

Council Worksession

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6799 Meeting ID:
2365542887# Passcode:
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February 1, 2021

AGENDA

The City Council requests that attendees turn off cell phones and pagers during the meeting. A copy of the full City Council packet is available to the public at <http://cityofbrooklyncenter.org/>.

- 1. Call to Order - 6:30 p.m.**
- 2. Miscellaneous**
 - a. Housing Study Discussion
- 3. Adjourn**

Council Worksession

DATE: 2/1/2021

TO: City Council

FROM: Curt Boganey, City Manager

THROUGH: N/A

BY: Meg Beekman, Community Development Director

SUBJECT: Housing Study Discussion

Background:

At the March 2020 work session, the City Council provided direction on a housing policy work plan and directed staff to explore the creation of a NOAH Preservation program. At that same meeting, the City Council indicated an interest in learning more about mixed-income/inclusionary housing policies and the impact such a policy might have financially for the City. On January 25, 2021, staff provided a presentation at the Council's work session which detailed both topics. Staff has prepared a draft NOAH Preservation program for the City Council's consideration and direction, and provided analysis on the components and impact of mixed-income/inclusionary housing policies. The discussion this evening will provide an opportunity for follow-up and for the Council to offer further direction on a NOAH Preservation Program and Mixed-Income Policy. The work session will be an opportunity to explore the draft NOAH Preservation Program, hear what additional questions the Council may have and understand what additional analysis and information the Council might need to make a decision about such a program. If time allows, similar discussion and exploration can occur in regards to a mixed-income/inclusionary policy.

Overview

Housing and the policy issues related to housing have become some of the most pressing and important matters facing communities today. For most suburban communities, housing comprises a significant majority of a city's land use and tax base. Maintaining and preserving a safe, quality, and desirable housing stock is critical to a community's long term economic health and resiliency. Further, a diverse housing stock which offers a wide range of housing choices and price points ensures that a community can be resilient through economic ups and downs as well as provide housing options for a diverse population throughout their lives. In addition to maintaining a quality and diverse supply of housing, communities are more and more becoming focused on concerns regarding livability and accessibility of housing.

The Twin Cities Metropolitan Area is currently experiencing record low vacancy rates. According to Marquette Advisors' midyear report from August 2019, the average vacancy rate across the seven-county metro area is 2.3 percent. Experts agree that a balanced rental market will typically see an average vacancy rate of around 5 percent. The effect of low vacancy rates over time is increasing rents, a growing interest from outside investors, and landlords in a position to be choosier about who they rent to.

Brooklyn Center's Current Rental Housing

The result of the regional trends described above are being felt in Brooklyn Center. Vacancy rates in the community remain lower than the regional average, hovering around 2 percent. This is common in communities with more affordable rental units.

Thirty-seven percent of Brooklyn Center's housing stock is comprised of rental units. Of the City's single-family housing, about 8 percent are rental. Nearly 100 percent of the multi-family housing in Brooklyn Center are one and two bedroom units built between 1961 and 1971, and nearly all of it is naturally occurring affordable housing (NOAH). Average rents in Brooklyn Center are naturally occurring affordable because the market rents, based on the age and condition of the units make them affordable at around 50 percent AMI in the metropolitan area. Rents in Brooklyn Center are lower than the regional average. Approximately 90 percent of all of the housing units in Brooklyn Center is NOAH.

While NOAH properties are affordable, they can be at risk of being lost as market demand increases and rents continue to go up. They can also experience disinvestment over time, causing deterioration, loss of value, and most importantly poor quality or unsafe living situations if they are not properly inspected and maintained. At present 4.1 percent of all units are legally binding, or subsidized affordable units. 10.9 percent of rental units are legally binding affordable. Subsidized affordable units are housing units that are required to maintain an affordable rent regardless of shifts in market demand. Due to their financing structure, they also must be maintained to a certain minimum standard. One of the goals of affordable housing advocates is to preserve existing NOAH properties by converting them to legally binding affordable units through NOAH preservation programs. With the construction of Sonder Housing, Real Estate Equities will be adding 270 units of legally binding new affordable housing units to the city. These will be the first new construction multi-family housing units built in Brooklyn Center since 1971, and will increase the percentage of legally binding affordable units to 6.6 percent of all units and 17.1 percent of rental units.

The City's 2040 Comprehensive Plan identifies several broad housing goals

2040 Housing & Neighborhood Goals:

- Promote a diverse housing stock that provides safe, stable, and accessible housing options to all of Brooklyn Center's residents.
- Recognize and identify ways to match Brooklyn Center's housing with the City's changing demographics.
- Explore opportunities to improve the City's housing policies and ordinances to make them more responsive to current and future residents.
- Maintain the existing housing stock in primarily single-family neighborhoods through proper ordinances, incentive programs and enforcement.
- Explore opportunities to incorporate new affordable housing into redevelopment areas that promote safe, secure and economically diverse neighborhoods.

In addition to these goals, the 2040 Comprehensive Plan identifies implementation strategies as well as resources and tools for achieving its housing goals. These are contained in Chapters 4 and 9, of the Housing and Implementation chapters respectively (attached).

Background

In April 2018, the City Council discussed several possible policies to address affordable housing issues. The memo from that discussion is attached to this report. Based on that discussion, Council directed staff to move forward with a Tenant Protection Ordinance, and in December 2018, it was adopted.

In March 2020, The City Council discussed housing policy as it centers around two distinct topic areas:

1) Housing choice - What is the composition and condition of the current housing stock? What are the current market demands for housing? How does the city's housing stock relate to the market, and does the city have enough and the right type to meet current and future need?

2) Affordable housing policies - What can the city do to improve livability and accessibility to quality affordable housing for residents? What best practices exist to support an effective approach to addressing the need for affordable housing in the community? What policies are most effective to prevent displacement?

At the work session the Council considered a work plan that would take a comprehensive review of the City's housing policy approach related to these two distinct topic areas and provided direction to staff. The staff report from that meeting is attached.

At that meeting, the City Council expressed support to explore a NOAH preservation program and a mixed-income housing policy (or inclusionary housing policy) as part of the City's strategy to create stable, quality housing for all incomes in the community. The purpose of this discussion is to provide information on these two policy programs to the Council and get direction on how to proceed.

Mixed-Income Housing Policy

A Mixed-Income Housing Policy, also known as inclusionary housing requires a set aside of a certain percentage of units or fee per unit for affordable housing when new multi-family housing is developed. Mixed-income policies provide developers with clear and consistent expectations of development in the community. A Mixed-Income Housing Policy provides for a value exchange between the local developer and the community, providing affordable housing for residents while the developer receives a new project in their portfolio; however they are not implemented without cost.

Key components of the Mixed-Income Housing Policy include:

- **Applicability** – The policy identifies when it will apply. Different cities have different standards as to when this trigger point occurs. Brooklyn Park's policy for example applies to all developments that add or create ten or more residential rental units and that receive:
 - City or EDA financial assistance
 - Master or amended PUD (would require a change of city ordinance)
 - Zoning Code Amendments (would require a change of city ordinance);
 - Or Comprehensive Plan Amendments
- **Affordability requirements** – The Policy states what the affordability requirements are. Some mixed income policies have options which allow developers to choose how many units, based on the affordability. Providing options allows flexibility within a project. Below is an example of what that could look like. Some mixed-income policies also allow developers to pay a fee to the city instead of providing units within their developments. Funds paid to the city are then used to create affordable housing elsewhere, either by funding a NOAH preservation program or funding the construction of new affordable units in other locations. Edina's mixed-income policy is an example of one that provides this option.

Options (choose one)	Min. Number of Units Required	Affordability Standard
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5%	Affordable for HH at 30% AMI
10%	Affordable for HH at 50% AMI
15%	Affordable for HH at 60% AMI

- **Affordability period** – The policy states how long the affordability is required for. 15-20 years is fairly

common in these types of policies.

- **Distribution of affordable units** – The policy would typically state that the affordable housing units should be consistent to the market rate units in quality of construction and finish, with units intermixed within the same development.
- **Non-discrimination** – The policy would typically state that developments covered by this Policy must not discriminate against tenants who pay rent with federal, state, or local public assistance, including, but not limited to rental assistance, rent supplements, and Housing Choice Vouchers.
- **Other considerations** - Mixed income policies can also include other types of incentives to encourage or assist the developer with supplying the affordable housing. For example, one of the most expensive aspects of construction that adds cost to projects, and thus drives up rent, is enclosed or underground parking. Reduced parking requirements can have a significant effect on construction costs. The Council could consider including parking stall reductions as an additional incentive to providing mixed-income units.

Financial Implications

In Brooklyn Center, generally speaking multi-family residential development does not generate high enough rents to cover the cost of construction. Therefore, any new multi-family development would very likely require some form of gap financing in order to be feasible. There are different ways that developers can fill financial gaps:

- Federal low-income housing tax credits (LIHTC)
- State and/or County grant sources
- State loan/mortgage programs
- Local Tax Increment Financing
- Local Tax Abatement
- Local fee waivers
- Land use/zoning concessions

Some of these sources require various forms of affordability and others do not. City required affordability requirements increase financial gaps, which must be filled by local sources. In other words, applying a mixed income housing policy will increase the need for city subsidy and may make some projects financially infeasible altogether. In addition, the Council may need to balance using TIF funds to achieve mixed income affordability goals versus achieving other community benefits that are desired as part of the project.

Ehlers analyzed the cost per unit to construct new affordable units based on their affordability level and the length of time the affordability would be required. This cost represents the likely gap to the project created with the inclusion of those units. Below is a table representing the results of their analysis.

		Total Present Value Affordability Cost Estimate - 222 unit Apartment			
Affordability Requirement	Aff. Units	15 Years		20 Years	
		Total	Per Unit	Total	Per Unit
5% of units @ 30% AMI	12	1,612,186	134,349	1,919,411	159,951
5% of units @ 50% AMI	12	1,113,510	92,793	1,325,705	110,475
5% of units @ 60% AMI	12	864,461	72,038	1,029,196	85,766
10% of units @ 30% AMI	23	3,098,450	134,715	3,688,903	160,387
10% of units @ 50% AMI	23	2,141,955	93,128	2,550,134	110,875
10% of units @ 60% AMI	23	1,664,284	72,360	1,981,437	86,149
15% of units @ 60% AMI	34	2,499,168	73,505	2,975,419	87,512
20% of units @ 30% AMI	45	6,070,977	134,911	7,227,886	160,620
20% of units @ 50% AMI	45	4,198,844	93,308	4,998,993	111,089
20% of units @ 60% AMI	45	3,263,932	72,532	3,885,919	86,354
25% of units @ 80% AMI	56	1,909,718	34,102	2,273,642	40,601
40% of units @ 60% AMI	89	6,463,226	72,621	7,694,884	86,459

Assumptions:

Annualized rental income loss per applicable affordability requirement is discounted to present value based on affordability duration

Affordable rental rates set at 96% of tax credit maximum to provide for utility allowance

Annual rental income reduction discounted at 5.5% for present value

Actual gap for proposed projects will vary depending on specifics

Compliance

Similar to a development agreement, affordability requirements for the development would be outlined in an Affordable Housing Performance Agreement signed by the City and developer. The Performance Agreement would include the location and number of affordable housing units, rental terms and occupancy requirements, timetable for compliance, affordability restrictions and any other terms the City requires. To ensure compliance with the Performance Agreement, the City would require the property owners/managers to conduct annual income certifications for households living in affordable units which would be reviewed by City staff every three years. The income qualification process would follow the Housing and Urban Development (HUD) income certification process. Staff would monitor compliance and the City could charge the property owner a fee to cover staff expenses related to monitoring. This would likely become part of the rental licensing process, but is not currently a function of the program. It would require additional enforcement and additional resources to carry out.

What are other Cities in the region doing to promote mixed-income or inclusionary housing?

The policies and practices to promote mixed-income and affordable housing vary from city to city. A number of other cities in the region have adopted mixed-income housing policies or use them in practice. Brooklyn Park adopted a mixed-income policy in 2018, which was largely based on policies adopted by the City of St. Louis Park and the City of Golden Valley. Cities with known mixed-income policies or practices are listed below:

- St. Louis Park
- Edina
- Golden Valley
- Minneapolis

- St. Paul
- Eden Prairie
- Chaska

Next Steps

Staff will move forward based on the direction provided by the City Council this evening. If the Council chooses to move forward with adopting a mixed-income policy the next steps would be:

- Drafting a mixed-income policy and bringing it back to City Council for consideration
- Implementing the policy

NOAH Preservation Program

As the City has done engagement for the 2040 Comprehensive Plan and the Opportunity Site, many discussions have occurred with renters around the community related to housing. One theme from these discussions has been a concern that the City's focus is too much on new construction of affordable housing in the future on the Opportunity Site, and not enough on improving the experiences and cost of living of existing renters today.

In fact, preserving existing affordable housing can be much more efficient and cost effective than building new affordable housing. Many cities are developing NOAH preservation programs with that goal in mind. A preservation program can be set up in various ways, but essentially how they work is to incentivize existing NOAH property owners into setting aside a percentage of rental units as legally binding affordable units for a set period of time.

The State of Minnesota provides a property tax break for subsidized rental properties under the Low Income Rental Classification Program (LIRC), commonly referred to as the "4d" program. 4d is one of several tax classifications the State of Minnesota applies to rental property. Class 4d property is taxed at a class rate of 0.75%, approximately 40% less than other classifications. Non-subsidized properties are eligible for the 4d tax classification when a property meets two conditions:

1. The property owner agrees to rent and income restrictions serving households at 60% of the AMI or below.
2. The property receives financial assistance from federal, state or local government requiring rent and income restrictions. At least 20% of the units must meet the income requirements. The 4d tax status applies only to the rent/income-qualifying units. The application deadline to Minnesota Housing is March 31 of each year for taxes payable the following year.

In order to do this, the City would create a NOAH preservation fund. It is estimated that the TIF 3 Housing Fund will have a balance when TIF 3 decertifies at the end of 2021. These funds could be used to seed a NOAH preservation fund. Staff would work with existing rental property owners to provide a modest subsidy for building rehabilitation or capital improvements, which would then be combined with a 4D tax classification benefit to provide a property tax break, currently amounting to 40%. In exchange, the property owner would agree to set aside certain units as affordable for a set period of time. The result is the preservation of NOAH units through a legally binding contract. Staff has drafted a proposed NOAH Preservation Program which is attached to this report for discussion purposes.

Savings to Rental Property Owners (Cost to Other Taxpayers)

Non-4d apartments have a tax class rate of 1.25%. Units classified as 4d have a tax class rate of 0.75% (for the first tier). A bill that would reduce the class rate for affordable rental housing from 0.75% to 0.25% was introduced at the Legislature this year. While it didn't pass this session, it could be reintroduced in future sessions. This would increase the savings per unit that a landlord could achieve, increasing the incentive to

participate in the program, also increasing the impact on a city's tax base.

Example One:

- 50-unit building valued at \$4,627,000
- Non-4d property taxes estimate $\$4,627,000 \times 0.0125 = \$57,837.50$
- 4d property taxes (all units): $\$4,627,000 \times .0075 = \$34,702.50$
- **Savings \$23,135 (\$462/unit)**

Example Two:

- 50-unit building valued at \$4,627,000
- Non-4d property taxes estimate: $\$4,627,000 \times 0.0125 = \$57,927.50$
- 4d property taxes (all units): $\$3,453,000 \times .0025 = \$11,567$
- **Savings \$46,360 (\$927.21/unit)**

Another way to analyze the affect of a NOAH Preservation program is on overall tax base. One example to illustrate this is if the City were to have a goal of eventually including 20 percent of its rental units in the preservation program. This would equate to 868 units. At present there are 471 units already included in the 4d program with another 270 under construction. This would mean focusing on adding an additional 127 units into the program. Assuming the tax rate reduction remains at 40 percent, the average unit will see a tax savings of \$600 per year. This would work out to be an annual property tax reduction from these multi-family units of \$76,200.

In addition to the annual property tax reduction, the program would include a one-time upfront incentive in the form of a matching grant that property owners would use for common capital improvements to the building. Minneapolis provides very little incentive. St. Louis Park provides more. For Brooklyn Center, Staff would propose a matching grant up to \$1,000 per unit not to exceed \$25,000 per property to encourage common area improvements and energy improvements to buildings. This would encourage participation as well as improvements to properties that would benefit all renters in the building.

Current 4d Properties in the City

Brooklyn Center 2020 Certification of MN Low-Income Rental Classification			
Address	Total Units	Qualify Percent	Property Name
6130, 6138 BS 6200 France Ave N	23	100%	Ewing Square Townhouses
7256 Unity Ave N	112	100%	Unity Place
6121 Brooklyn Blvd	158	100%	The Sanctuary at Brooklyn Center
6915 Humboldt Ave N	50	100%	Lynwood Pointe
6920 & 6910 Humboldt Ave N, 1302 & 1308 69th Ave N	128	100%	Carrington Drive
Total:	471		

4d Programs in other Cities

Minneapolis, St. Paul, St. Louis Park, Brooklyn Park and Edina have approved 4d programs. All programs are modeled after the program developed by the City of Minneapolis. The programs offer a modest-sized

grant and 4d property tax status in exchange for preserving affordability. Brooklyn Park's program is also paired with available financing to encourage nonprofit buyers to purchase NOAH properties to preserve them. It was through this program that they assisted the acquisition of Huntington Place by Aeon.

	Income Limits	Benefits	Time Limit	Building Size	Other
Minneapolis	20% of the units at 60% AMI	\$150 application fee Grant of \$100/unit Max grant=\$1,000	10 years	2+	Energy assessment and improvements encouraged Rent increases for existing tenants < 6% annually
St Paul	20% at 60% AMI (preference to 50%)	\$150 application fee Grant of \$100/unit Max grant=\$1,000	10 years	2+	Rent increases for existing tenants < 3% annually
St Louis Park	20% at 60% AMI	\$150 application fee Grant of \$200/unit Max grant=\$6,000	10 years	3+	Rent increases for existing tenants < 5% annually Energy assessment required Energy improvements encouraged
Edina	20% at 60% AMI	Grant of \$100/unit Max Grant for Energy improvements \$30,000	15 years	4+	Rent increases for existing tenants < 6% annually Energy Assessment and Improvements Encouraged

Area Median Income Rent Limits - 2020

---- Maximum Gross Rents by Bedroom Size (4/1/2020)

	0	1	2	3	4
50%AMI	905	970	1163	1344	1500
60%AMI	1086	1164	1396	1613	1800
70%AMI	1267	1358	1629	1882	2100

Because rents in Brooklyn Center are naturally more affordable, this program has the opportunity to be effective to lock in a percentage of units at 50-60 percent AMI now, before rents increase to the point of being unaffordable. Thus preventing displacement before it occurs. Further, because landlords would not need to necessarily reduce rents to participate in the program, the barrier of entry is low, making it more likely to be successful.

Key Components of a NOAH Preservation Program

- **Applicability** - Different programs include eligibility for different sized buildings. To begin the program staff would recommend focusing on properties with five units or more.
- **Affordability** - Most cities follow the state mandated 60 percent AMI affordability. Because rents in Brooklyn Center are on average more affordable, staff would recommend starting the program with the goal of achieving rents affordable at 50 percent AMI. If the City finds it too difficult to entice property owners to participate at the lower affordability, the program could be reviewed.
- **Affordability Period** - Most cities' programs provide an affordability requirement of 10-15 years.
- **Eligibility** - The policy would include eligibility in terms of which properties could apply for the program. Staff would recommend allowing Type I and II rental license properties only to apply, as these properties have demonstrated they are well maintained and are not experiencing deferred maintenance issues.

Next Steps

Staff has begun drafting a NOAH Preservation program which is attached for discussion purposes this evening. Based on the discussion this evening staff will make changes to the program and bring it back to Council for consideration.

Staff has begun reaching out to local landlords to discuss the program and get feedback on the proposed parameters, as well as solicit interest if a program were to be established. The results of this efforts will be compiled and shared with City Council along with any changes to the program at a future meeting.

Budget Issues:

Policy Questions:

NOAH Preservation Program Discussion

1. Does the City Council want to move forward with a NOAH Preservation program?
2. What additional analysis or information does the Council need to make a decision?
3. What considerations or concerns does the Council have about the draft program prepared by Staff?
 1. What duration should be considered in terms of affordability?
4. What should be the goals of the program in terms of percentage of rental units to include in the program?
5. What affordability level should be achieved through the program, and what incentives is the Council comfortable providing in order to achieve such a goal?

Strategic Priorities and Values:

Resident Economic Stability

ATTACHMENTS:

Description	Upload Date	Type
Housing Incentives	1/27/2021	Backup Material
Agenda Item 8_3	1/27/2021	Backup Material
04-09-18_CC_WS_Affordable Housing	1/27/2021	Backup Material
LIRC Guide	1/27/2021	Backup Material
04_Housing-Chapter-3-15-2019	1/27/2021	Backup Material

Brooklyn Center 4d affordable housing incentive program

Due to recent housing, economic and demographic trends, Brooklyn Center is experiencing an affordable housing need. Already burdened low- and moderate-income tenants are increasingly paying more than 30 percent of their income on rent and utilities. At the same time, many rental property owners are faced with increased operating and maintenance costs, as well as market opportunities to increase rents.

In response, the city is offering incentives for rental property owners to reduce property tax liability, improve energy efficiency and address conditions of aging buildings, if present. The goal is to preserve affordability, reduce energy use and enhance healthy homes to support tenants and strengthen the bottom line for property owners.

Benefits to property owners

Qualified market rate building owners that agree to keep a minimum of 20 percent of units per building affordable to households making 50 percent of area median income (AMI) for XX years will receive:

- XX-year eligibility for 4d property tax rate, which provides a 40 percent tax rate reduction on qualifying units.*
- City pays the first year fee for the Minnesota Low Income Rental Classification (LIRC) application, also known as 4d tax classification (\$10 per unit)
- Up to \$1,000 matching grant per affordable unit, capped at \$25,000 per property to be spent on common improvements
- Free energy efficiency and healthy homes assessments available to buildings with five or more units.
- Utility rebates for energy efficiency and healthy homes improvement identified in the free assessment
- Reduced renter turnover
- Lower maintenance and operating costs, if owners take advantage of opportunities to make energy efficiency improvements to properties

**Minnesota Statute 273.128 provides that qualifying low-income rental properties, including those enrolled in the Brooklyn Center 4d incentive program, are eligible for 4d tax classification. According to state statute, the first tier of valuation (\$150,000 per unit in 2020) on 4d rental properties is taxed at a rate 40 percent less than 4a and 4b rental property. The actual reduction in property taxes may be slightly higher or lower than 40 percent.*

Eligibility guidelines

Owners of market-rate multifamily properties that meet the following criteria:

- At least 20 percent of rental units in a building are affordable to households whose family income is at or below 50 percent of the area median income (AMI).
- Existing tenants in units that have program-compliant rents do not need to be income qualified.
- Income qualification for tenants is determined upon initial occupancy. Increased income of tenants in affordable units will not violate program requirements.
- Buildings that have at least five rental units; licensed rental properties with license types I or II that are in good standing with no active code compliance violations.
- Buildings can include units with owner occupants, but only rental units are eligible for 4d tax status.

The city will receive and review applications on an annual basis. The city expects to accept applications January through late February. Properties will be selected based on city goals of preserving housing affordability in neighborhoods throughout the city, subject to the availability of city grant funds.

Note: The city reserves the right to deny applications for the 4d incentive program if the owner or property manager applying owns or manages other properties with outstanding code compliance issues.

Process and program requirements

Step 1 (required)

- Property owners submit a 4d program application and rent roll and sign a participation agreement with the city. The participation agreement includes a commitment to accept tenant-based assistance and affirmative fair marketing, and prohibits involuntary displacement of existing tenants.
- The city will draft and record a declaration against the property that limits the rents and incomes on the qualified units for XX years (a recorded document is required for 4d tax classification status). The declaration also limits rent increases to no more than once in a 12-month period, unless the unit is turning over to a new tenant.
- The city will provide a matching grant to each 4d property in the amount of up to \$1,000 per affordable unit, capped at \$25,000 per property. This funding is intended to help property owners common area capital and health, safety and energy efficiency improvements to properties. Owners must certify to the use of the funds for the property.
- Property owners will select the percentage of their building units to restrict, with a minimum of 20 percent.
- Property owners will sign a 4d application once declaration is filed.
- The city will submit a signed 4d application, application fee and declaration to Minnesota Housing on behalf of the property owner for their first year only. Owners are responsible for submitting annual applications to Minnesota Housing to renew 4d tax status. See “Annual Owner Compliance” for additional information.

Step 2 (required)

- Owners of 5 or more unit buildings can sign up for the Multifamily Building Efficiency Program through Xcel Energy and CenterPoint Energy, and complete a free energy assessment by Energy Insight Inc., to receive an energy report of recommended improvements.

Benefits to owners:

- A free energy assessment, including free direct install of low-cost improvements such as LED lights and faucet aerators.
- Qualification to receive rebates for energy efficiency project expenditures if improvements result in at least 15 percent energy savings.

Step 3 (encouraged)

Following a free energy assessment, meet with the city and Center for Energy and Environment (CEE) to discuss energy efficiency improvements and available rebate packages. Property owners can choose from a variety of energy efficiency, weatherization or healthy homes improvements and may qualify for utility company subsidies and rebates that can cover between 25 percent and 90 percent of costs.

Benefit to owners:

- Public recognition for your partnership with the city
- Financial assistance to help cover the cost of energy efficiency upgrades

Modifications to declarations

- The declaration for the 4d program commitments runs with the property. Anyone buying and selling 4d property should contact Jesse Anderson at janderson@ci.brooklyn-center.mn.us to complete an assignment, assumption and consent form transferring the declaration to the new owner.
- Any other changes to the declaration, such as revisions to the Exhibit B document specifying which units in the building are restricted, should also contact Jesse Anderson.

What does annual compliance involve?

To continue to receive 4d status, property owners are required to submit:

- An annual 4d application to Minnesota Housing
- An annual report to the City of Brooklyn Center

2020 rent and income restrictions, Brooklyn Center 4d Affordable Housing Incentive Program

*2020 program rent and income limits based on 50 percent of the Twin Cities area median income (AMI). Rent and income restrictions are adjusted annually, typically in the spring.

Type of unit	50 percent area median income (AMI)
Studio/efficiency	\$905
1 bedroom	\$970
2 bedroom	\$1,163
3 bedroom	\$1,344
4 bedroom	\$1,500
5 bedroom	\$1,655

MEMORANDUM - COUNCIL WORK SESSION

DATE: 3/9/2020

TO: City Council

FROM: Curt Boganey, City Manager

THROUGH: N/A

BY: Meg Beekman, Community Development Director

SUBJECT: Housing Policy Framework (45 minutes)

Recommendation:

- Consider the proposed housing policy framework, and provide direction relating to housing efforts.

Background:

Housing and the policy issues related to housing have become some of the most pressing and important matters facing communities today. For most suburban communities, housing comprises a significant majority of a city's land use and tax base. Maintaining and preserving a safe, quality, and desirable housing stock is critical to a community's long term economic health. Further, a diverse housing stock which offers a wide range of housing choices and price points ensures that a community can be resilient through economic ups and downs as well as provide housing options for a diverse population throughout their lives.

In addition to maintaining a quality and diverse supply of housing, communities are more and more becoming focused on concerns regarding livability and accessibility of housing. The Twin Cities Metropolitan Area is currently experiencing record low vacancy rates. According to Marquette Advisors' midyear report from August 2019, the average vacancy rate across the seven-county metro area is 2.3 percent. Experts agree that a balanced rental market will typically see an average vacancy rate of around 5 percent.

The Twin Cities has been experiencing record low vacancy rates for several years now as are many metro areas throughout the nation. Severe housing shortages are being caused from spikes in construction costs, combined with unprecedented demand for rental housing as millennial and baby boomer generations are finding similar desires for lifestyles that offer more mobility and convenience over the debt and maintenance of home ownership. In addition, as the cost of living outpaces incomes, for many families, home ownership may feel out of reach, and renting becomes the only choice.

The effect of low vacancy rates over time is increasing rents, a growing interest from outside investors, and landlords in a position to be choosier about who they rent to. This has borne out throughout the Twin Cities Metropolitan Area, with the average rent increasing nearly 8 percent year over year to a current unprecedented \$1,254 per month. In addition, the Metropolitan Council continues to see a reduction in the number of landlords accepting Section 8 vouchers. According to the Metropolitan Council, landlords are citing the increased interest for their units from non-voucher holders as the primary reason for the change.

Yet another impact of the increasing value of rental property is the growing number of investors purchasing Class B or Class C rental properties, which are renting for naturally affordable rents, making cosmetic improvements, and increasing rents so that the units are no longer affordable. According to the Minnesota Housing Partnership, the sales of apartment buildings in the metro area jumped 165 percent between 2010 and 2015. Often the change in ownership will also come with a change in policy related to criminal history, acceptance of Section 8 vouchers, or minimum income requirements, resulting in existing tenants being displaced from the property.

Brooklyn Center's Current Rental Housing

The result of the regional trends described above are being felt in Brooklyn Center. Vacancy rates in the community remain lower than the regional average, hovering around 2 percent. This is common in communities with more affordable rental units.

35 percent of Brooklyn Center's housing stock is comprised of rental units. Of those, about 8 percent are single family homes. The Community Development Department is preparing a summary report on the rental licensing program which includes a deeper analysis of rental housing in the City. This will be presented as part of a separate memo.

According to the Metropolitan Council, the following table indicates what is considered affordable rents in the Twin Cities Metropolitan Area:

2019 Rental Housing				
# Bedrooms	30% AMI	50% AMI	60% AMI	80% AMI
Efficiency	\$525	\$875	\$1,050	\$1,400
1 Bedroom	\$562	\$937	\$1,124	\$1,499
2 Bedrooms	\$675	\$1,125	\$1,350	\$1,800
3 Bedrooms	\$780	\$1,300	\$1,560	\$2,080
4 Bedroom	\$870	\$1,450	\$1,740	\$2,320

*Rents include tenant-paid utilities

According to the Census American Community Survey indicates average gross rents in Brooklyn Center:

Average Rents in Brooklyn Center	
# Bedrooms	Rent
Studio	\$760
1 Bedroom	\$914
2 Bedrooms	\$1,057
3 Bedrooms	\$1,309
4 Bedrooms	\$1,607
Gross Rent	\$1,008
*2018 Census American Community Survey	

Average rents in Brooklyn Center are considered naturally occurring affordable because the market rents, based on the age and condition of the units make them affordable at around 50 percent AMI in the metropolitan area. Rents in Brooklyn Center are lower than the regional average. Approximately 90 percent of all of the housing units in Brooklyn Center are considered naturally occurring affordable housing (NOAH). While NOAH properties are considered affordable, they can be at risk of being lost as market demand increases and rents continue to go up. They can also experience disinvestment over time, causing deterioration, loss of value, and most importantly poor quality or unsafe living situations.

At present only 3.7 percent of units are considered legally-binding, or subsidized affordable units. Subsidized affordable units are housing units which are required to maintain an affordable rent regardless of shifts in market demand. Due to their financing structure, they also are required to be maintained to a certain minimum standard. One of the goals of affordable housing advocates is to preserve existing NOAH properties by converting them to legally binding affordable units through NOAH preservation programs. With the construction of Sonder Housing, Real Estate Equities will be adding 270 units of legally-binding new affordable housing units to the city. These will be the first new construction multi-family housing units built in Brooklyn Center since 1971, and will increase the percentage of legally-binding affordable units to 6 percent.

The City's 2040 Comprehensive Plan identifies several broad housing goals

2040 Housing & Neighborhood Goals

- Promote a diverse housing stock that provides safe, stable, and accessible housing options to all of Brooklyn Center's residents.
- Recognize and identify ways to match Brooklyn Center's housing with the City's changing demographics.
- Explore opportunities to improve the City's housing policies and ordinances to make them more responsive to current and future residents.
- Maintain the existing housing stock in primarily single-family neighborhoods through proper ordinances, incentive programs and enforcement.
- Explore opportunities to incorporate new affordable housing into redevelopment areas that promote safe, secure and economically diverse neighborhoods.

In addition to these goals, the 2040 Comprehensive Plan identifies implementation strategies as well as resources and tools for achieving its housing goals. These are contained in Chapters 4 and 9, of the Housing and Implementation chapters respectively (attached).

Issue Identification

As engagement related to the comprehensive plan and various redevelopment sites have occurred throughout the community over the past few years, a number of issues, concerns, and priority areas have bubbled up related to housing. Many of these issues are identified in the 2040 Comprehensive Plan.

As it relates to housing policy within the City of Brooklyn Center, these issues can be categorized into two distinct topic areas:

1. **Housing choice** - What is the composition and condition of the current housing stock? What are the current market demands for housing? How does the city's housing stock relate to the market, and does the city have enough and the right type to meet current and future need?
2. **Affordable housing policies** - What can the city do to improve livability and accessibility to quality affordable housing for residents? What best practices exist to support an effective approach to addressing the need for affordable housing in the community? What policies are most effective to prevent displacement?

In order to address these topic areas related to housing, staff is proposing a framework plan which takes a comprehensive review of the City's housing policy approach, with an emphasis in key focus areas based on priorities issues which merit special attention.

The overall review would include identifying those housing issues which are currently surfacing in the community and prioritizing those which are most pressing. Issues which have broadly been identified that merit special attention include:

- Mitigating and preventing displacement of existing residents as the community redevelops
- Tenant protections
- Creating and expanding home ownership opportunities
- Fair housing policy
- Maintenance and preservation of single family housing stock
- Expanding housing options

Housing Policy Framework

In order to gather data and to identify the needs for additional housing choice in the community, staff is recommending working with a consultant to complete a housing study. A proposed scope of work for the housing study is attached to this memo. The study would include an analysis of regional trends effecting Brooklyn Center's housing, the city's existing housing stock, current rent trends, market demand and gaps analysis. The housing study is

also proposed to include a tenant and home owner survey in order to ascertain whether residents are satisfied with their current housing options, and what housing choices they anticipate needing/wanting over time. The results of this analysis will assist with guiding land use and policy decisions as it pertains to housing stock and choice.

As it relates to the needs around affordable housing, policy approaches fall into one of three categories: 1) Construction of new legally-binding units; 2) Preservation of NOAH units; 3) Tenant protections

In April 2018, the City Council discussed several possible policies to address affordable housing issues. The memo from that discussion is attached to this report. Based on that discussion, Council directed staff to move forward with a Tenant Protection Ordinance, and in December 2018, the city adopted one.

Additional policies which address affordable housing topics are described below. Staff is seeking direction on which policies Council would like to move forward with, would like additional information on, or would like to wait on.

Inclusionary Housing Policy (Creation Policy) – These are a collection of policies which would either encourage or require new affordable units to be included as part of new market-rate residential development projects which receive public subsidy or other discretionary City approvals. Frequently it is in the form of a requirement that a percentage of units be affordable in a new residential development in exchange for public subsidy of the project.

- New developments such as those in the Opportunity Site would be required to include a certain number of affordable units.
- Inclusionary Housing policies ensure that new affordable units are added as market-rate units are built, thus ensuring mixed-income communities.
- Cities such as St. Louis Park and Minneapolis have found that in higher rent developments, a certain percentage of affordable units can be required without increasing the need for additional public subsidy. This is due to the higher than average market rents, which off-set the affordable units. In Brooklyn Center, as is true in communities with lower average rents, the cost of the affordable units would require additional public subsidies in order for a project to be financially feasible.
- Brooklyn Park recently adopted an Inclusionary Housing Policy. As part of their analysis they concluded that any amount of included affordable would create a financial gap in the project and require subsidy. The policy acknowledges this and projects will be looked at on a project by project basis to determine if the gap can be financed.
- Community input on the Opportunity Site has identified many community benefits and goals for the redevelopment in addition to affordable housing; affordable commercial space, a cultural center, civic space, event space, and a recreation center to name a few. All of these uses would require public subsidy in some form or another, not to mention the infrastructure needs of the site. Identifying affordable housing as a singular or primary goal of the development through an inclusionary housing policy inevitably elevates it above other community goals for the site.

NOAH Preservation Program (Preservation Policy) – A preservation program can be set up in various ways, but essentially how they work is to incentivize existing NOAH property owners into setting aside a percentage of rental units as legally binding affordable for a set period of time. The City would create a NOAH preservation fund and identify additional funding sources to grow it. Staff would work with existing property owners to provide a modest subsidy for building rehabilitation, which would then be combined with a 4D tax classification, also known as the Low Income Rental Classification Program (LIRC), to provide a property tax break, currently amounting to 40%. The result is the preservation of NOAH units through legally binding contract.

- The tax break would be proportional to the percentage of units which would be affordable, and not apply to the entire building.
- The LIRC/4D statute defines eligible properties as those which meet two conditions: the owner of the property agrees to rent and income restrictions (serving households at 60% AMI or below) and receives “financial assistance” from federal, state or local government. This presents the possibility of creating a “Local 4D” program in which qualifying properties receive the 4D tax break in return for agreeing to conditions which meet certain local government policy goals.
- The reduction in property taxes would not decrease the City’s revenue from property taxes, as the funds would be distributed to all other properties; however, it would reduce that property’s share of local property taxes.
- The amount of the tax break is a limiting factor as it equates to around \$80/unit per year; however, the program may be an incentive for a property owner in a community where the market rents are already considered affordable, since they would not need to depress their rent rates.
- The city is estimated to have approximately \$320,000 of Housing TIF #3 funds when TIF #3 decertifies at the end of 2021. These funds could be used to seed a NOAH preservation fund.
- NOAH preservation is a more cost efficient form of creating legally binding affordable units compared with new construction, and ensures families are not displaced from their homes. A NOAH preservation program, combined with efforts to support tenant protections could be highly effective at addressing community concerns about displacement. Further, staff could begin to work on setting up such a program in the near term, and begin to identify potential funding sources for it.

Fair Housing Policy (Tenant Protection Policy) - Title VIII of the Civil Rights Act establishes federal policy for providing fair housing throughout the United States. The intent of Title VIII is to assure equal housing opportunities for all citizens. Further, Cities as a recipient of federal community development funds under Title I of the Housing and Community Development Act of 1974, is obligated to certify that it will affirmatively further fair housing.

- The city of Bloomington's Fair Housing Policy is attached as an example. Many other cities within Minnesota have Fair Housing Policies that are written very similar to Bloomington's.
- At present Brooklyn Center does not have a Fair Housing Policy. It is staff's recommendation that this be addressed in the near term, and that the Housing Commission be tasked with reviewing and recommending a policy to be adopted by the City.

Review Rental Licensing through the lens of Tenant Protections (Tenant Protection Policy) - Nearly a third of the City's housing units are rental. With vacancy rates hovering near 3 percent, tenants are not in a favorable position when it comes to negotiating with landlords on lease terms or other accommodations. Nearly all of the City's multi-family residential is considered naturally occurring affordable housing (NOAH). This is primarily due to its age and condition. Brooklyn Center hasn't had new multi-family housing constructed since 1971, and so this particular housing type, like most in the City, is aging. Maintenance varies significantly depending on ownership, as does the quality of property management. Therefore, it is important to continue to monitor the City's NOAH properties through a robust rental license program. However, when the rental license program was established tenant protections was not the focus of the program. A review of the City's ordinances, policies, and procedures through the lens of tenant protections would ensure that the program is serving residents as effectively as possible.

- Community engagement strategies would be necessary to identify problems and potential solutions. Suggested engagement strategies include listening sessions with tenants and landlords; and engaging stakeholders such as Homeline, Housing Justice Center, ACER, etc

- City staff have met with ACER, Homeline, and the Housing Justice Center and discussed some of the issues affecting Brooklyn Center residents already. In addition, the city's housing inspectors spend a significant amount of time interacting with tenants and landlords and understand the complexities of the issues. These resources can be drawn upon to further explore ways to make adjustments to the City's ordinances, policies, and procedures to ensure existing residents are provided safe, secure, stable housing and tenants are afforded protections under the law.
- Staff's recommendation is to move forward with reviewing the city's current policy and ordinance, and to begin to implement improvements. Tenant input could be incorporated into the tenant survey that is part of the housing study.

Single Family Housing Stabilization (Preservation Policy) - Approximately 86 percent of Brooklyn Center's single family housing stock is more than 40 years old. This is a significant portion of the City's housing, therefore it is important to track the condition of these older homes as they are at-risk of deferred maintenance. At the same time, well maintained older homes can be an important source of entry-level housing. When considering the type and age of housing in Brooklyn Center, the 2040 Comprehensive plan recommended the following programs:

- Housing study to assess the condition of the City's housing stock
- Home Ownership Program Assistance Program
 - Down Payment Assistance
 - Home Ownership Education
- Additional Low or No Cost Home improvement funding

Staff recommends moving forward with a review of the city's single family housing programs. The first part of which would be incorporated into the housing study.

Review of Additional Best Practices to Mitigate and Prevent Displacement - Housing Study and Impact Assessment - As was mentioned above, staff is recommending moving forward with a housing study in the near-term. Because issues around the impact of significant development on the city's existing housing, particularly around displacement and gentrification, have been raised in the community, staff is proposing to include within the housing study an impact assessment to evaluate the potential impact of the Opportunity Site in this way. The study would include a literature review of existing research on the topic of displacement and gentrification as it may pertain to Brooklyn Center, as well as case studies and best practices from other places that the community might draw from. The study, as the scope is currently proposed, would assist with providing an informed basis from which policy decisions can be made. The outcome of the study would allow us to identify additional policies and best practices which may forward the city's priorities around housing policy.

Implementation

Housing policy is both an urgent and important need in the community; however, staff capacity is also limited to address these issues in a timely manner. Some items identified above could be undertaken immediately such as the housing study and the creation of a fair housing policy. A NOAH preservation program may be a policy which could also be addressed in the near-term. Other items will take longer to address such as reviewing of the city's rental licensing ordinance.

The City of Brooklyn Park currently facilitates a housing stakeholder group with many of the same stakeholders which Brooklyn Center would very likely ask to participate in similar conversations. Rather than hold a second meeting each month, Brooklyn Park staff has suggested the two cities combine efforts with the group. This also offers the opportunity to share research and resources on topics which are likely to be of a similar nature in terms of housing issues.

It may also be valuable to create subject specific Housing Task Forces, over time, as each housing area is addressed. This can be vetting as work progresses. Not only would this allow greater community engagement, but also ensure that as various areas of focus are under review (i.e. tenant protections, single family preservation, multi-family preservation) that the right people are at the table to provide input and expertise. Though, inevitably, task forces and committees take considerable staff time to facilitate and manage. Ensuring that any engagement that is done is intentional and on topics where input is warranted is critical.

Staff has identified 5 key areas to address over the next 18 months. Other priority areas may arise through continued engagement which would require an adjustment to this framework.

Tentative Time Line

1. Q1 2020 Fair Housing Policy
2. Q1 2020 Housing Study and Impact Assessment - Gaps analysis and identify best practices for anti-displacement
3. Q2 2020 NOAH Preservation program
4. Q4 2020 Tenant Protections
5. Q1 2021 Single Family Housing Stabilization

Next Steps

Staff recommends moving forward initially with the Housing Commission undertaking the review and drafting of a Fair Housing policy, which would then go to the City Council for final consideration. In addition, staff would recommend proceeding with the housing study and impact assessment as the initial step.

Policy Issues:

- What housing-related issues/topics do you see rising to the surface in the community?
- Are there any major elements you see needing to be addressed in the housing study in order to create a thorough baseline assessment of the City's housing stock?
- Should staff begin working with the Housing Commission on developing a Fair Housing Policy?
- Do you have any questions/concerns with the framework for a Housing Policy Plan as it has been laid out?
- Is the Council comfortable with moving forward with the housing study and gaps analysis?

Strategic Priorities and Values:

Resident Economic Stability, Safe, Secure, Stable Community

ATTACHMENTS:

Description	Upload Date	Type
Housing Fact Sheet	11/19/2019	Backup Material
April 9, 2018 - City Council Memo - Affordable Housing Policy	11/19/2019	Backup Material
Housing Study Scope of Work	11/19/2019	Backup Material
Example Housing Gaps Analysis	11/19/2019	Backup Material
Chapter 4 - Housing	6/10/2019	Backup Material
Chapter 9 - Implementation Chapter	10/22/2019	Backup Material
Fair Housing Policy Example	8/16/2019	Backup Material
Distribution of Naturally Occurring Affordable Housing Buildings in Hennepin County	11/20/2019	Backup Material

REVIEWERS:

Department	Reviewer	Action	Date
Community Development	Suciu, Barb	Approved	3/4/2020 - 2:38 PM

MEMORANDUM – COUNCIL WORK SESSION

DATE: April 9, 2018

TO: Curt Boganey, City Manager

FROM: Jesse Anderson, Deputy Director of Community Development

THROUGH: Meg Beekman, Community Development Director

SUBJECT: Affordable Housing Policy

Recommendation:

It is recommended that the City Council consider providing direction to staff regarding potential affordable housing policies for the City.

Background:

In May of 2017, the City Council received copies of emails forwarded by Councilmember Butler from African Career and Education Resource Inc. (ACER) requesting an opportunity to come before the City Council to discuss concerns about the need for affordable housing in Brooklyn Center. In addition Mayor Willson was in contact with a representative of Community Action Partnership of Hennepin County (CAPHC) regarding the same topic.

On July 10, 2017, by consensus the City Council directed staff to invite representatives from ACER and CAPHC to a future work session to present information and have a dialogue on the issue of affordable housing.

On August 14, 2017, the City Council received a presentation from ACER and CAPHC regarding the topic of affordable housing. At the presentation ACER and CAPHC advocated that the City consider adopting policies that would address the region's need for affordable housing, protect tenants, and help preserve naturally occurring affordable housing. The Council directed staff to bring the subject back to a future work session for discussion.

Regional Housing Trends:

The Twin Cities Metropolitan Area is currently experience record low vacancy rates. According to Marquette Advisors' midyear report in August 2017, the average vacancy rate across the Twin Cities metro was 2.4 percent. Experts agree that a balanced rental market will typically see an average vacancy rate of around 5 percent.

The impact of low vacancy rates over time has increased rents, a growing interest from outside investors, and landlords in a position to be choosier about who they rent to. This has borne out throughout the Twin Cities Metropolitan Area as rents have gone up throughout the region. The average rent at the end of July 2017 had increased 3.1-percent year over year. In addition, the Metropolitan Council is seeing a reduction in the number of landlords accepting Section 8

MEMORANDUM – COUNCIL WORK SESSION

vouchers. According to the Metropolitan Council, landlords are citing the increased interest for their units from non-voucher holders as the primary reason for the change.

Yet another impact of the increasing value of rental property is the growing number of investors purchasing Class B or Class C rental properties, which are renting for naturally affordable rents, making cosmetic improvements, and increasing rents so that the units are no longer affordable. According to the Minnesota Housing Partnership, the sales of apartment buildings in the metro area jumped 165 percent between 2010 and 2015. Often the change in ownership will also come with a change in policy related to criminal history, acceptance of Section 8 vouchers, or minimum income requirements, resulting in existing tenants being displaced from the property.

The region is also seeing a loss of smaller-sized rental properties (1-4-units). This is due, in part to single family properties converting back into owner-occupied as the market recovers from the recession, but also a growing number of local investors purchasing smaller properties and flipping them. While some of the proposed policies would impact single family rentals, the primary focus of affordable housing advocates and media attention has been on larger properties (40-units or greater).

Affordable housing advocates have identified potential policies designed to address these issues. The policies fall into one of three categories; 1) preservation policies designed to preserve naturally occurring affordable housing and prevent it from being flipped; 2) tenant protection policies designed to prevent or mitigate displacement; and 3) creation policies designed to create new, legally-binding, affordable housing that will replace the naturally occurring affordable housing that is being lost.

Brooklyn Center's Current Rental Housing:

According to the Metropolitan Council, the following table indicates what is considered affordable rents in the Twin Cities Metropolitan Area:

# of Bedrooms	30% AMI	50% AMI	60% AMI	80% AMI
Efficiency	\$474	\$791	\$949	\$1,265
1-Bedroom	\$508	\$848	\$1,017	\$1,356
2-Bedroom	\$610	\$1,017	\$1,220	\$1,627
3-Bedroom	\$705	\$1,175	\$1,410	\$1,880
4-Bedroom	\$786	\$1,311	\$1,573	\$2,097

*Rents include tenant-paid utilities

According to the Metropolitan Council, the following table indicates average rents in Brooklyn Center:

# of Bedrooms	Survey	5-Year Avg
Efficiency	\$730	\$744
1-Bedroom	\$869	\$801
2-Bedroom	\$1,019	\$925
3+ Bedroom	\$1,281	\$1,147

Our Vision: We envision Brooklyn Center as a thriving, diverse community with a full range of housing, business, cultural and recreational offerings. It is a safe and inclusive place that people of all ages love to call home, and visitors enjoy due to its convenient location and commitment to a healthy environment

MEMORANDUM – COUNCIL WORK SESSION

Brooklyn Center currently has 834 rental license holders. 713 of those are for single family homes. 71 of the licenses are for 2-4-unit properties. 24 are for properties with between 5 and 39 units. 27 licenses are for properties with greater than 40 units. There are approximately 4,300 rental units in the City. The average rents in Brooklyn Center are considered affordable for those making around 50 percent of the Area Median Income. Of the 11,608 total housing units (both rental and owner-occupied) in Brooklyn Center, 89.5 percent are naturally occurring affordable housing. There are currently 402 Section 8 voucher holders in the City.

Brooklyn Center currently has five apartment building that are legally-binding affordable housing, Ewing Square Townhomes (23-units), The Crest Apartments (69-units), Unity Place (112-units), Emerson Chalet Apartments (18-units), and The Sanctuary (158-units). Also, Lynwood Apartment (50-units) is currently applying for Certified Low Income Status, which would make it a legally-binding affordable property. This equates to 3.7 percent of the City's housing stock is legally-binding affordable housing.

Anecdotally, a recent phone survey of 34 Brooklyn Center landlords found a current average vacancy rate of 1.3 percent.

Rents in Brooklyn Center are currently very affordable compared to the region. Low rents may be contributing to the low vacancy rates. If the vacancy rates are in fact below 2 percent, and they remain that low over time, it would be reasonable to expect rents to increase. However, given the current low rents, even an increase in rents of 20-30 percent would result in rents still considered affordable for those making 60-80% AMI.

Affordable Policy Options:

Section 8 Ordinance (Tenant Protection) - Prohibiting discrimination against Section 8 voucher holders and other recipients of government programs. The policy would prohibit landlords from denying any tenants' application based on the applicant receiving government assistance.

- Staff surveyed 34 Brooklyn Center apartments and found that 50 percent indicated that they do not accept section 8 vouchers.
 - Minneapolis recently adopted this ordinance, which allows applicants who feel they have been discriminated against to seek damages through the city's department of Civil Rights.
 - The City of Minneapolis has an active lawsuit filed against them by 55 apartment owners over the legality of this ordinance. The lawsuit argues the mandate conflicts with state law and unfairly forces them to comply with requirements of federal housing voucher programs for low-income residents. It also says the law violates the Minnesota Constitution because it reduces their property values, forces landlords to enter into contracts and represents an unnecessary government intervention in their businesses. Landlords also claim that this could cause landlords to increase rent and/or application criteria as to price out Section 8 vouchers.
- Staff feels that if the ordinance is upheld by the courts, it could be a useful tool to ensure residents are not discriminated against based on their source of income; however additional review would be necessary related to the enforcement of the ordinance. Staff

MEMORANDUM – COUNCIL WORK SESSION

recommends that the City monitor the Minneapolis lawsuit then review pending the outcome.

Notice of Intent to Sell (Preservation) – Rental property owners must give advanced notice prior to the sale of a rental property. This gives a preservation buyer an opportunity to match the purchase price. It would also give service providers additional time to relocate residents who would be displaced as a result of the sale.

- Landlords would be concerned about delaying the closing of a property sale, which could have a negative effect on price. Preservation companies such as Aeon have expressed concerns that this could increase the competition for these properties, and thusly increase sales prices.
 - Enforcement would be difficult because the penalty would come after the sale has occurred. If the property has sold, the seller no longer has ties to the property so enforcing a citation could be challenging and may not be a deterrent. In a workgroup in St. Louis Park landlords stated that if there was a \$1000.00 citation for selling without notice, they would likely still sell the property and pay the citation.
 - It is unclear who the seller would need to notify of their intent to sell and what would be done with that information once it was known. Who would decide what buyers could have access to the information? Who would be responsible for disseminating the information?
 - It is possible that this ordinance would dissuade investors, who may opt to purchase property in cities that do not have the additional requirements.
 - St. Louis Park is looking at an alternative ordinance related to tenant transition/protection would address the need for additional time to relocate tenants.
- Staff recommends that the city consider other options such as the tenant transition ordinance.

Tenant Transition/Protection Ordinance (Tenant Protection) – This would require a new owner of a naturally occurring affordable housing property to pay relocation benefits to tenants if the new owner increases rent, rescreens existing residents or implements non-renewals without cause within 3 months after the purchase. The ordinance has the effect of freezing lease terms for 90 days after the sale of a property. The purpose is to allow tenants three (3) months to relocate if necessary.

- This ordinance wouldn't interfere with the sale of naturally occurring affordable housing, however; it would provide assistance to the tenants if necessary.
 - The ordinance would require new buyers to notify tenants within 30 days if substantive changes to the lease are forthcoming, giving tenants time to relocate if necessary.
 - St. Louis Park adopted the Tenant Protection Ordinance in March of 2018.
 - The policy could dissuade potential apartment buyers from buying in Brooklyn Center, who may opt to purchase a property in a city without this policy.
- Staff recommends that the City review this policy further to determine the legality of it, the enforcement mechanism, and what the specific impacts in Brooklyn Center might be.

MEMORANDUM – COUNCIL WORK SESSION

Just-Cause Eviction (Tenant Protection) – Also known as Just-Cause Non-Renewal, this would require a landlord to provide a reason if they were going to not renew a tenant's lease that was expiring. Currently landlords must provide a just cause for eviction, which a tenant can appeal in court. There is no appeal process available to tenants who lose their housing due to non-renewal of lease.

- Landlords see this as taking away a valuable management tool for dealing with problem tenants and have the unintended consequence of increasing the number of evictions filed and strengthening screening standards.
 - When St. Louis Park conducted their meetings with landlords and the Multi-family Housing Association, this ordinance received the strongest opposition.
 - The enforcement of this policy would be through the court system and would require a tenant to take legal action against their landlord via a lawsuit.
 - Of the 34 landlords surveyed by staff, the majority of evictions or non-renewals are the result of non-payment of rent or criminal activity.
 - The intent of this ordinance would be to protect tenants from being non-renewed in the event a new owner wants to empty a building in order to do a substantial renovation with the goal of increasing rents.
- Staff recommends that the City consider other options such as the tenant transition ordinance to protect tenants.

Inclusionary Housing Policy (Creation) – These are a collection of policies that could be adopted by the city which would either encourage or require new affordable units to be included as part of new market-rate residential development projects which receive public subsidy or other discretionary City approvals. Frequently it is in the form of a requirement that a percentage of units be affordable in a new residential development in exchange for public subsidy of the project.

- New developments such as the Opportunity Site would be required to include a certain number of affordable units.
 - Inclusionary Housing policies ensure that new affordable units are added as market-rate units are built, thus ensuring mixed-income communities.
 - Cities such as St. Louis Park and Minneapolis have found that in higher rent developments, a certain percentage of affordable units can be required without increasing the need for additional public subsidy. This is due to the higher than average market rents, which off-set the affordable units. In Brooklyn Center, as is true in communities with lower average rents, it is likely that the cost of the affordable units would require additional public subsidies in order for a project to be financially feasible.
- If the Council would like to move forward with this police staff would recommend reviewing the feasibility of future development if an affordable housing policy is adopted.

4D Tax Breaks (Preservation) – Also known as the Low Income Rental Classification Program (LIRC), Minnesota provides a property tax break, currently amounting to 40%, to subsidized rental properties under LIRC, commonly referred to as the 4D program. There is the potential,

MEMORANDUM – COUNCIL WORK SESSION

however, to extend 4D eligibility to certain currently unsubsidized affordable properties, without changing current law. This is because the LIRC/4D statute defines eligible properties as those which meet two conditions: the owner of the property agrees to rent and income restrictions (serving households at 60% AMI or below) and receives “financial assistance” from federal, state or local government. This presents the possibility of creating a “Local 4D” program in which qualifying properties receive the 4D tax break in return for agreeing to conditions which meet certain local government policy goals.

- A government agency would need to provide a financial contribution to a rental apartment with a low income agreement placed on the property. The property could then be eligible to apply for 4D status. This would allow a landlord to make physical improvements to the property in exchange for affordable rents.
 - The reduction in property taxes would not decrease the City’s revenue from property taxes, as the funds would be distributed to all other properties; however, it would reduce that property’s share of local property taxes.
 - The amount of the tax break is a limiting factor as it equates to around \$80/unit per year; however, the program may be an incentive for a property owner in a community where the market rents are already considered affordable, since they would not need to depress their rent rates.
 - Hennepin County is looking into a rehabilitation program for rental properties which would function similarly to the CDBG housing rehabilitation program, but be County funded.
 - The City could also look at funding a program for rental housing rehabilitation.
- Staff recommends working with the County to determine the feasibility of a County-led program. The City could also review EDA or TIF 3 Housing funds to determine the availability of funds for a city program that would provide rental housing rehab assistance in exchange for a 5-10 year affordability requirement. This could be set up as a per unit matching forgivable loan.

Other Policies/Programs

- Identify buildings that are at-risk of being flipped. Reach out to owners of at-risk buildings and gauge their short and long-term plans. Help connect them with preservation buyers on a case-by-case basis.
- Comprehensive Plan – the City is in the process of updating its Comprehensive Plan. If the preservation and/or creation of affordable housing are a priority for the City, it should be reflected in the City’s Comprehensive Plan.
- Education – Work with the Metropolitan Council to provide education on Section 8 voucher programs to dispel some of the negative perceptions of the program.

Policy Issues:

Does the Council believe that the information presented indicates a need for additional policy actions to address the concerns raised regarding affordable housing and the protection of tenant rights?

MEMORANDUM – COUNCIL WORK SESSION

Does the Council require additional information regarding these issues before concluding if further policy actions are necessary?

Which policies if any would the Council want brought back for further consideration?

Which policy does the council consider a higher priority?

Strategic Priorities:

- Resident Economic Stability

Attachments:

US Census Bureau Data

Metropolitan Council Land use Chart

August 14, 2017 Council Work Session Memo

August 14, 2017 Council Work Session Minutes

Housing Strategies Table Presented at Previous Work-Session

Mixed-Income Housing Policies among Neighboring Cities Table

Phone Survey of Brooklyn Center Apartments

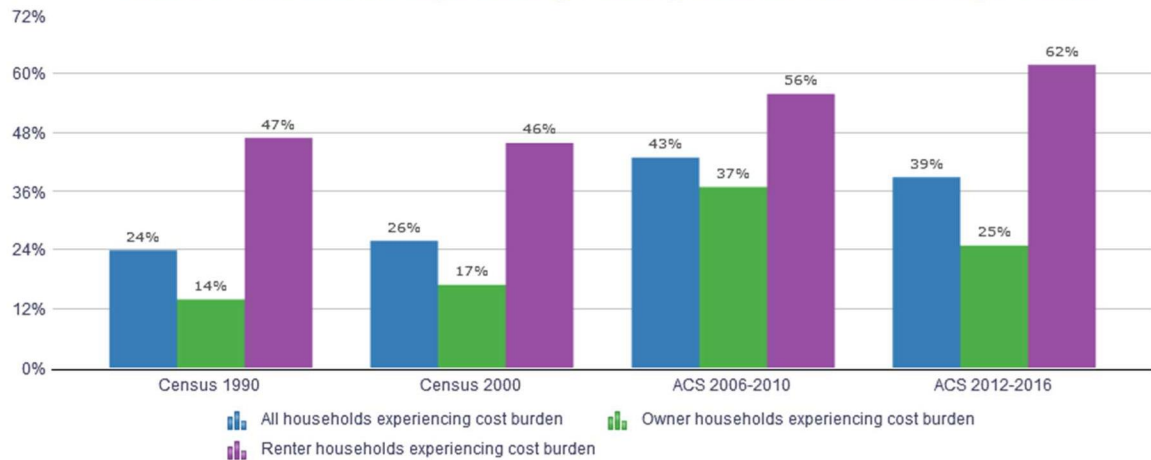
Phone Survey of Brooklyn Center Single Family Property Management Companies:

US Census Bureau Data:

Source: [Certificate of Real Estate Value](#), Minnesota Department of Revenue.
[Download chart data](#)

[Back to top](#)

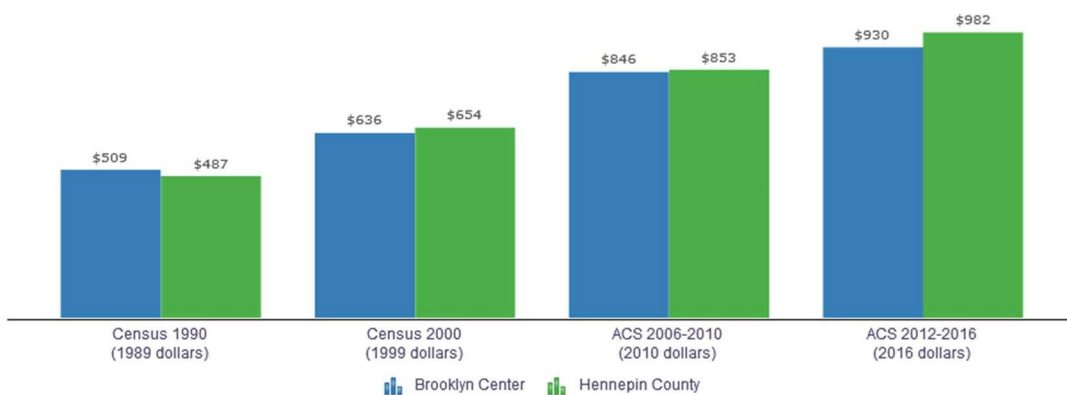
Percent of Households Experiencing Housing Cost Burden in Brooklyn Center



Source: U.S. Census Bureau [Decennial Census](#) and [American Community Survey](#).

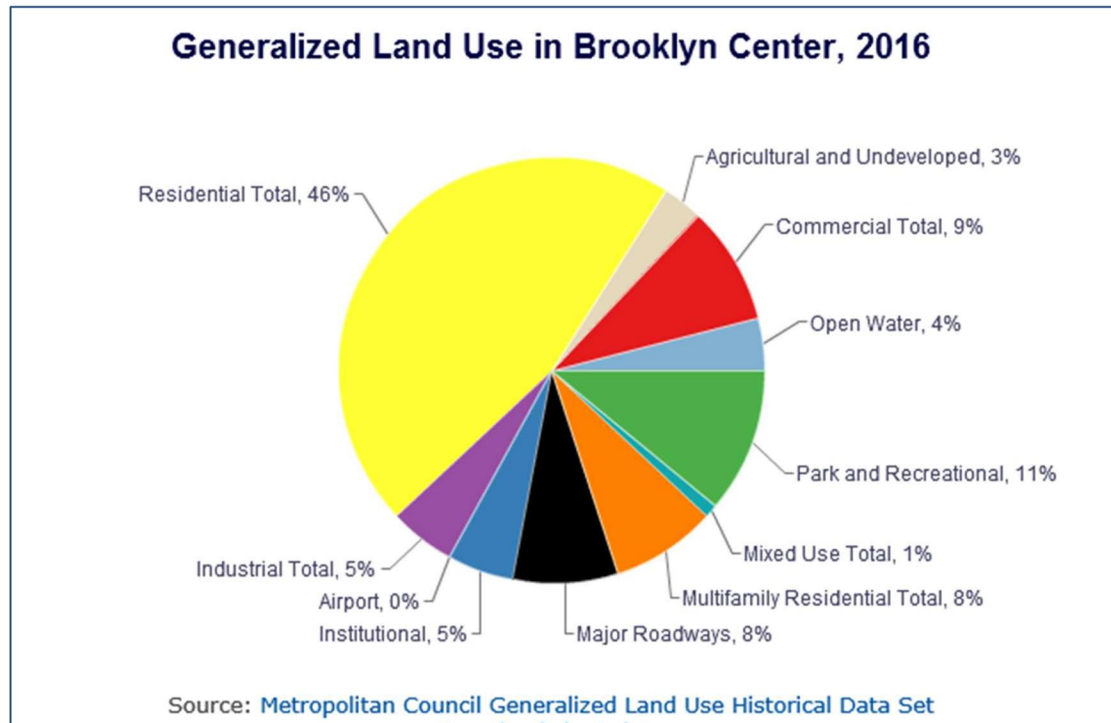
Households experience housing cost burden when their housing costs are 30% or more of their gross income. For renters, housing costs include rent and utilities; for owners, housing costs include mortgage principal and interest, property taxes, property insurance, utilities, and other fees. Use caution when comparing 1990 and 2000 data (which include only some households) to American Community Survey data (which include all households). See the [metadata](#) for more information.

Median Gross Rent in Brooklyn Center



Source: U.S. Census Bureau [Decennial Census](#) and [American Community Survey](#).

Metropolitan Council Land Use Chart:



MEMORANDUM – COUNCIL WORK SESSION

DATE: August 10, 2017
TO: City Council
FROM: Curt Boganey, City Manager 
SUBJECT: Affordable Housing Presentation

Recommendation:

It is recommended that the City Council receive the presentation/report and consider providing direction to staff.

Background:

In May of 2017 the City Council received copies of emails (attached) forwarded by Councilmember Butler from African Career and Education Resource Inc. (ACER) requesting an opportunity to come before the City Council to discuss concerns about the need for affordable housing in Brooklyn Center. In addition Mayor Wilson was in contact with a representative of Community Action Partnership of Hennepin County (CAPHC) regarding the same topic.

On July 10th 2017 by consensus the City Council directed staff to invite representatives from ACER and CAPHC to a future work session to present information and have a dialogue on the issue of affordable housing.

It is my understanding that these groups have collaborated in the past and will jointly present on the issue of Affordable Housing before the City Council. . As stated in the email from Executive Director, Munene the overall goal of the group is to enact or strengthen current policies that will preserve naturally occurring affordable housing, secure the rights and improve the living conditions of tenants living in affordable rental properties.

Enclosed with this report is a copy of Housing Strategies and Tools for the City Of Brooklyn Center (Exhibit A) provided by ACER and 3 Pillars of Affordable Housing Advocacy (exhibit B) provided by CAPHC. These documents represent some of the issues that will be presented to the City Council

Policy Issues:

Does the Council believe that the information presented indicate a need for additional policy actions to address the concerns raised regarding affordable housing and the protection of tenant rights?

Does the Council require additional information regarding these issues before concluding if further policy actions are necessary?

How does the Council want staff to proceed regarding the issues raised about affordable housing and tenant rights?

Excerpt- July 10th 2017 City Council Study Session

Councilmember Butler referenced the document from African Career Education & Resource (ACER) and stated this group would like to present findings related to affordable housing and how the City can ensure that housing remains for those who need it. She asked that this topic be scheduled for a future Work Session agenda. Mayor Willson stated this is the second time the City Council has received this information, noting in the second report they correctly updated Brooklyn Park to Brooklyn Center. He stated he is not opposed to scheduling this topic for a future Work Session. Mr. Boganey asked how much time they will require. Councilmember Butler suggested 20 minutes plus time for questions. Mr. Boganey stated he will contact them to arrive at a date within the next 30 days.

The City Council consensus was to direct staff to schedule this topic for a future Work Session.

MINUTES OF THE PROCEEDINGS OF THE CITY COUNCIL/ECONOMIC
DEVELOPMENT AUTHORITY OF THE CITY OF BROOKLYN CENTER
IN THE COUNTY OF HENNEPIN AND
THE STATE OF MINNESOTA

WORK SESSION
AUGUST 14, 2017
CITY HALL – COUNCIL CHAMBERS

CALL TO ORDER

The Brooklyn Center City Council/Economic Development Authority (EDA) met in Work Session called to order by Mayor/President Tim Willson at 7:59 p.m.

ROLL CALL

Mayor/President Tim Willson and Councilmembers/Commissioners Dan Ryan, Kris Lawrence-Anderson, April Graves, and Marquita Butler were present. Also present were City Manager Curt Boganey, Director of Business and Development Gary Eitel, City Attorney Troy Gilchrist, and Michaela Kujawa-Daniels, TimeSaver Off Site Secretarial, Inc.

**AFRICAN CAREER AND EDUCATION RESOURCE, INC. (ACER)
AFFORDABLE HOUSING – CITY MANAGER**

Denise Butler, ACER Project Manager, Nelima Sitati Munene, ACER Executive Director, and Christine Hart with Community Action Partnership of Hennepin County Community Development provided a presentation on the background and purpose of this item.

Councilmember/Commissioner Ryan stated in the *Star Tribune* newspaper, there was an article on the issue of landlords deciding not to take Section 8 anymore and noted it is now in litigation. He stated in some of these cases they may need to wait to see how the items in litigation play out before they can decide how to proceed and help with these issues.

Mayor/President Willson asked what the State Legislature has indicated they are looking to do regarding the suggested local ordinances. Ms. Hart stated cities are still moving forward with these ordinances and then hoping the State makes some changes.

Councilmember/Commissioner Graves stated she believes there are some items they are already working on but there are a few she believes they could look at.

Mayor/President Willson stated he agrees with Councilmember/Commissioner Graves and also would like to explore and continue conversations on these issues. He stated at the Mayor's conference recently, they discussed the same issues and at a City level, they are being asked to look at the issues because it is closer to home and affecting their communities and then hopefully the state will follow suit.

Mr. Boganey stated the three policies that are being proposed are not new and have been used in other places. He asked how they choose these options and from their research, asked if it is their opinion that these are the most effective tools to address these issues being raised.

Councilmember/Commissioner Ryan stated he wished they had been here earlier this evening during the presentation by Brooklyn Alliance for Youth. He noted they discussed how to lift people out of poverty and make changes.

Mayor/President Willson asked if they would like to come back and speak further another time. Ms. Hart stated they would like to do that. Mr. Boganey noted he will add this to the agenda in the near future.

**DISCUSSION REGARDING A LETTER OF INTENT WITH EBERT CONSTRUCTION
FOR THE COMMERCIAL DEVELOPMENT OF APPROXIMATELY 2 ACRES OF
THE NORTHERN PORTION OF LOT 1, BLOCK 1, NORTHBROOK CENTER 2ND
ADDITION (FOUR STORY, 112,000 SF COMMERCIAL STORAGE BUILDING – 57TH
AND LOGAN AVENUES NORTH) – MR. EITEL**

Mr. Eitel Provided a presentation on this item with background and history.

Councilmember/Commissioner Ryan stated the change in the configuration of the roadway makes this site somewhat disadvantaged. He stated due to the problems they have had with this site he feels this would be something he agrees with.

Mr. Eitel stated this is a good site for this building in his opinion, brings income and not a lot of foot traffic, it is a win/win scenario, and noted it's a good-looking building.

It was the consensus of the EDA/City Council to move forward with this plan.

ADJOURNMENT

Councilmember/Commissioner Ryan moved and Councilmember/Commissioner Graves seconded adjournment of the City Council/Economic Development Authority Work Session at 9:47 p.m.

Motion passed unanimously.

Housing Strategies Table Presented at Previous Work-Session

HOUSING STRATEGIES & TOOLS FOR THE CITY OF BROOKLYN CENTER

Tools	Description	Opportunities	Challenges	Hennepin County Cities Considering
Identification of buildings; Document the problem	There should be an organized effort to track the most significant examples of this trend as well as identify buildings as soon as they come on the market (if possible before that). The City can also do a housing study that will identify the housing inventory and at-risk properties.	Brooklyn Center is at a great risk given the high percentage of naturally occurring affordable housing (NOAH). Identifying the multi-family housing in Brooklyn Center and documenting the problem gives the City more knowledge and ability to craft a strategic, outcome-oriented approach.		A number of cities have been doing housing studies and research on their housing inventory, particularly with the upcoming Comprehensive Plans.
Notice Period	The City must be given advanced notice prior to the sale of any building.	A Notice Period will give the City more to approach a preservation buyer to rehab the property and prevent displacement. In addition, the City can give service providers advanced notice in order to support tenants.	Developers will push back stating that it is restraining their ability to get the best price (i.e. buyers will lower the price if the market fluctuates in the 90 day time period.) Also, there could be a potential for the price to rise if there is a bidding war between a for-profit and a not for profit developer.	St. Louis Park, Golden Valley, Minneapolis, St. Paul, Bloomington, Richfield
Help preservation buyers to buy at risk buildings	Several of our non-profit housing providers are actively competing in the market for these properties, but they are disadvantaged in competing against for-profit purchasers on price and timing with the complex financial process. The City can help notify preservation buyers when they know properties will be up for sale. (e.g. Seasons Park).	Preservation buyers will keep the rents affordable while enhancing the property.	Preservation buyers often need at least a 90 day notice prior to the property being listed on the market in order to put together a competitive bid.	Many cities have relationships with preservation buyers, and there is frequent communication.

HOUSING STRATEGIES & TOOLS FOR THE CITY OF BROOKLYN CENTER

<i>Right of First Refusal</i>	When owners offer their buildings for sale, they would be required to notify tenants and the designated unit of government. Tenants or the government unit would then have a defined period of time to match the essential terms of the offer (price, timeline, etc.). If they are able to do so, they have the right to purchase the building themselves.	Prevents tenant displacement and can help a preservation buyer be competitive.	It can be hard to anticipate where these purchase opportunities will materialize, making it difficult to know where to push for local ordinances. Could get complicated determining what the offer's "essential terms" are.	Minnesota has a ROFR for manufactured home parks.
<i>Local programs offering rehab financing in return for affordability commitments</i>	Many cities, like Brooklyn Center, have a supply of aging complexes that have deferred maintenance. Many managers of these complexes cite the costs of improvements as a reason to either 1) not make improvements or 2) increase the rents once improvements are made. Municipalities could offer rehab financing (low interest loans, forgivable grants) with commitments to maintain affordability over a set period of time. This could be done with CDBG dollars or in conjunction with Brooklyn Park's current Rental Rehab Program.	Preserves affordable housing units in the City as well as makes the property safe housing for residents.	Administration of the financing (could be done in conjunction with a local nonprofit), funds for the financing.	Bloomington- using their HRA levy money to put \$50,000 every year for a NOAH fund to preserve developments. It has been proposed to
<i>4d Property Tax Program</i>	This is essentially a tax credit given to housing providers who receive a government subsidy, and in exchange provide a percentage of their units at affordable levels (60%/50% AMI) for a set period of time. It has been suggested to staff in Brooklyn Center and we would like to see this move forward.	Increases the number of new affordable housing units in the City.	Providing the pot of money for developers to tap into; the program is voluntary.	This is a program Richfield had when it was funded at the state level. That funding has dried up, and it seems that most people think 4D has gone away. However, the statute allows for "local subsidies."

HOUSING STRATEGIES & TOOLS FOR THE CITY OF BROOKLYN CENTER

<i>Prohibition of Section 8 Discrimination</i>	Changes to business practices in Brooklyn Park has resulted in a number of apartment properties not accepting Housing Choice Vouchers: (We are in the process of compiling the list of properties and will update this document and share it with you) This ordinance would say that properties cannot exclude applicants simply because they use a rent subsidy.	Voucher holders would not lose housing every time a building changes policies and practices. There would also more housing options available to voucher holders.	Oftentimes the challenge will be for the HRA to lessen the administrative burden on landlords participating in the HCV program. The challenge is minimal for the City.	St. Louis Park, Minneapolis, Suggested to Golden Valley, Bloomington, Eden Prairie and Richfield.
<i>Just Cause Eviction</i>	Just Cause Eviction protects tenants from eviction for improper reason as well as prevents involuntary displacement through lease non-renewals or notices to vacate. This would allow landlords to evict a tenant only for certain reasons, such as failure to pay rent or for violation of the lease terms. As an example, what we saw at Crossroads in Richfield could also happen in Brooklyn Center, where the new screening criteria was the reason many tenants' leases to not be renewed. Just Cause would allow these renters to continue living there until they break a condition of their new lease. It can be tied in with rental licensing.	Prevents involuntary displacement and protects tenants from eviction without a proper reason.		St. Louis Park, Minneapolis, Suggested to Golden Valley, Bloomington and Eden Prairie, suggested to Richfield.

HOUSING STRATEGIES & TOOLS FOR THE CITY OF BROOKLYN CENTER

<i>Incentives to address landlord concerns about renting to certain groups of tenants</i>	Risk Mitigation Fund is oftentimes associated with the Housing Choice Voucher program. This Fund can be created as a response to the extremely low vacancy rate and the disparity between cost of living and wages. It serves as a damage fund to supplement costs the security deposit does not fulfill. It also has been offered as short-term vacancy reimbursement.	Incentivizes landlords to participate in voucher programs, providing voucher holders with more access to housing options. Provides insurance to landlords for any monetary losses from potential damage to property.	Funding the RMF; perpetuating stigma that voucher holders cause more damage (no evidence to support this)	Minneapolis HRA, Metro HRA, Dakota County CDA; many models across Minnesota.
<i>Inclusionary Housing</i>	This policy would ensure that with every development that happens, there would be an inclusion of affordable housing. It also can be applied to rehabbed developments.	Increases the number of new affordable housing units in the City.	Only applies to new construction, therefore not addressing the need to preserve and maintain NOAH	St. Louis Park, Edina, Minnetonka, Golden Valley, Eden Prairie, Minneapolis, Richfield is considering and others have shown interest.
<i>Increasing local government leverage through zoning</i>	Brooklyn Center could structure its zoning so as to prevent an owner engaging in conversion actions from doing so before obtaining the city's zoning related approval.	Provides the City of Brooklyn Center with more leverage to intervene.		Minneapolis. Has been presented to Richfield.
<i>Rental assistance</i>	51% of Brooklyn Center households are cost burdened (ACS 2015). Rental assistance would lessen the burden by supplementing income, so housing costs are no more than 30% of income.	Residents would be able to afford housing costs without sacrificing other basic needs.	It is costly and unsustainable. As rent increases, rental assistance is insufficient and cannot serve as many households.	Hennepin County & a number of cities
<i>Comp Plan: Include strong language and solutions regarding affordable housing</i>	As Brooklyn Center completes its Comprehensive Plan, it is encouraged that the Plan has detailed solutions with strong language around the preservation of naturally occurring affordable housing. This plan will guide the City's housing efforts in the next ten years.	Strong language can positively guide the City's housing efforts in the next ten years.		A number of Hennepin County cities

Mixed-Income Housing Policies among Neighboring Cities

City	Policy/Program Type	Affordability Requirements	Affordability Period	Opt-out (alternative) options	Enforcement Tool	Other Notes
St. Louis Park (2015)	City financial assistance for new developments creating at least 10 multi-family units or renovation of an existing multi-family development with at least 10 units.	18% of total units in the development required at 60% AMI or 10% of units required affordable at 50% AMI. - Families may remain in the dwelling unit as long as the income does not exceed 120% AMI.	25 year minimum (considering an increase).	- Subject to City Council approval: - Dedication of existing units - Offsite construction near public transit - Participation in construction of affordable units by another developer within the City	Affordable Housing Performance Agreement between City and Developer prior to Zoning Compliance Permit being issued.	- Implemented 2015 – 6/7 new developments triggered policy with 1,073 units and 281 affordable units produced. - No development has used an opt-out option. - Units must be located within the development and distributed throughout the building unless approved by City Council.
Edina (2015)	Re-zoning or Comprehensive Plan Amendment for all new multi-family development of 20 or more units.	10% of all rentable area at 50% AMI or 20% of all rentable area at 60% AMI.	15 year minimum.	- Dedication of existing units equal to 110%, must be equivalent quality. - New construction at a different site. - Participation in construction of affordable units by another developer within the City.	- Land use restrictive covenant. - PUD ordinance states development must consider affordability.	City will consider incentives for developments with affordable housing including: Density bonuses, parking reductions, TIF, deferred low interest loans from the Edina Foundation, and Tax Abatement.
Golden Valley (policy approved in 2017; ordinance in coming months)	- Market rate residential development with 10 or more units and receive: - Conditional Use Permit (ord.) - Planned Unit Development - Zoning Map Amendment (ord.) - Comprehensive Plan Amendment - Or Financial Assistance	15% of total project units at 60% AMI or 10% of project units at 50% AMI. - Families may remain in the dwelling unit as long as the income does not exceed 120% AMI.	20 year minimum.	Equal or greater amount dedication of existing units.	- Affordable Housing Performance Agreement. - Mix of policy and ordinance.	- City will consider incentives including: - Minimum in 33% reduction in required parking spaces - Minimum of 10% density bonus
Brooklyn Park	- New market rate residential development with 10 or more units and receive: - Planned Development Overlay (ord. required) - Zoning Map Amendment (ord. required) - Comprehensive Plan Amendment - Or Financial Assistance	15% of units at 60% AMI or 10% of units at 50%AMI or 5% of units at 30%AMI	20 year minimum.	Consider an alternative proposed by developer.	- Affordable Housing Performance Agreement. - Mix of policy and ordinance.	Units must be located within the development and distributed throughout the building unless approved by City Council.
Minneapolis (2002)	- City-assisted housing projects of 10 or more units. - City-assistance includes TIF, condemnation, land buy downs, issuance of bonds to finance project, pass-through funding, and other forms of	Varies based on funding source but generally is either 20% of units at 60% AMI or 20% of units at 50% AMI (AHTF)	15 year minimum.	None.		- Only 1-2 projects have taken advantage of the incentive program since 2002. - Currently engaging a consultant to develop an effective system.

	direct subsidy. • Density bonus and parking reduction incentive					
Saint Paul (2014)	• City/HRA assisted rentals and homeownership. • Rental development in selected zones – density bonus incentive	• Rentals – 30% of units affordable to households earning 60% AMI, of which at least one third will be affordable to 50% AMI, and at least one third will affordable to 30% AMI.	• Rental - 10 year minimum .		• Development Agreement	• Voluntary/incentive density bonus is not being used so policy is currently being revised.
Minnetonka (2004)	• City Assistance • Voluntary/incentive based for all developments.	• Rentals – 10% of units at 50% AMI for all developments, 20% of units at 50% AMI if using TIF funding.	• 30 year minimum.	• Considered on a case by case basis.	• Development Agreement.	• Produced over 500 affordable units since 2004.
Eden Prairie	• City Assistance • Using a voluntary/incentive based approach for all developments; exploring adopting a policy.	• City subsidy – 20% of units at 50% AMI. • Voluntary/incentive – starts at 10% of units at 50% AMI.				
Woodbury (2012)	• Voluntary/incentive based – density bonus policy	• 20% of units at 80% AMI or negotiated.	• 15 year minimum.			
Chaska	• All developments that need City approval	• 30% of units at 80% AMI.				
Forest Lake (2014)	• Voluntary/incentive based – density bonus policy	• Negotiable				• 15% density bonus, flexible parking requirements.

Phone Survey of Brooklyn Center Apartments:

Apartment Name	number of Units	number of vacant units	Rent for a studio	Rent for a 1 bedroom	Rent for a 2 bedroom	Rent for a 3 bedroom	Rent for a 4 bedroom	Do you accept section 8	Has rent increased over the past 2years?	How much has rent increased?	Most common reason for Eviction or non-renewal
4819 Azealia	12	0		750	800			no new	yes	\$15-50	non-renewal
5207 Xerxes	12	0	0	Ave: \$750	Ave \$850			Yes	yes	8%	Disturbance
5240 Drew	10	0			845-950			yes	no		police calls for service
The Avenue	36	0	755	929	1075			no	yes	5% each month	non-payment
Beard Ave	24	0		\$895	1 fl-\$1025, 2-3 fl \$1075			Yes (Typically don't meet criteria)	yes	100 - 2bd - 1bd 75	smoke in units, police calls (pattern)
Brookside Manor	90	0			garden - \$750 2-3 floor \$800			yes	yes	\$20	police calls, disturbance, non-payment
Carrington Dr	128	0	\$735	\$835-855	\$945-975			no	yes	\$50	disturbance, illegal activity, cleanliness, non-payment
The Crest	122	3 for end of march		\$755	\$935			yes	yes	50	non-payment, crime free addendum
Crossings - 6201 Lilac - 55+	81	4 (0 in past few years)	1181-1275 (1bd + den	1081	1190-1750			No (inherited)	yes	2-5%	rarely - non-payment
Crossings - 6125 Lilac - 55+	65			1150							
Earle Brown Farm	120	1		845-920	1010-190			No new ones	yes	3% increase	disturbance, non-payment
Emerson Chalet	18	0		737	870			yes	no		non-payment, 3 strikes
Gateway	252	3	775	850-875-895	995-1045			no	yes	50	late payment, police calls, unit maintenance
Granite City	72	0	849	949	1139			yes	yes	34-55	smoking
Granite Peaks	54	0	849	949	1139			no	yes	34-55	non-payment
Humboldt Courts	36	1	750		900-995			no	yes	75-95	non-payment
Lynwood - mark	50	0		895-925	1050-1190			yes	Yes	2-4%	non-payment of rent
Melrose Gates	217	0		919-949	1129-1159	1159-1189 2bd+1.5ba	1209-1249 2bd+2ba	no	yes	100	non-payment
River Glen	128	0		900	975-1000	1250		yes	yes	50-75	non-payment/late rent
Riverwood Estates	84	2		929	999-1050			no	yes	40	lease violation
Ryan Lake	22	1		800	800-1000			yes	yes	75	non-payment
Summerset	36	3		700	800-850	1150-1200		yes	yes	\$50	non-payment, lease violations
Twin Lake North	276	3		950+	1105-1225+			yes	yes	5%	non-payment, behavior
Unity Place	112	2			904-909	970		yes	yes	30	non-payment
Victoria Townhomes	48	4				1340-1400		no	yes	40-60	tenant not renew

Phone Survey of Brooklyn Center Single Family Property Management Companies:

Management Agency	number of Units	number of vacant units	Rent for a studio	Rent for a 1 bedroom	Rent for a 2 bedroom	Rent for a 3 bedroom	Rent for a 4 bedroom	Rent for a 5 bedroom	Do you accept section 8	Has rent increased over the past 2years?	How much has rent increased?	Most common reason for Eviction or non-renewal
Prosperous	40	0			1050	1250	1450	1550	yes	yes	2-3%	non-payment
Urban homes	2					1300	1400	1500	Yes			NA
Juliana Koi	2	1				1350			no	yes	50	NA
Kathleen Freitag	4	0				1235-1325	1410-1450		no	no		non-payment; destruction of property
Tyang	1	0				1150			no	no		NA
Michelle Nyarecha	1	0				1170-1250			yes	no		non-payment; police violations
Nazeen	2	0			1000	1200			no	yes	5%	NA
Tracy Hinkemyer	7						1350-2000		no	no		NA
Dan tan	4	0			850-950				yes	no		non-payment drugs, noise



Low Income Rental Classification Guide

Fall 2017



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

Table of Contents

Chapter 1 – What is Low Income Rental Classification (LIRC)?.....	1
1.01 Statute.....	1
1.02 Impact of LIRC.....	1
1.03 Contact.....	1
Chapter 2 – LIRC Qualification.....	2
2.01 Eligibility.....	2
Chapter 3 – Initial Application.....	3
3.01 Initial Application Documents.....	3
Chapter 4 – Reapplication.....	5
4.01 Reapplication Documents.....	5
Chapter 5 – Review and Approval.....	7
5.01 Approval.....	7
5.02 Denial.....	7
5.03 Withdrawal.....	7
5.04 Appeal.....	8
Chapter 6 – Fair Housing Policy.....	9
Appendix A – Statute.....	10

chapter 1 – What is Low Income Rental Classification (LIRC)?

1.01 Statute

Minnesota Statute 273.128 provides that qualifying low-income rental properties are eligible for a class rate reduction in property taxes. The LIRC statute specifies the type of properties that are eligible and eligibility criteria required to receive the reduction.

The full statute can be found in Appendix A or at Minnesota's Office of the Revisor of Statutes at www.revisor.mn.gov; Statute 273.128 Certification of Low-Income Rental Property.

1.02 Impact of LIRC

LIRC is a tool to aid in the preservation and sustainability of affordable rental housing in the state of Minnesota.

1.03 Contact

If you have questions regarding LIRC, please call the following Minnesota Housing phone numbers or refer to the agency's website at www.mnhousing.gov:

Toll Free:	800.657.3647
Direct:	651.297.4065
TTY:	651.297.2361
Minnesota Relay Service:	800.627.3529

Chapter 2 – LIRC Qualification

Use the guidelines below to help determine if your property is eligible for LIRC.

2.01 Eligibility

Minnesota property owners may submit a LIRC application if their property is classified as an apartment on January 2 (Assessment Date) and at least 20 percent of the units meet one or more of the following requirements:

- The units are subject to a project-based housing assistance payments (HAP) contract under **Section 8** of the United States Housing Act of 1937.
- The units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under **Section 42(g)** of the Internal Revenue Code.
- The units are financed by the **Rural Housing Service (RHS)** of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to Section 521(a) of the Housing Act of 1949.
- The units are subject to **60% or less of AMI rent and income restrictions** under the terms of financing provided to the rental housing property by the federal government, the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.
 - The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.
 - The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

If you are unsure of your properties eligibility, please contact Minnesota Housing for clarification and guidance.

Chapter 3 – Initial Application

If you believe that your property meets the eligibility requirements for LIRC set forth in Chapter 2 and you have never applied for LIRC before, follow the instructions below to apply.

If you previously qualified for LIRC, follow the instructions for Reapplication in Chapter 4.

3.01 Initial Application Documents

To receive LIRC, you will need to apply for qualification. Use the checklist below to make sure your application is complete.

- ☐ Complete the “Low Income Rental Classification (LIRC) Initial Application” found on Minnesota Housing’s website at www.mnhousing.gov.
 - Read the instructions on page two of the application for pertinent information on properly completing the application.
 - Complete the application in its entirety. Incomplete information may result in a delayed or rejected application.
 - Be sure to write in the expiration date for your “Proof of Qualification” on the application.
 - The property owner is required to sign the initial application.
- ☐ Attach a copy of supporting documentation to prove your eligibility for LIRC. Supporting documentation for the different programs is as follows:
 - Units subject to **project-based** housing assistance payments (HAP) contract,
 - Project-based Section 8 (HAP) contract.
 - Rent-restricted and income-restricted units under **Section 42(g)**,
 - The Section 42(g) Land Use Restrictive Agreement (LURA); *or*
 - If the LURA has not yet been filed, verification of the “Placed in Service” date for Section 42(g) properties is required, and the LURA must be provided when it is received.
 - **Rural Housing Service** Rental Assistance Program units
 - The United States Department of Agriculture Rural Development subsidy contract.
 - Units are subject to **60% or less of AMI rent and income restrictions**
 - The recorded document restricting income and rents under the terms of the financing provided by the federal government, the state of Minnesota, or a local unit of government.
- ☐ Calculate the amount of your annual, non-refundable fee, which is \$10 per qualified unit, or a maximum of \$150, and include a check with your application materials. To calculate the fee, follow the instructions in the “Units” section of the application or use the steps below:
 - Write the number of Qualifying Units on line five of the application. This is the sum of units listed on lines one through four.
 - Write the number of all rental units in the property on line six.
 - Divide line five by line six, and write that amount on line seven.
 - Example: 40 qualified units / 100 total units = 40%

- Finally, multiply line five by \$10 (\$10 per qualified unit) with a maximum of \$150
 - $40 \times 10 = \$400$; in this case you would pay the maximum fee of \$150

The LIRC application fee is non-refundable. If you choose to apply and do not qualify for LIRC, you will not be reimbursed.

- ☐ Mail the application along with proof of qualification and the fee to:
Minnesota Housing
Attn: LIRC
400 Wabasha Street North, Suite 400
St. Paul, MN 55102-1109

The LIRC application, qualifying documents and the non-refundable fee payable to Minnesota Housing must be mailed and postmarked no later than March 31. Late submittals (postmarked after March 31) will be returned to the sender and will not be eligible for the tax rate reduction for taxes payable in the following year.

Chapter 4 – Reapplication

For properties that have previously qualified for LIRC, a reapplication is due each year by March 31. In January, LIRC reapplications will be sent to owners who have previously been approved for LIRC and who had their property certified to the local assessor of their eligibility. If you do not receive a reapplication form you can download a blank form on Minnesota Housing’s website at www.mnhousing.gov.

If a property is no longer eligible for LIRC, please immediately notify Minnesota Housing to have the property removed from LIRC.

4.01 Reapplication Documents

Use the checklist below to make sure your reapplication is complete:

- ☐ Complete the “Low Income Rental Classification (LIRC) Reapplication” found on Minnesota Housing’s website at www.mnhousing.gov.
 - Read the instructions on page two of the reapplication for pertinent information on properly completing the reapplication.
 - Complete the reapplication in its entirety. Incomplete information may result in a delayed or rejected reapplication.
 - If necessary, update any contact information that has changed from the previous year.
 - The LIRC reapplication can be signed by the owner or a duly authorized representative of the owner.
- ☐ Attach a copy of supporting documentation to prove your eligibility for LIRC. Supporting documentation for the different programs is as follows:
 - Units subject to **project-based** housing assistance payments (HAP) contract,
 - Project-based Section 8 (HAP) contract.
 - Rent-restricted and income-restricted units under **Section 42(g)**,
 - The Section 42(g) Land Use Restrictive Agreement (LURA); or
 - If the LURA has not yet been filed, verification of the “Placed in Service” date for Section 42(g) properties is required, and the LURA must be provided when it is received.
 - **Rural Housing Service** Rental Assistance Program units
 - The United States Department of Agriculture Rural Development subsidy contract.
 - Units are subject to **60% or less of AMI rent and income restrictions**
 - The recorded document restricting income and rents under the terms of the financing provided by the federal government, the state of Minnesota, or a local unit of government.
- ☐ Calculate the amount of your annual, non-refundable fee, which is \$10 per qualified unit, or a maximum of \$150, and include a check with your reapplication materials. To calculate the fee follow the instructions in the “Units” section of the reapplication or use the steps below:
 - Write the number of Qualifying Units on line five of the reapplication. This is the sum of units listed on lines one through four.

- Write the number of all rental units in the property on line six.
- Divide line five by line six, and write that amount on line seven.
 - Example: 40 qualified units / 100 total units = 40%
- Finally, multiply line five by 10 (\$10 per qualified unit) with a maximum of \$150
 - $40 \times 10 = \$400$; in this case you would pay the maximum fee of \$150

The LIRC reapplication fee is non-refundable. If you choose to reapply and do not qualify for LIRC, you will not be reimbursed.

- ☐ Mail the reapplication, proof of qualification and the fee to:
- Minnesota Housing
Attn: LIRC
400 Wabasha Street North, Suite 400
St. Paul, MN 55102-1109

The LIRC application, qualifying documents and the non-refundable fee payable to Minnesota Housing must be mailed and postmarked no later than March 31. Late submittals (postmarked after March 31) will be returned to the sender and will not be eligible for the tax rate reduction for taxes payable in the following year.

Chapter 5 – Review and Approval

Owners can certify that their property is eligible or continues to remain eligible for LIRC by submitting their completed application or reapplication materials from January 2 through March 31 of each year. Minnesota Housing reviews LIRC applications as they are submitted.

By June 1 of each year, Minnesota Housing will certify to the appropriate county or city assessor the specific properties and the number of units in the building that qualify under LIRC. In making the certification, the agency relies on the application or reapplication and any other supporting information. Minnesota Housing may request any supporting information that the agency deems necessary from the property owner.

Owner and authorized representatives certify in all LIRC applications and reapplications that the property is in compliance with all applicable requirements of the low-income program that qualifies the property for LIRC. Noncompliance with the requirements of the low-income housing program that qualifies the property for LIRC may result in the denial and withdrawal of LIRC or a loss of some or all LIRC benefits.

Minnesota Housing will perform annual quality reviews. If findings occur during the annual quality review process, the appropriate owners and assessor's offices will be notified that properties no longer qualify for LIRC or that the Qualifying Percentage has been changed.

If you have questions or concerns about the status of your application, contact Steve O'Brien at 651.297.4065 or steve.obrien@state.mn.us.

5.01 Approval

Minnesota Housing will notify new application owners in writing no later than June 15 of that same year to inform them whether their LIRC application has been approved or denied.

If approved:

- You will receive a LIRC Account Number.
- The local assessor will be notified that the property qualifies for LIRC.

Owners who have been approved for LIRC will receive the property class rate reduction for taxes payable the following year. If, upon receipt of your property tax statements from the county, LIRC is not indicated, contact Steve O'Brien at 651.297.4065 or steve.obrien@state.mn.us.

5.02 Denial

New applicants who have applied for LIRC and who have been determined to be ineligible will receive a letter indicating the reasons for denial. The letter will also explain the appeals process.

5.03 Withdrawal

If you are a current participant who has reapplied for LIRC and it has been determined you are no longer eligible, you will be withdrawn from the classification status. A letter will be sent explaining why you were withdrawn.

5.04 Appeal

If you are denied participation in LIRC or are withdrawn from LIRC a letter will be sent explaining why Minnesota Housing came to this conclusion. The letter will provide guidance on how to appeal this decision if you feel we came to it in error.

Chapter 6 – Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988, as well as the Minnesota Human Rights Act. Housing providers are expected to comply with the applicable statutes, regulations, and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;
- Represent a dwelling is not available when it is in fact available;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit

Appendix A – Statute

273.128 CERTIFICATION OF LOW-INCOME RENTAL PROPERTY.

Subdivision 1. Requirement.

Low-income rental property classified as class 4d under section 273.13, subdivision 25, is entitled to valuation under this section if at least 20 percent of the units in the rental housing property meet any of the following qualifications:

- (1) the units are subject to a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, as amended;
- (2) the units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code;
- (3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the Rental Assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or
- (4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

Subd. 2. Application.

(a) Application for certification under this section must be filed by March 31 of the levy year, or at a later date if the Housing Finance Agency deems practicable. The application must be filed with the Housing Finance Agency, on a form prescribed by the agency, and must contain the information required by the Housing Finance Agency.

(b) Each application must include:

- (1) the property tax identification number; and
- (2) evidence that the property meets the requirements of subdivision 1.

(c) The Housing Finance Agency may charge an application fee approximately equal to the costs of processing and reviewing the applications but not to exceed \$10 per unit. If imposed, the applicant must pay the application fee to the Housing Finance Agency. The fee must be deposited in the housing development fund.

Subd. 3. Certification.

By June 1 of each levy year, the Housing Finance Agency must certify to the appropriate county or city assessors, the specific properties that are qualified under this section and the number of units in the building that qualify. In making the certification, the Housing Finance Agency may rely on the application

and any other supporting information that the agency deems necessary from the property owner.

DRAFT CHAPTER 4: Housing & Neighborhood





INTRODUCTION

This Chapter evaluates Brooklyn Center’s existing housing stock and plans for future housing needs based on household projections, population projections, and identified needs communicated through this planning process. As required in the City’s 2015 System Statement prepared by the Metropolitan Council, understanding and planning for the City’s housing stock is a critical part of the 2040 Comprehensive Plan (Plan). The City’s planned land use includes three residential categories and residential components of new mixed-use designations which together account for approximately half of the City’s land use area. Residential land use will continue to be the largest land use in the community. A diverse housing stock that offers neighborhood stability combined with access to open space, goods and services is essential to a healthy, sustainable, and resilient community. It protects the community’s tax base against market fluctuations; it builds community pride and engagement of existing residents; it helps the community’s economic competitiveness by assisting Brooklyn Center businesses with employee attraction and retention; it provides options for existing residents to remain in the community should their life circumstances (e.g., aging-in-place) change; and it offers future residents access to amenities and levels of service that support a stable and supportive housing and neighborhood environment.

4-1

The first part of this Chapter focuses on the existing housing stock. It summarizes important information regarding the overall number of housing units, the type of units, their affordability, and the profile of their residents. These sections are a summary of more detailed socio-economic data which is attached to this Plan as an Appendix and serves as a supporting resource to this Chapter. Understanding the existing housing stock is key to determining what types of housing products may be demanded over the next 10-20 years and where they should be located.

In conjunction to the statistical or inventory information collected, this Chapter includes a summary of community, stakeholder and policy-maker feedback related to housing and neighborhoods heard throughout this planning process. Additionally, this Chapter addresses the projected housing needs during the planning period and presents some neighborhood and housing aspirations as identified by the City’s residents and policy-makers. The final section of this Chapter links projected housing need to practical implementation tools to help the City achieve its housing goals and identified strategies. The list contained in this Chapter is not exhaustive but provides a starting place from which the City can continue to expand and consider opportunities to meet current and future resident needs.

2040 Housing & Neighborhood Goals

- » Promote a diverse housing stock that provides safe, stable, and accessible housing options to all of Brooklyn Center’s residents.
- » Recognize and identify ways to match Brooklyn Center’s housing with the City’s changing demographics.
- » Explore opportunities to improve the City’s housing policies and ordinances to make them more responsive to current and future residents.
- » Maintain the existing housing stock in primarily single-family neighborhoods through proper ordinances, incentive programs and enforcement.
- » Explore opportunities to incorporate new affordable housing into redevelopment areas that promote safe, secure and economically diverse neighborhoods.

** Supporting Strategies found in Chapter 2: Vision, Goals and Strategies*

ASSESSMENT OF EXISTING HOUSING SUPPLY

Overview of Brooklyn Center’s Residential Neighborhoods

The City of Brooklyn Center’s residential neighborhoods are diverse and include a variety of housing types from single-family neighborhoods to large-scale apartment complexes. Although the City originally incorporated as a village in 1911, it wasn’t until the Post-World War II era that the City began to develop on a large scale in which entire blocks and neighborhoods were constructed with tract housing, suburban streets, and neighborhood parks. Like much of the region’s first ring suburbs, Brooklyn Center took on the role of a typical bedroom community where residents could get to their jobs in the downtown, stop for groceries at the retail center, and go home and park their cars in their garages for the evening. This pattern of development can be seen throughout the region, but Brooklyn Center had one significant difference for many decades – the regional mall known as Brookdale. The prominence of the mall and its surrounding commercial district played a major role in how neighborhoods were built and developed, which influenced neighborhood patterns and housing types.

Even though the mall is now gone, it continues to have lasting effects on the existing housing types and neighborhoods and will influence future housing as described in subsequent sections of this Chapter. For example, in the decades that the mall and regional retail center was operational much of Brooklyn Center’s multi-family and apartment development was concentrated near the mall and its surrounding commercial district and provided a transition to the surrounding single-family neighborhoods. Therefore, even though the mall no longer exists, the apartments developed around the periphery of its retail area in the 1960s continue to be in high demand and provide a critical source of housing for many households.



The following sections identify and inventory the existing housing stock in the community including single-family, attached and apartment uses. Each of these housing types serve a different role in the community, but each type is an important part of the City’s neighborhoods. A summary of the City’s existing residential types and neighborhoods are as follows:

Single-Family Residential

Single-family residential neighborhoods are the dominant land use within the City and single-family detached homes comprise nearly 63 percent of the City’s housing stock. The City’s single-family detached neighborhoods were developed surrounding higher density and higher intensity land uses that included the former regional retail center and the major freeway corridors of I-94 and Highway 100. Most of the single-family neighborhoods are developed on a grid system with traditional ‘urban’ size lots. Exceptions of some larger lots are interspersed within the traditional block pattern and along the Mississippi River where a pocket of residents have views and/or frontage of the river corridor.

The 1950s were the peak decade for housing construction in the City; a period in which owner-occupied housing predominated. While other housing types began to emerge post 1950s, the demand for single-family detached housing continued through 1980 as the remaining land in the community developed. Given the period in which the majority of Brooklyn Center’s housing stock was built, nearly the entire single-family detached housing stock is more than 40 years old. This is a major concern because at 40 years of age exterior components of a building including siding, windows, and roofs often need to be replaced to protect its structural integrity. Because the City became mostly built-out by the late 1970s, nearly all of the City’s housing stock falls into this category, which means the City must be cognizant of potential issues and proactively monitor the situation to ensure neighborhoods are sustainable into the future.



While related to housing age, the size or square footage of single-family homes also plays a significant role in the demographics of a community. Changes to family structure, technology, and other factors alter housing preferences over time, which can lead to functional obsolescence of homes and result in reduced home values because they no longer meet current buyers’ expectations. Brooklyn Center’s single-family housing stock is fairly homogeneous and the overwhelming majority of homes in every neighborhood are less than 1,500 square feet – and in many areas less than 1,000 square feet. This is a relatively modest single-family housing size, and, therefore, the single-family housing stock lacks diversity, which results in lack of choice for current and prospective residents. At the same time, these homes offer an option for small families, single and two-person households, and first time homebuyers.

Because the majority of the City’s single-family housing stock is relatively small, older, and of a homogeneous type as compared to newer larger homes or neighborhoods with more housing variety, housing prices in Brooklyn Center tend to be affordable. Also, given the similar age, size and styles of many of the homes, housing in the community has a fairly consistent price-per-square foot. Affordability in the existing housing stock can be a positive attribute that has the potential to provide long-term stability to residents and neighborhoods. However, as shown in the Background Report residents of Brooklyn Center also tend to have lower median household incomes, which can mean residents may struggle to pay for large-scale capital investments in their homes such as replacing windows or a roof.

Additionally, within the region some communities with similar single-family stock to Brooklyn Center have experienced pressure for tear-downs and major remodeling, and that market trend has yet to reach the City. While that trend may eventually impact the community, at the present time the change and growth impacting the single-family neighborhoods is mostly related to the evolving demographics within the community. This change presents different considerations and challenges because it is not necessarily physical growth or changes to homes and neighborhoods. Instead the community is challenged with how to manage larger numbers of people living within a household such as growing numbers of multi-generational households.



Existing Single-family Neighborhood Perspectives Described in this Planning Process

Throughout this planning process policy-makers and residents alike expressed the desire to maintain the affordability of the existing single-family neighborhoods but acknowledged the current challenges of helping residents maintain their structures, blocks and neighborhoods in the face of compounding maintenance due to the age of the City’s neighborhoods. In addition to the physical condition of the structures, residents and policy-makers also acknowledged that as the City’s population and demographics become increasingly more diverse new residents are changing how existing homes are being occupied and, therefore, it would be valuable for the City to evaluate it’s ordinances and policies to ensure they align with the needs of residents. The demographic considerations are identified in subsequent sections of this Chapter, but it is worth noting that the demographic changes can have a significant impact the character of existing single-family residential neighborhoods. Most recognized this as a positive change, but also acknowledged and stated that the City must figure out how to pro-actively address some of these changes to protect the existing neighborhood fabric. For example, multi-generational households are becoming increasingly more prevalent within the City’s single-family neighborhoods which can impact how rooms within a home are used, how many cars may be present at the home, and how outdoor spaces and yards may be used.

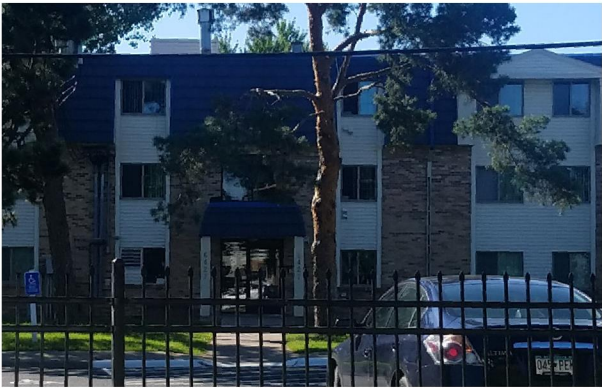
4-6

Closely related to the demographic changes in the community is the City’s aspiration to promote and maintain neighborhood stability. This objective emerged repeatedly throughout this planning process as residents and policy-makers expressed the desire to identify strategies to help promote and encourage sustainability, resiliency and accessibility within the single-family neighborhoods. In part this objective is the result of several years of turnover within the single-family neighborhoods as long-term residents begin to age and move onto other housing options, new residents and families are moving into the neighborhoods. This life-cycle of housing is common, but the City wants to find ways to ensure new residents want to stay in their homes, their neighborhoods, and the community long-term and invest in making the City a better place for generations to come.



Multi-family Residential

Nearly one third (29 percent) of the City’s housing units are in multi-family residential buildings located throughout the community. Nearly all of these buildings were constructed in the 1960s and 1970s, and are primarily located on major roadways or corridors, and surrounding the former regional retail areas. This means these buildings are nearly 50 years old or older. Just as noted within the single-family neighborhoods, the potential for deterioration and need for significant investment in these aging buildings can pose a threat to the quality of the City’s housing stock if the buildings are not properly maintained, managed and updated.



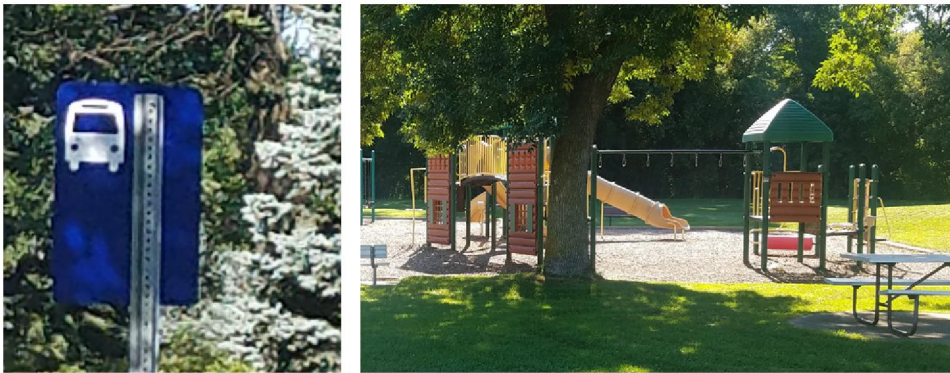
There has been some maintenance and management of the multi-family housing stock, and a few complexes have even incorporated modest upgrades to the interiors. In fact, the City has started one large-scale rehabilitation of a building that would bring higher-market rate rental options to the community once completed. However, this is one project and despite these improvements the City’s multi-family housing stock continues to be one of the most affordable in the region with some of the lowest rental rates in the metropolitan area.

4-7

Many of the multi-family areas are near major corridors and are adjacent to high intensity uses that do not necessarily support or serve the residential use with the current development and land use patterns. As a result, many of the multi-family areas do not feel like an incorporated part of the City’s neighborhoods. As discussed in subsequent sections of this Chapter, the City is planning for redevelopment in or adjacent to many of the existing multi-family areas that will hopefully reinvigorate and reconnect the existing multi-family uses into a larger neighborhood context.

Multifamily Neighborhood Perspectives Described in this Planning Process

Throughout this planning process the City’s residents were vocal about the existing multi-family options available in the community and the lack of diversity within the multi-family housing stock. Without a full inventory of all available multi-family units it is difficult to confirm some of the anecdotal comments heard throughout the process, but nevertheless it is important to consider since residents’ testimony provides valuable insight into the existing housing stock. Several residents indicated that there are few options available for larger multi-family units with at least three (3) bedrooms, making it difficult to find stable living options for families with more than two (2) children. Residents also communicated a desire to have housing options that were closer to supportive retail, commercial and services so that they could walk, bike or easily use transit to meet their needs. Despite these challenges, the City’s parks, trails and open spaces were viewed as an integral and important part of their quality of life.



Similarly, to the single-family neighborhoods, the community’s aspiration to create a stable, accessible, and economically diverse multi-family housing stock was established as a short and long-term priority. Though not discussed at length during this planning process, it is widely known and understood that resident turnover, including evictions, is a serious problem that is most concentrated within the multi-family neighborhoods of the City. While this Chapter does not attempt to fully evaluate the causes for turnover and eviction in these neighborhoods, it does acknowledge it as a significant challenge and issue which shapes the character of these areas of the community. Turnover, including evictions, changes how residents feel about the community whether the City is directly involved or not. It has lasting affects on how safe people feel within a community, how invested in an area they want to become and how willing they are to contribute and reinvest in the City. For these reasons, it is imperative that the City tackle these issues and create a more stable, and integrated living environment so all residents feel a part of a neighborhood, and the larger community.

Housing Stock Statistics

The following existing housing stock characteristics support the previous neighborhood descriptions through more detail. This information, coupled with the previous description, provides a valuable baseline from which the City can evaluate and plan for the future of its housing stock.

Total Housing Units

According to data from the Metropolitan Council and the City of Brooklyn Center, there are 11,603 housing units in Brooklyn Center as of 2017. As a fully developed community, new residential development in Brooklyn Center has been limited since the late 1980s. According to the Metropolitan Council, around 100 new housing units have been built since 2000 and these homes were primarily small infill locations or small redevelopment opportunities.



Housing Tenure (Owned and Rented Units)

Nearly 40 percent of the community’s residents rent, and the majority of those renters live in apartment buildings which are integrated throughout the community. The Background Report in the Appendix includes maps illustrating the location of rental housing and demographics of renters. Given that a significant portion of the City’s population lives in apartments, the age of such structures becomes critically important to the overall health of the housing supply. The majority of the apartments were constructed prior to 1979 with the bulk of the units being constructed between 1966 and 1969. This means that the majority of the apartments is more than 50 years old, and that structural deficiencies and major capital improvements may be required in the relatively near term in order for the structures to remain marketable.



Housing Type

Related to housing tenure is housing type. Due to Brooklyn Center’s peak time of housing development in the 1950s, the housing type is predominantly single-family detached homes. As of 2017, there are 8,270 units (71 percent) of single-family housing (attached and detached) and 3,333 (29 percent) classified as multi-family housing.

The type of housing structure can influence not only affordability but also overall livability. Having a range of housing structures can provide residents of a community options that best meet their needs as they shift from one life stage to another. For example, retirees often desire multi-family housing not only for the ease of maintenance, but also for security reasons. Multifamily residences are less susceptible to home maintenance issues or burglary concerns because of on-site management. For those with health concerns, multi-family residences often have neighbors that can also provide oversight should an acute health problem occur.

71% of housing units are single-family

- Sources: Metropolitan Council; US Census; SHC

Approximately 86 percent of Brooklyn Center’s housing stock (over 10,000 units) is more than 40 years old. This is an overwhelming portion of the City’s housing, and it is therefore important to track the condition of these older homes as they are at-risk of deferred maintenance. This can rapidly result in critical structural problems. At the same time, well-maintained older housing can be an important source of entry-level housing because of its relative affordability when compared to newer construction.

86% of housing stock is more than 40 years old

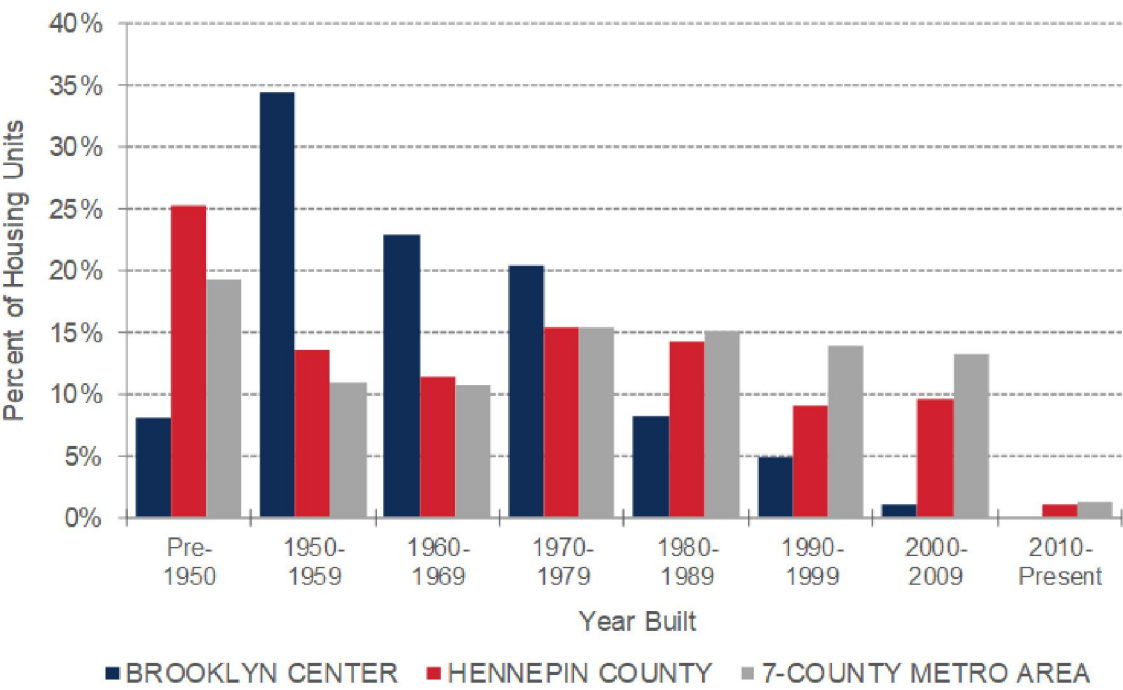
- Sources: US Census; SHC

4-10 The majority (63 percent) of Brooklyn Center’s housing stock consists of detached single-family homes. This is above the proportion found in Hennepin County (55 percent) or throughout the metropolitan area (59 percent). Nevertheless, the City’s housing stock is diversified, with many multi-family units in large structures, as well as a significant number of single-family attached units. More detailed data are included in the Background Report in the Appendix.

Year Built

The age of the housing stock is an important characteristic of the community particularly as it relates to potential structural obsolescence and other limiting factors which correlate to housing values. As described earlier, much of Brooklyn Center’s single-family housing stock was developed post-World War II between 1950 and 1963 and many of the homes in this age range were dominated by rambler architectural styles. As shown on Map 15, entire neighborhoods were all constructed in a relatively short period of time which strongly defines a neighborhood pattern. As shown, most of Brooklyn Center was developed on a fairly regular grid pattern and does not reflect a ‘suburban’ development pattern. This is positive from the perspective that transportation and transit connections should be easier to improve, where necessary, because of the relatively dense population of the neighborhoods. However, aging neighborhoods can present a challenge as major systems (i.e. roof, siding, windows, HVAC, etc.) reach the end of their useful life. This can be particularly difficult if residents are unable to reinvest and maintain their properties, which leads to deferred maintenance and the potential for more significant problems that would become widespread across entire neighborhoods.

Table 4-1. Year Built



Source: US Census: 2011-2015 American Community Survey

Housing Affordability

The Metropolitan Council considers housing affordable when low-income households are spending no more than 30 percent of their income on housing costs. Households are considered low-income if their income is at or below 80 percent of the metropolitan area’s median income (AMI).

The housing stock in Brooklyn Center is affordable relative to other communities in the Twin Cities region. According to the Metropolitan Council, 93 percent of the housing units in 2017 in Brooklyn Center were considered affordable. Moreover, only a small portion (5 percent) of this housing is publicly subsidized. Therefore, most housing is privately-owned and pricing is set by the market. According to the Minneapolis Area Association of Realtors, there were 480 home sales in Brooklyn Center in 2017 with a median sales price of \$186,125. This was roughly 25 percent lower than the Metro Area median sales price of \$247,900. For rental housing, according to CoStar, a national provider of real estate data, the average monthly rent for a market rate apartment in Brooklyn Center in 2017 was \$981 compared to the Metro Area average of \$1,190.

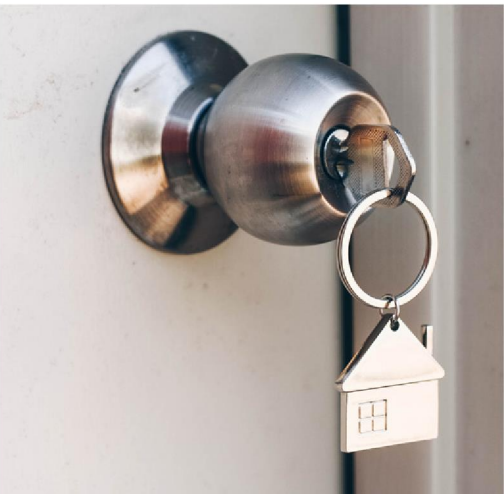
\$186,125

2017 median home sale price
in Brooklyn Center

\$247,900

2017 median home sale price
in the Metro Area

- Source: Minneapolis Area Association of Realtors,



Map 4-1. Estimated Market Value of Owner-Occupied Housing

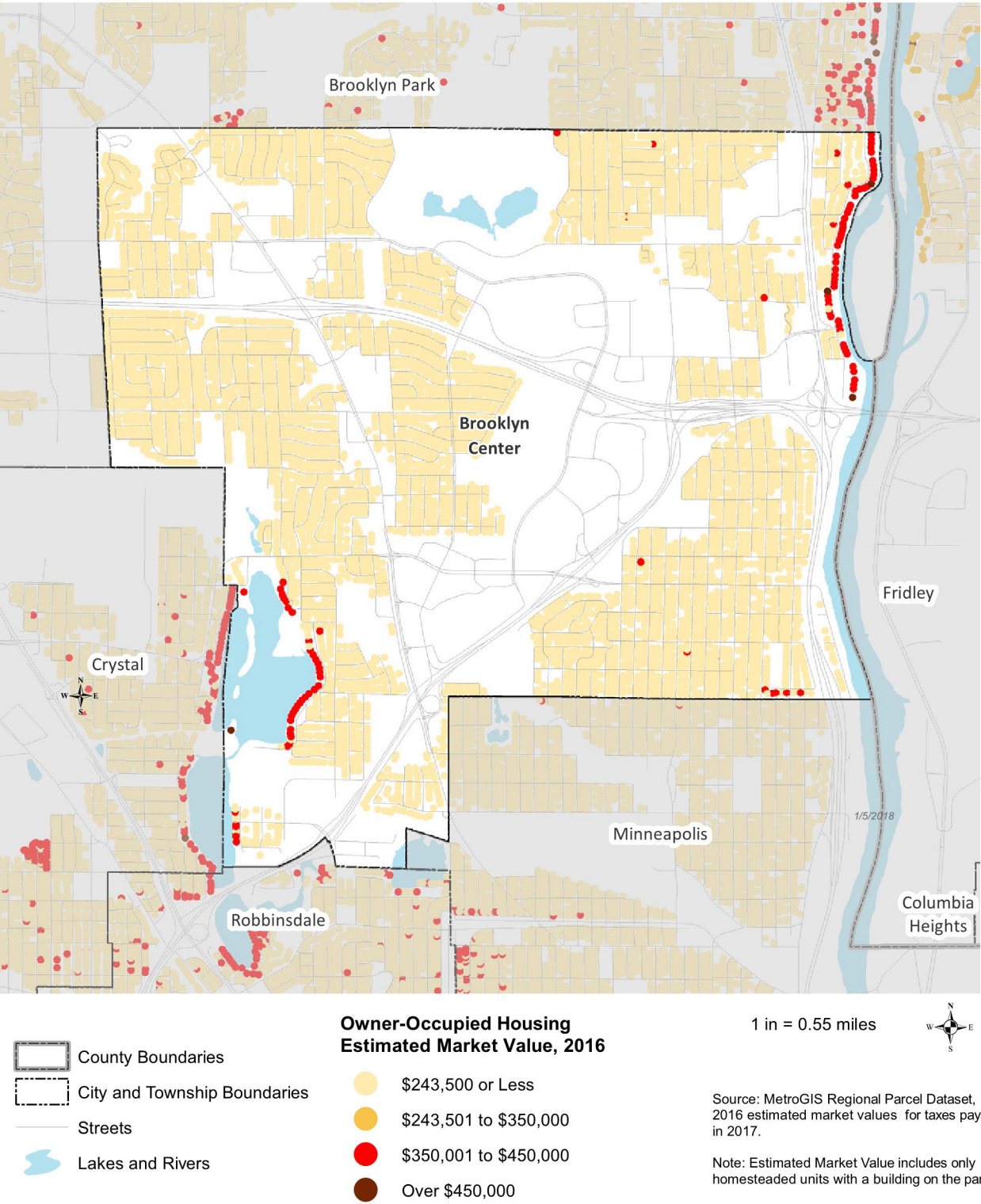


Table 4-2. Existing Housing Assessment

Total Housing Units ¹		11,608	
Affordability ²			
Units affordable to households with income at or below 30% of AMI	Units affordable to households with income 31% to 50% of AMI	Units affordable to households with income 51% to 80% of AMI	
460	4,451	6,029	
Tenure ³			
Ownership Units	Rental Units		
6,911	4,697		
Type ¹			
Single-family Units	Multifamily Units	Manufactured Homes	Other Housing Units
8,275	3,333	0	0
Publicly Subsidized Units ⁴			
All publicly subsidized units	Publicly subsidized senior units	Publicly subsidized units for people with disabilities	Publicly subsidized units: all others
553	22	0	531
Housing Cost Burdened Households ⁵			
Income at or below 30% of AMI	Income 31% to 50% of AMI	Income 51% to 80% AMI	
1,691	1,406	895	

¹ Metropolitan Council, 2016 housing sock estimate. Single-family units include single-family detached homes and townhomes. Multifamily units include units in duplex, triplex, and quadplex buildings as well as those in buildings with five or more units.

² Metropolitan Council staff estimates for 2016 based on 2016 and 2017 MetroGIS Regional Parcel Datasets (ownership units), 2010-2014 Comprehensive Housing Affordability Strategy data from HUD (rental units and household income), and the Council's 2016 Manufactured Housing Parks Survey (manufactured homes). Counts from these datasets were adjusted to better match the Council's estimates of housing units and households in 2016 as well as more current tenure, affordability, and income data from eh American Community Survey, home value data from the Federal Housing Finance Agency, and rents from HousingLink's Twin Cities Rental Revue data.

³ US Census Bureau, 2012-2016 American Community Survey five-year estimates; counts adjusted to better match the Council's 2016 housing stock estimates.

⁴ Source: HousingLink Streams data (covers projects whose financing closed by December 2016)

⁵ Housing cost burden refers to households whose housing costs are at least 30% of their income. Source: US Department of Housing and Urban Development, 2010-2014 Comprehensive Housing Affordability Strategy (CHAS) data, with counts adjusted to better match Metropolitan Council 2016 household estimates.

The high rate of affordability is largely due to the prevalence of smaller and older homes in the single-family neighborhoods, and the age and level of improvements within the multi-family rental neighborhoods. Such small sized properties are typically less expensive because they have significantly less living space than newer homes (average construction square footage has increased each decade since the 1950s). Age and level of update and improvements within the apartment stock, coupled with the average number of bedrooms in the rental units is impacting the relative affordability of the multi-family units. The condition in both the single-family and multi-family housing stock is what is known as Naturally Occurring Affordable Housing (NOAH), because the physical characteristics of the properties are what makes them affordable rather than the affordability being established through a legally binding contract. Although there is a high rate of affordability for existing units, the Metropolitan Council identifies a need for additional affordable units in any new housing construction added to the community through 2040. This condition would most likely be achieved by a legally binding contract, or some other financing mechanism as new affordable housing product would be difficult to achieve without some assistance given construction and land costs. Of the 2,258 projected new housing units, the Metropolitan Council establishes a need of 238 units to be affordable to households at or below 80 percent AMI to satisfy the regional share of affordable housing.

Although nearly all of Brooklyn Center's housing stock essentially fits within the criteria as naturally occurring affordable housing, there are some observable trends that would suggest the price of housing in Brooklyn Center could rise in the coming years. Most recently in 2018 the City's for-sale housing median home sales price surpassed the pre-bust pricing. While the median remains below the regional median, it does indicate growing demand and increased pricing. Significant areas of redevelopment identified on the Future Land Use Plan, including the former regional mall (Brookdale) location, present opportunities for higher-market rates for new housing added. These opportunities have the potential to create a more economically diverse housing stock within the City, which is relatively homogeneous at the time this Plan is written. Given these opportunities, it is important to continue to monitor the City's NOAH stock, and to evaluate and establish policies to incorporate legally binding and protected affordable housing as redevelopment occurs. This is a careful balancing act that requires concerted and direct monitoring, study, and evaluation in order to ensure an economically diverse, sustainable and resilient housing stock for the long-term success of the community.

KEY DEMOGRAPHICS

Age Profile of the Population

The age profile of a community has important ramifications on demand for housing, goods and services, and social cohesion. Tables and figures illustrating the City’s age distribution are presented in the Background Report in the Appendix. Unlike the broader region, in which the population continues to age rapidly, Brooklyn Center’s population grew younger between 2000 and 2010, and has stayed relatively stable since 2010. This is largely due to a significant increase in people age 25 to 34, many of which are starting families and having children. Increases in the number of young families place demands on schools, housing affordability, and the types of retail goods and services needed.

The median age of residents in Brooklyn Center in 2016 was 32.8, which is consistent with the 2010 median age of 32.6. This is younger than 2000 when the median ages was 35.3. With such a young population, it is expected housing units may turn over more frequently. But, as of 2016, more than 60 percent all households have been living in their homes for more than five (5) years. More data about geographic mobility of households is found in the Background Report in the Appendix.

Household & Family Type

Changing family and household structures can also have a profound effect on housing and other community needs. For example, decreasing household size has a direct impact on the amount of housing a household needs. As mentioned, the presence of children not only impacts local schools and parks, but also the types of retailers that can be supported and the nature of housing demanded.

Since 2010, the number of households with children in both single-parent and married couple households has been growing significantly. Meanwhile, the trend among households without children, especially married couples (i.e., empty-nesters) has been on the decline. The percentage of households with children is approaching 40 percent, which is well above the rate in the County and the metro area.



Cost Burdened Households

Cost burden is the proportion of household income spent toward housing and utilities. When lower income households spend more than 30 percent of their income toward housing and utilities this burden is considered excessive because it begins to limit the money available for other essentials such as food, clothing, transportation, and healthcare. According to data from the Metropolitan Council, 4,114 (35 percent) Brooklyn Center households at or below 80 percent average median income (AMI) are considered cost-burdened which means they spend more than 30 percent of household income on housing costs. This percentage is well above the metro area rate of 23 percent. Half of these Brooklyn Center households are lower income households who earn at or less than 30 percent AMI. The high incidence of cost burdened households is correlated with younger wage earners, lower-wage jobs, and a high proportion of older households, many of which are in retirement and no longer working.

FUTURE HOUSING OPPORTUNITIES

Projected Housing Need

As referenced in Chapter 3: Land Use & Redevelopment and the following Table 4-4, the Metropolitan Council’s 2015 System Statement forecasts that Brooklyn Center will add approximately 4,169 new residents and 2,258 new households through 2040 and identifies the following affordable housing allocation to be accommodated between 2020 and 2030.

Table 4-3. Affordable Housing Need Allocation

At or below 30% AMI	103
31 to 50% AMI	0
51 to 80% AMI	135
Total Units	238

Source: 2015 System Statement - Metropolitan Council

Housing Challenges Inform Housing Needs

The Metropolitan Council’s System Statement identifies approximately 10% of the planned housing units for some level of affordability as identified in Table 4-3. As described in other chapters of this Plan, for the first time since the post-World War II housing boom the City is expected to add a significant number of new households. These new households have the opportunity to provide a more diverse housing stock, and add to the options of available for existing and new residents in the community. Redevelopment can reinvigorate and revive

areas of the community with vibrant, experience-rich areas that will benefit everyone in the community. The City is excited for redevelopment to create a dynamic central hub of activity in the community, but also acknowledges that it must be balanced with strong assessment, planning and appropriate protection of its existing housing stock to ensure neighborhood sustainability and stability in all areas of the community.

New housing stock brings the possibility of adverse impacts to existing single-family and multi-family properties if proactive steps are not taken to protect existing naturally occurring affordable housing (NOAH), single-family neighborhoods, and multi-family properties. The City’s policy makers throughout this process discussed and acknowledged that bringing new market-rate, amenity rich housing products could have deleterious affects specifically on existing naturally occurring affordable housing if a plan to protect affordability is not implemented. This is a huge concern as resident stability through access to safe and healthy housing is one of the City’s adopted strategic priorities. If proper tools are not in place there are no protections to keep rents reasonable for residents and to maintain reasonably priced for-sale housing as redevelopment takes holds.

One of the positive aspects of the City’s identified redevelopment areas is that the land proposed for redevelopment does not contain existing housing. In a fully-development community this is unusual for a large redevelopment area, and is positive because no residents will be displaced as a result of the City’s redevelopment aspirations. However, even though residents will not be displaced directly, indirectly, redevelopment could increase the desirability of activities such as flipping single-family homes and converting NOAH multi-family properties for higher-rents.

To address some of these concerns an extensive list of high-level tools have been outlined in Table 4-5 of this Chapter. The City recognizes that this chapter is only the start of an ongoing conversation, and it is the City’s policy-makers intent to continue to be proactive, and to collaborate with non-profits and advocate for a broader regional approach to housing affordability. In addition to the tools identified in Table 4-5, the City is also continuing conversations about:

- Viability of a non-discrimination ordinance related to Section 8 acceptance. Adjacent Cities, including Minneapolis, have attempted to include ordinances in their tool-kit addressing this issue. While the issue is currently in court, Brooklyn Center will continue to monitor the process and may consider adoption of a similar ordinance depending on its outcome.

- The City has discussed developing a more formal housing action plan to better understand the needs of its residents. The plan would work to better understand cost-burdened households, eviction rates and policies, home-ownership racial disparities, and gaps in the housing stock.
- Continuing to revise, enhance and modify its policies and ordinance to respond to residents needs. This includes monitoring best-practices in the region, being agile and open to changes and enhancements. As an example of this type of ordinance or policy response the City recently adopted a Tenant Protection Ordinance that is aimed and protecting the City’s residents ability to maintain stable, safe housing.

The City’s projected housing needs are complex, and are likely to become more complicated as redevelopment occurs. However, the City intends to continue to prioritize discussion and action around creating safe and stable housing throughout the City. The following sections specifically address the new housing expected to be develop in this planning period. The new and redevelopment areas should be considered collectively with the City’s existing neighborhoods to ensure an incorporated, integrated approach to the City’s neighborhoods is achieved to create a dynamic community for generations to come.



New Housing Opportunities in this Planning Period

Recognizing that the land use plan for Brooklyn Center identifies several key areas that are envisioned for new development or redevelopment, this will result in an opportunity to accommodate more housing and increase the City’s number of households. Based on guided residential densities in the development opportunity areas, the City can accommodate the Metropolitan Council’s forecasted households as well as meet the allocated affordable units as shown in Table 4-3 above. As indicated in the Land Use Chapter, depending on how the market responds to these redevelopment areas the City could accommodate anywhere between 2,658 and 3,836 new households by 2040 (Chapter 3: Table 3-5, repeated in the following Table 4-4).

Table 4-4. Future Land Use Densities and Projected Acres, Households & Population

Future Land Use	Density (DU/A)	2020 Acres (Res) ^b	HH	Pop ^c	2030 Acres (Res) ^b	HH	Pop ^c
Transit Orient Development	31.01-130 DU/A	9	279	619	26	814	1,807
Neighborhood Mixed-Use	15.01-31 DU/A	13	195	433	19	285	632
Commercial Mixed Use	10.01 – 25 DU/A	8	80	178	15	150	333
High Density Residential	15.01-31 DU/A	212	3,180	7,060	212	3,180	7,060
TOTAL	--	--	3,734	8,290	--	4,429	9,832

Source: Metropolitan Council, Thrive 2040 Brooklyn Center 2015 System Statement, SHC.

^a Acreages assume that some recently redeveloped areas within these land use designations will not experience redevelopment until post-2040 and therefore households are not calculated. Please refer to Map 3-3 that identifies areas planned for change within this planning period.

^b Note, there are existing households in each of the designations today that would be re-guided for potential redevelopment in the future. This accounts for existing households and those that may potentially develop over the next two years.

^c Calculation multiplies households by 2.22 persons per household (According to the 2016 ACS (Census), for multi-family units (5+ units in structure))

There are three large districts identified in the City with guided land use that allows for significant potential of new development and redevelopment through 2040. These areas have the potential to greatly expand Brooklyn Center’s current housing numbers and choices. Moreover, each opportunity area has the potential to not only provide new forms and types of housing but to catalyze or rejuvenate investment into the City resulting in stronger linkages between neighborhoods and districts that are currently isolated from one another. The following section discusses these areas further.



Future Residential Uses in Planned [Re] Development Opportunity Areas

Transit-Oriented Development (TOD)

Transit-Oriented Development (TOD) is a new land use and redevelopment concept in the City that focuses on existing and planned transit as a major amenity and catalyst for redevelopment. While previous planning efforts have acknowledged the presence of transit in the community, none have embraced it as an opportunity for redevelopment. As this portion of the City redevelops, the location of future transit enhancements has the potential to attract significant new housing development. Therefore, this is where guided densities are the highest. This is purposeful because the area has exceptional visibility and access from Highway 100 and I-94, and will be served by two transit stops (one being a transit hub) for the C-Line Bus Rapid Transit (BRT) and the potential future D-Line BRT. The C-Line BRT is planned to open in 2019 and will mimic the operations of LRT (light rail transit), offering frequent transit service that will connect residents to the larger region. To best support the C-Line, and future D-Line, the City has planned to reinvigorate and re-imagine this central area of the community as a more livable, walkable, and connected neighborhood within the City. In addition, the potential for desirable views of Downtown Minneapolis could result in pressure to build taller structures in this area. Any development of this area should also be seen as an opportunity to support commercial users, improve multi-modal service and access, and allow safe, pleasant, and walkable connections to transit, parks, and other community destinations.

As this area evolves, the desirability of this area as an amenity-rich livable area is likely to improve. As change occurs, the housing within the area is likely to be at market rates adding to a more economically diverse housing stock than is currently available in the community. This would add more housing choices in Brooklyn Center, and it could also support a mix of both market rate and affordable units; provided proper policies are developed to ensure legally binding affordable housing is incorporated into development plans. Communities oftentimes explore policies such as inclusionary zoning as redevelopment accelerates which may become an appropriate consideration in the future, but is likely not to be the best approach given current market conditions. However, in the future if significant increases in the market occur it may warrant further discussion in the City. Regardless of the policy tool (whether regulatory or incentive based) selected, consideration will need to be given to working with any future developer in a possible partnership with the City to help deliver affordable units as part of redevelopment. As described within the Chapter 9: Implementation, the City will continue to explore proper methodology and policies to ensure an economically diverse housing stock is created as housing continues to evolve in the community.



Commercial Mixed-Use Areas

The Commercial Mixed-Use areas generally surround the TOD area and are contemplated for large-scale redevelopment but are equally as focused on supporting business and office users. These areas are generally within one mile of the transit station that serves as a major hub for regional and local transit services, and therefore new housing will still have opportunities to capitalize on this as an amenity. Slightly less dense than the TOD district, these areas may provide exceptional opportunities to introduce multi-family uses such as town homes, row homes, and small lot single-family uses that could cater to larger families and incorporate more units with three or more bedrooms. As indicated in previous sections of this Chapter, the City’s residents expressed a desire to have access to more rental units with more bedrooms and larger square footages. While a detailed market study would likely be needed to confirm the demand for these uses, if we can take the anecdotal information as true, this area has the potential to support those types of uses. As with the TOD district, affordability is likely to become a consideration in any redevelopment within these areas because new construction naturally costs more and as the area redevelops interest and demand is likely to escalate costs. It is therefore important, just as with the redevelopment of the TOD district, that the City evaluate and explore ways to incorporate a range of affordable and market rate opportunities in new developments.

4-22 Neighborhood Mixed-Use Areas

The Neighborhood Mixed-Use is a new land use designation that responds to resident and policy-makers desire to incorporate retail and services into the neighborhood fabric. One of the ways the City can accomplish that objective is to create ‘nodes’ of mixed-uses that include residential uses, but protect key corners for small retailers, shops, or restaurants that create a more vibrant streetscape. The City acknowledges that these areas are less likely to redevelop with any regularity. Therefore, the number of new housing units expected to come on-line in these areas is a little less tangible than in areas with large contiguous redevelopment acres. However, the nodes have the opportunity to provide yet another housing style and type, as these areas are not envisioned for large high-rises or extensive master plans. Instead, these areas are contemplated to have smaller footprints with living units above a small store front or restaurant for example.

HOUSING RESOURCES, STRATEGIES & TOOLS

Table 4-5 outlines a variety of resources, strategies, and tools to implement Brooklyn Center’s identified housing needs and stated housing goals. There is a wealth of resources available to assist communities in meeting their goals. The following table should be considered a starting point. As the City’s housing needs evolve or become clearer, this set of tools should expand with options.

Table 4-5. Housing Resources, Strategies & Tools

Housing Goal	Tool/ Resource/ Strategy	Description	Affordability Target
Promote a diverse stock that provides opportunities for all income levels	Housing Demand Market Study	Conduct a market study and gaps analysis to track housing demand. This study and report could double as a marketing and promotional piece about housing opportunities.	<30% AMI 51-80% AMI
	HRA/CDA/ EDA	Work with the County HRA and City EDA to protect and enhance existing NOAH in the City. Use Market Studies to help identify opportunities to meet housing needs in the City and evaluate ways to partner with the County and other program providers.	<30% AMI 30-50% AMI 51-80%
	Site Assembly	Consider strategies for assembling sites in high-density or mixed-use districts that would increase appeal to developers.	<30% AMI 51-80% AMI
	CDBG	Work with Hennepin County to use CDBG funds to help low-and moderate-income homeowners with rehabilitation assistance. CDBG funds will also be explored for use to support redevelopment efforts that meet the City’s goals towards a diverse housing stock (units and market/ affordable diversity).	<30% AMI 51-80% AMI
	Tax Abatement	Consider tax abatement for large rental project proposals that provide unit and income-mix within a single project. The City is particularly interested in projects with market diversity and units of different size to cater to a larger market (singles, families, multi-generational, etc).	<30% AMI 51-80% AMI
	HOME and Affordable Housing Incentive Fund	Consider application, and utilization, of HOME and Affordable Housing Incentive fund grants to support a diverse housing stock. The City will prioritize projects that include a unit size and income mix that meets the needs of single-person and families in the City.	<30% AMI 30-50% AMI
	Housing Bonds	The City would consider issuing Housing Bonds for projects that include units for large families, particularly in projects with a mix of unit sizes and incomes. However, it should be noted that there are limitations to the city bonding authority and other programs may be more suitable	<30% AMI 51-80% AMI
	Brownfield Clean-up	In potential redevelopment areas, explore EPA and MN DEED grant programs that provide funding and assistance with planning, assessment, and site clean-up.	<30% AMI 30-50% AMI 51-80%
	4D for NOAH Properties	The City will continue use of 4D classification for the purpose of protecting its Naturally Occurring Affordable Housing (NOAH) uses throughout the City.	<30% AMI 30-50% AMI
	Pooled TIF Funds	Explore the use of TIF housing funds to create a revolving loan program to support the rehabilitation of existing single-family and multi-family NOAH properties.	<30% AMI 30-50% AMI 51-80%



Housing Goal	Tool/ Resource/ Strategy	Description	Affordability Target
Identify ways to match housing stock with changing demographic	Housing Coordinator Position	The City would create a position that would serve as a liaison to existing landlords to help them respond to shifting demographics through training and access to city resources. The position could also serve as a resource for tenants to connect to support services in the event of eviction notices, discriminatory practices, and other issues related to housing access. The position would include coordinating housing programs, including home ownership programs, resident financial literacy programs, with the intent to convert Brooklyn Center renters to successful home owners.	<30% AMI 30-50% AMI 51-80%
	Referrals	Review and update reference procedures and training for applicable staff including a plan to maintain our ability to refer residents to any applicable housing programs outside the scope of local services.	<30% AMI 30-50% AMI 51-80%
	Preserve LIHTC properties	The City will monitor expiring LIHTC properties and work to find solutions to protect and preserve these affordable units to meet the needs and demands of the City's residents. The City will approach owners with expiring properties to discuss the possibility of 4d program tax breaks	<30% AMI 30-50% AMI
Explore opportunities to improve City housing policies and ordinance to make more responsive	Expedited Application Process	Streamline the pre-application process in order to minimize unnecessary delay for projects that address our stated housing needs, prior to a formal application submittal	<30% AMI 30-50% AMI 51-80%
	Fair Housing Policy	The City will work to incorporate a Fair Housing policy into its ordinances and policies.	<30% AMI 30-50% AMI 51-80%
	Existing ordinances	The City will continue to operate its Rental Licensing Program, and will periodically review and make enhancements to support the City's residents.	<30% AMI 30-50% AMI 51-80%
	Update the City's Zoning to support new land uses	The City's future land use plan provides opportunities to include high density residential uses in the areas identified for redevelopment. The City will update its zoning ordinance, including prepare new zoning districts, to support the housing needs identified in this Housing chapter.	<30% AMI 51-80%

Maintain existing housing stock in single-family neighborhoods through proper ordinances, incentives and enforcement	Foreclosure Prevention	In established neighborhoods, a rash of foreclosures, especially in close proximity to one another, can have a deleterious effect on the surrounding neighborhood. Be aware of foreclosures and be able to direct homeowners at-risk of foreclosure to resources that can help prevent foreclosures. http://www.hocmn.org/	<30% AMI 30-50% AMI 51-80%
	Low or No Cost Home Loans	Providing low-or no-cost loans to help homeowners repair heating, plumbing, or electrical systems helps preserve existing housing. For example, Minnesota Housing's Rehabilitation Loan and Emergency Loan programs make zero percent, deferred loans that are forgivable if the borrower lives in the home for 30 years. Minnesota Housing's Community Fix Up Program offers lower-cost home improvement loans, often with discounted interest rates, remodeling advising, or home energy services, through a trained lender network.	<30% AMI 30-50% AMI 51-80%
	Home Ownership Program	Work with residents to provide education and programs to make home ownership possible, particularly converting existing renters to home owners through supporting down-payment assistance programs.	30-50% AMI 51-80%
	Code Enforcement	The City will continue to operate a robust code enforcement program that includes both complaint-based enforcement and proactive sweeps.	<30% AMI 30-50% AMI 51-80%
	Vacant Building Program	The City will continue to operate its Vacant Building Program that tracks and monitors vacant properties in the City to ensure adequate upkeep and maintenance.	<30% AMI 30-50% AMI 51-80%
Explore opportunities to incorporate new affordable housing into redevelopment areas	Inclusionary Housing Ordinance	<i>If</i> the market strengthens in redevelopment areas to the extent that policies would not deter investment, the City could consider an inclusionary housing ordinance to ensure that affordable housing is a component of any new housing development. Since current market conditions in the City are well below those of adjacent communities, an inclusionary policy may deter short-term investment. The City may want to explore this policy in the future if the market rents rise to levels of at least 80% AMI.	<30% AMI 30-50% AMI 51-80%
	Livable Communities (LCA and LCA LCDA-TOD)	Consider supporting/sponsoring an application to LCDA programs for multi-family rental proposals in areas guided for high density residential and targeted to households of all income levels.	<30% AMI 30-50% AMI 51-80%
	Tax Increment Financing (TIF)	To help meet the need for low-income housing, the City will establish a TIF district in an area guided for TOD and mixed uses.	<30% AMI 30-50% AMI 51-80%



Housing Policy Discussion



City Council Work Session, 1/11/2021
Meg Beekman, Community Development Director

Regional Housing Trends

- Twin Cities Metro Area currently experiencing record low vacancy rates
 - Midyear report, average vacancy rate across region was 2.3%
- Driven by high demand for rental housing combined with unmet supply
- Effect of low vacancy rates:
 - Increased rents
 - Increased interest from outside investors in Class B and C rental properties
 - Landlords in a position to be choosier about who they rent to
 - Reduction in number of landlords accepting Section 8 vouchers



Brooklyn Center's Rental Housing

Affordable rents in the Twin Cities Metro Area

2020 Rental Housing				
# of Bedrooms	30% AMI	50% AMI	60% AMI	80%AMI
Studio	\$ 543	\$ 905	\$ 1,086	\$ 1,448
1 Bedroom	\$ 582	\$ 970	\$ 1,164	\$ 1,552
2 Bedrooms	\$ 698	\$ 1,163	\$ 1,396	\$ 1,862
3 Bedrooms	\$ 806	\$ 1,344	\$ 1,613	\$ 2,151
4 Bedrooms	\$ 900	\$ 1,500	\$ 1,800	\$ 2,400

*Rents include tenant-paid utilities

Average Rents in Brooklyn Center

# of Bedrooms	Rent
Studio	\$ 899
1 Bedroom	\$ 1,010
2 Bedrooms	\$ 1,227
3 Bedrooms	\$ 1,611
4 Bedrooms	\$ 1,850

*Source: rentjungle.com

- Average rents in Brooklyn Center are considered affordable to those making roughly 50%-60% of the area median income (AMI)



3

2040 Housing and Neighborhood Goals

- Promote a diverse housing stock that provides safe, stable, and accessible housing options to all of Brooklyn Center's residents.
- Recognize and identify ways to match Brooklyn Center's housing with the City's changing demographics.
- Explore opportunities to improve the City's housing policies and ordinances to make them more responsive to current and future residents.
- Maintain the existing housing stock in primarily single-family neighborhoods through proper ordinances, incentive programs and enforcement.
- Explore opportunities to incorporate new affordable housing into redevelopment areas that promote safe, secure and economically diverse neighborhoods.



4

Background

- April 2018 – Council discussed various housing policies
- December 2018 – Adopted Tenant Protection Policy
- March 2020 – Discussed Housing policy work plan
 - Fair Housing Policy
 - Housing Study
 - NOAH Preservation Program
 - Mixed Income/Inclusionary Policy
 - Tenant Protections
 - Single Family Housing Stabilization



5

Policy Framework

- **Housing Choice**
 - Conduct housing study: Analyze existing housing stock, current and anticipated market demands and identify gaps; conduct tenant and homeowner survey
- **Affordable Housing Policies** - fall into one of three categories:
 - Creation of new legally-binding units
 - Preservation of NOAH units
 - Tenant Protections



6

Local Policies

- Inclusionary/Mixed Income
- NOAH Preservation Program



7

Mixed Income Policy

- Collection of policies that require or encourage new affordable units to be included with new market-rate residential development
 - Frequently in the form of a percentage of units in exchange for public subsidy
 - In higher rent markets, a certain percentage of affordable units can be required without increasing the need for additional public subsidy. This is due to the higher than average market rents, which off-set the affordable units.
 - Brooklyn Park recently adopted an Inclusionary Housing Policy. Their analysis found that any amount of included affordable would create a financial gap in the project and require subsidy. The policy acknowledges this and projects will be looked at on a project by project basis to determine if the gap can be subsidized.
 - An inclusionary housing policy would need to be weighed against other community benefits desired out of a development



8

Mixed Income Policy

- Key Components

- Applicability – When does it apply

Example: All developments that create 10 or more housing units that receive:

- City or EDA financial assistance
- Master or amended P UD (would require a change of city ordinance)
- Zoning Code Amendments (would require a change of city ordinance);
- Or Comprehensive Plan Amendments

- Affordability Requirements – How many units and at what affordability

Example: 5% of units at 30% AMI or 10% at 50% AMI or 15% at 60% AMI or a payment in lieu

- Affordability Period – Duration of requirement



9

Mixed Income Policy

- Key Components

- Distribution of affordable units – Required affordable units to be consistent to market rate units in quality and intermixed throughout development

- Non-discrimination – Would prohibit discrimination based on source of rent payment (Housing Choice Voucher holders)

- Other considerations – Other incentives to reduce financing gaps and encourage providing mixed income housing

Example – Parking reduction, fee waivers



10

Mixed Income Policy

- Financial Impact

- All multi-family development likely to experience financial gap
- Income, rent, and other restrictions can lead to financial feasibility challenges
 - Restricts level of debt that can be supported by project
 - Provides insufficient investment returns to attract equity
- Policy can address projects on a case by case basis based on available TIF and other community/project goals

Affordability Requirement Aff. Units

5% of units @ 30% AMI	12
5% of units @ 50% AMI	12
5% of units @ 60% AMI	12
10% of units @ 30% AMI	23
10% of units @ 50% AMI	23
10% of units @ 60% AMI	23
15% of units @ 60% AMI	34
20% of units @ 30% AMI	45
20% of units @ 50% AMI	45
20% of units @ 60% AMI	45
25% of units @ 80% AMI	56
40% of units @ 60% AMI	89

Total Present Value Affordability Cost Estimate - 222 unit Apartment			
15 Years		20 Years	
Total	Per Unit	Total	Per Unit
1,612,186	134,349	1,919,411	159,951
1,113,510	92,793	1,325,705	110,475
864,461	72,038	1,029,196	85,766
3,098,450	134,715	3,688,903	160,387
2,141,955	93,128	2,550,134	110,875
1,664,284	72,360	1,981,437	86,149
2,499,168	73,505	2,975,419	87,512
6,070,977	134,911	7,227,886	160,620
4,198,844	93,308	4,998,993	111,089
3,263,932	72,532	3,885,919	86,354
1,909,718	34,102	2,273,642	40,601
6,463,226	72,621	7,694,884	86,459



11

Project Example – Mixed-income Housing Policy



12

Market Rate Apartment

- Developer proposal to build 174 units of market rate rental housing
- No assistance requested from developer
- City policy requires affordability
- Developer considering 5% of units at 30% AMI
- Affordability requirement creates a verified financial gap in the project.



13

Market Rate Apartment

# of Units	Type	Rent Type	Rent	Difference	Monthly Income Difference
31	Studio	Market	\$1,235	(\$692)	(\$2,076)
3		Affordable	\$543		
79	1-Bdrm	Market	\$1,450	(\$868)	(\$1,736)
2		Affordable	\$582		
28	2-Bdrm	Market	\$1,750	(\$1,052)	(\$2,104)
2		Affordable	\$698		
28	3-Bdrm	Market	\$1,950	(\$889)	(\$1,778)
2		Affordable	\$1,061		
Monthly Income Difference					(\$7,694)
Annual Income Difference					(\$92,328)
Present Value @ 4% (over 20 years)					(\$1,254,768)



14

Gap Funding Sources

- Federal low-income housing tax credits (LIHTC)
 - At least 20% of units must be affordable at 50% AMI, or
 - At least 40% of units must be affordable at 60% AMI
 - Because of competitive nature of application and to maximize credits, LIHTC projects are usually 100% affordable
- State and County grant source
 - Highly competitive and limited resources available
- State loan/mortgage programs



15

Gap Funding Sources

- Local tax increment financing
 - For a Housing District, affordability requirements are the same as the tax credit program
 - Redevelopment District is less restrictive
- Local tax abatement
 - No income limitations – city policy driven
- Local fee waivers
- Land use/zoning concessions
 - Parking reductions
 - Density bonuses



16

Elevate Apartments – City Goals

- High Density, Multi-Story, Mixed Use Development
- Mixed Income Housing – Diversity of Price Points and Affordability
- Variety of Housing Unit Sizes & Types
- Sustainable Design & Operations
- Walkable Connection from Purgatory Park to Transit Station
- High-Quality Design Standards
- Bicycle Facilities
- Shared Vehicle
- Public Plaza
- Public Art



17

Elevate Apartments – City Goals

# of Units	Type	Rent Type	Rent	Difference	Monthly Income Difference
52	Studio	Market	\$1,195		
12		Affordable	\$791	(\$404)	(\$4,843)
76	1-Bdrm	Market	\$1,554		
25		Affordable	\$848	(\$706)	(\$17,656)
19	1-Bdrm + Den	Market	\$1,842		
0		Affordable	\$1,842	\$0	\$0
25	2-Bdrm	Market	\$2,562		
8		Affordable	\$1,017	(\$1,545)	(\$12,361)
5	3-Bdrm	Market	\$3,288		
0		Affordable	\$3,288	\$0	\$0

Affordable @ 50% 45
 Market 177
 Total 222

Monthly Income Difference	(\$34,859)
Annual Income Difference	(\$418,312)
Present Value (over 26 years)	(\$5,715,191)



18

Elevate Apartments – City Goals Met

- 6 story mixed use development
- 13,266 SF of restaurant/retail space
- 77 units per acre density
- 222 Apartment Units
 - ✓ 45 units affordable at 50% AMI
 - ✓ 8 units affordable at 80% AMI
 - ✓ 126 units market rate affordable at 80-100% AMI
 - ✓ 51 units higher-end market rate including 6 penthouse
- Studio to 3 BR unit sizes including affordable two-bedroom units
- Sustainable and High-Quality Design
- Ped/Bike Connections; Plaza with Public Art



19

Elevate Apartments – City Goals Met

- New Housing TIF District: \$7.7 M current value
 - ✓ 22 years of Pay as you go TIF payments
 - ✓ 26 years of affordability (income and rent restrictions)
- Pooled TIF Housing Loan: \$500,000
- Livable Communities TOD application/award: \$750,000
- Support for Henn. County TOD & HOME loans: \$550,000
- Reduced park dedication fees: \$348,300 reduction
 - ✓ Affordable TIF units excluded
 - ✓ Credit for Public Plaza improvements
 - ✓ Fees deferred and paid annually from excess cash-on cash return



20

Mixed-income Policy Implications

- Housing Needs
 - Existence, or lack of affordable housing options
 - Need for housing choice/diversity (avoid homogeneous housing stock)
- Weigh housing needs against other city goals
 - Other goals being achieved by project
 - Other community benefits
- Potential cost implications of a policy
 - How will it be off-set
- Long-term tax base availability



21

LIHTC versus Local Funding

Sources of Funds				
	Real Estate Equities Project		Elevate Project	
	Amount	Per Unit	Amount	Per Unit
First Mortgage	17,652,597	138,997	40,725,000	183,446
TIF Note	1,630,000	12,835	7,700,000	34,685
TIF Pooling	0	0	500,000	2,252
Equity	0	0	8,003,038	36,050
Grants	0	0	1,100,000	4,955
LOC	0	0	2,589,010	11,662
Low Income Housing Tax Credits	10,395,864	81,857	0	0
GIC Income	686,943	5,409	0	0
Deferred Developer Fee (67% of Total Fee)	2,121,459	16,704	0	0
TOTAL SOURCES	32,486,863	255,802	60,617,048	273,050



22

LIHTC versus Local Funding

	Real Estate Equities Project	Elevate Project	
	Amount	Amount	
Total TIF	1,630,000	8,200,000	
Years of TIF	15	22	Long-Term Tax Base Impacts
Number of Affordable Units	127	45	
TIF Per Affordable Unit	12,835	182,222	
Project Tax Capacity per unit	1,013	3,109	



23

NOAH Preservation Program



24

Brooklyn Center's Rental Housing

- 37% of Brooklyn Center's housing stock is rental
 - 829 properties and 4,340 units
 - 8 percent of single family properties are rented
- Nearly all of it is considered naturally occurring affordable housing (NOAH)
- All multi-family constructed between 1961-1979 – homogeneous
- 4.1% of all housing (10.9% of rental) are legally-binding affordable; this will go to 6% (17.1) when Sonder House is completed
- 425 Section 8 voucher holders (up from 402 in 2018)



25

Brooklyn Center's Rental Housing

- Many renters are on month to month leases
- Tenants report frequent (more than once per year) rent increases
- Rent increases often do not coincide with regional income trends
- Capital improvements in buildings typically coincide with rent increases



26

NOAH Preservation Program - Goals

- Prevent displacement
- Stabilize rents in markets where rents are increasing faster than incomes
- Inject capital investment into rental properties without increasing rents
- Tool to adjust for market conditions



27

NOAH Preservation Program

- An incentive program to encourage NOAH property owners into setting aside a percentage of rental units as legally binding affordable for a set period of time.
- A NOAH preservation fund is created and Staff works with existing property owners to provide a subsidy for building rehabilitation, which would then be combined with a 4d tax classification (Can be structured as a matching grant)
- 4d properties are taxed at a rate of .75% (approximately 40% discount)
- The result is the preservation of NOAH units through legally binding contract.
- Tax break is proportional to the percentage of units which would be affordable, and not apply to the entire building.
- Discussions in legislature last year to lower tax classification to .25%



28

NOAH Preservation Program

- Key Components
 - Applicability – When does it apply
 - What size building for minimum eligibility?
 Proposal: Rental properties with 5 or more units
 - Affordability Requirements – How many units (minimum/maximum) and at what affordability
 - A percentage of units throughout the community versus focusing on 100% of units in fewer buildings
 Proposal: Minimum of 20% of units, with a maximum of 30% of units, at 50% AMI
 - Affordability Period – Duration of requirement
 - Amount of subsidy versus length of commitment
 Proposal: Minimum of 15 years
 - Eligibility – What properties are eligible
 - Focus on units that are not experiencing deferred maintenance
 Proposal: License type I and IIs only



29

NOAH Preservation Policy

- Key Components
 - Incentive Program – Local subsidy to meet state eligibility criteria
 - Proposal: City pays \$150 application fee, matching grant of \$1,000 per unit up to \$25,000 to be spent on common area improvements or energy improvements.
 - Other – Free building energy assessment, rent increase caps for other tenants



30

NOAH Preservation Program

- Current Financial Impact

	Market Value	Current Taxes after reduction	Estimated total Tax Reduction based on .5% tax rate reduction.
Lynwood	\$ 4,627,000.00	\$ 54,540.83	\$ 23,135.000
Ewing Square	\$ 2,579,000.00	\$ 31,657.94	\$ 12,895.000
Unity Place	\$ 3,147,000.00	\$ 38,487.04	\$ 15,735.000
The Sanctuary	\$ 20,012,000.00	\$ 245,641.78	\$ 100,060.000
Carrington Drive	\$ 8,840,000.00	\$ 114,296.98	\$ 44,200.000
Total:		\$	196,025.000

- Future Financial Impact with Sonder Place

Apartment Scenario	Completed Valuation ¹	Property Tax Estimate			Total
		City Portion	County Portion	All Other Jurisdictions	
270 Affordable Rental Units (4d tax classification)	\$36,450,000	\$182,038	\$112,313	\$186,439	\$480,790
270 Market Rate Rental Units (rental tax classification)	\$36,450,000	\$303,396	\$187,189	\$249,904	\$740,489

¹ Valuation Assumptions: \$135,000 per apartment unit

- Program goals

- What percentage of existing rental units should be income restricted?

- Financial Impact

- 471 units are currently income restricted (in the 4d program)
- 270 additional units when Sonder Housing is completed
- Total of 741 units



31

NOAH Preservation Program

- Program goals

- What percentage of existing rental units should be income restricted?

- Potential Financial Impact

- Example – Goal of 20% of all rental units income restricted = 868 units
- Estimated savings to landlord/cost to taxpayers to be approximately \$600/year per unit
- 741 units currently income restricted
- 127 more units of 4d = \$76,200 annual lost tax revenue



32

NOAH Preservation Program

- Next Steps

- Draft NOAH Preservation program based on feedback from Council
- Meet with landlords and gather feedback on program guidelines/incentive package
- Identify potential funding sources for subsidy/matching grant
- Identify opportunities to pilot program roll out with a specific building
- Bring program back to Council for consideration



33

Policy Questions

- Mixed-Income Housing Policy Discussion

- Does the City Council wish to move forward with a mixed-income housing policy?
- If so:
 - When would it apply?
 - What affordability options would it offer?
 - What duration should it be enforced?
 - Are there other incentive that should be considered with the program?
 - How would the Council like to address projects that can't finance the requirement?

- NOAH Preservation Program Discussion

- Does the City Council wish to move forward with a NOAH Preservation program?
- If so:
 - What considerations of concerns are there about the draft program?
 - What should the initial goals of the program be in terms of percentage of units to include?



34