861.9777.

NEXT UP:

City leaders will hold a virtual work session on the IHP on Monday, September 21, at 5:45 pm. The purpose of the work session is to discuss direction on possible policy changes as well as ways to safely and inclusively invite public participation during this time. No final decisions will be made regarding the policy at the September meeting, and additional opportunities for public input will be offered this fall.

Watch the work session on September 21st through this link: Richfieldmn.gov/HRAm meetings

STRENGTHENING RICHFIELD APARTMENT COMMUNITIES

GOALS

1. Preserve and improve the quality of existing affordable housing while discouraging displacement of our residents.
2. Diversify the housing stock through targeted redevelopment to provide a variety of rental housing opportunities at a range of income levels.
3. Strengthen protections for renters in order to promote housing stability.
4. Provide support to renters and apartment owners and managers to facilitate successful apartment communities.

1. PRESERVE & IMPROVE

Continue rental licensing program.

Provide Richfield Apartment Remodeling Program.

Offer building permit fee reduction for rehabilitation of affordable units.

Seek opportunities for rehabilitation/preservation of existing units in conjunction with new development.

Identify NOAH buildings; monitor status.

Identify buildings in need of physical/management improvements; City response team.

Explore impact of a 4d Policy/create 4d Program on other taxpayers.

2. DIVERSIFY HOUSING CHOICES

Actively seek the development of new apartment communities through targeted redevelopment.

Require 20% affordable units in redevelopment projects or contribution in lieu.

Offer building permit fee reduction for construction of new, affordable units.

Require all projects receiving City assistance to include best practices: Section 8 non-discrimination, provide advanced notice of sale.

Implement Inclusionary Housing Policy.

Explore ways to expand accessible housing choices.

Explore ways to provide housing with deeper affordability.

3. STRENGTHEN TENANT PROTECTIONS

Implement tenant protection ordinance: 90-day period without non-renewals/rent increases.

Implement local Fair Housing Policy.

Explore limit on mass non-renewals.

Explore cold weather rule, in case of mass non-renewals.

4. SUPPORT RENTERS & APARTMENT COMMUNITIES

Continue Down Payment Assistance Program targeted at Richfield renters.

Continue support of the Kids@Home Program.

Educate apartment owners about the Section 8 Program.

Support the Richfield Apartment Managers' Association.

Create "Apartment Liaison" program.

Implement communication plan for recognizing renters as valued members of the Richfield community.

Create & Implement Tenant Education Programs.



March 2020



Work Plan - Completed

- Define Goals. (2017)
- Apply NOAH Preservation strategies to any project receiving HRA/City assistance that includes affordable units. (2017-)
- Meet with landlords and with tenants to solicit feedback. (2017-18)
- Increase funding for Kids@Home Program through the EDA budget. (2018)
- Create Apartment Rehab Financing Program. (3/18)
- Building Permit Fee Reduction. (2/18)
- Create down payment assistance program targeted to renters. (6/18)
- Adopt 90-day Tenant Protection Ordinance. (2018)
- Adopt Inclusionary Housing Policy. (10/18)
- Adopt local Fair Housing Policy. (12/18)
- Identify NOAH housing and those buildings at risk of conversion. (1/19) Updated (2/20)
- ~~Sell HRA owned land/support tax credit application for 55 units of work force housing with 4-6 units for people with disabilities/at 30% AMI. (5/19)~~ **NOT FUNDED**
- Create pilot “Apartment Liaison” program at Richfield Towers. (8/19-11/19)

Work Plan – In Progress

1. Develop shared expectations for affordable housing. [January work session]
2. Update NOAH housing list and add map. [February]
3. COVID response. [April – Dec]
4. Consider possible revisions to Inclusionary Housing Policy. [Fall]
5. Promote legislation to increase funding for apartment rehab and flexibility in use of TIF for affordable housing. [2021]
6. Research accessible housing needs and ways to incorporate standards into existing programs, new developments. [ongoing]
7. Develop strategies and communications plan regarding the need for affordable housing and the value of all residents. [ongoing]
8. Explore ways to increase supply of housing affordable at 30% of the AMI. [ongoing]
9. Develop broader “Apartment Liaison” program. [2021]
10. Consider adoption of point-of-sale inspection program for rental housing. [2021]

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).

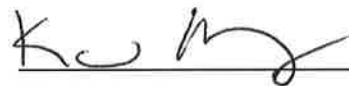
Exceptions

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 August 2019 by the Richfield Economic Development Authority.


President


Secretary



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