



The Alliance

ADVANCING REGIONAL EQUITY

September 17th, 2019

TO: Namon Freeman, Rick Jacobus, Stephanie Reyes at Grounded Solutions Network

CC: Minneapolis City Council Members, David Frank, Andrea Brennan

The Alliance is a coalition of 32 organizations whose mission is to advance racial, economic and environmental justice in the way growth and development occurs in the Twin Cities region. As an organization, we have played an advocacy role in moving local governments towards a mandatory inclusionary zoning policy since 1998. And 20 years later, we are very excited to see the Minneapolis City Council approach this important milestone as we believe it is crucial to creating an equitable housing system in which all residents can afford to thrive in the neighborhood of their choice.

In July 2019, we attended the focus groups hosted by GSN to discuss compliance alternatives in the upcoming IZ policy. Overall, we are not opposed to alternative compliance because we recognize the flexibility that is needed to address the wide range of factors that influence the development and finance process. Our primary goals and concerns in shaping alternative compliance policies are:

- **For all cases, we believe the majority of the required units should be provided within the subject property.** Only the most extreme cases of infeasibility should allow for a greater proportion of required units being built off-site. We would be open to discussing how modeling the requirement on Chicago's program (with at least 25% of the units still placed on site) might work in a Minneapolis context.
- **Neighborhood proximity.** If units can not be placed on the main property, priority ought to be given to exploring locational equivalence - such as land swapping or because the developer owns other parcels - with the developer agreeing to place the affordable units within reasonable proximity of the market rate apartments or condos. In these cases, city staff should negotiate strategies to capture the affordable units through purchase by the city or a nonprofit partner in order to preserve the long-term affordability of the property.

- **In-lieu fees or land** (valued by an independent appraiser and accounting for pre-development considerations such as soil conditions, environmental contamination and regulatory hurdles) **are the best candidates for alternative compliance.** We believe in-lieu fees should be dedicated to the City's Affordable Housing Trust Fund and used to fund the development of deeply and permanently affordable housing and other community-led initiatives, such as limited equity cooperatives and community land trusts. Furthermore, we believe any land acquired by the City should be used towards permanent affordability, whether through non-profit ownership or other models.
- **The in-lieu fee must be used to create at least an equivalent number of units** as would have been required in the originating project.
- If excess TIF revenue is raised beyond what is needed to make a project feasible, this **excess TIF amount should be dedicated to the creation of deeply and permanently affordable housing**

Beyond the comments above regarding alternative compliance, The Alliance also has the following comments regarding the inclusionary policy itself:

- **Given that the City's 2040 Comprehensive Plan will primarily open the doors to additional 3-10 unit developments, a corresponding inclusionary zoning policy should be created to leverage those new developments.** This could be in the form of voucher set-asides, such as mandating that one of three triplex units are reserved for a Section 8 Voucher holder, or other mechanisms. Another strategy would be to assist renter households of color to become duplex or triplex owner occupants, utilizing the individual lots of which the city and other governmental authorities have site control. We believe the City should be innovative in order to harness the enormous potential that is coming out of an equally innovative comp plan update.
- We hope that Grounded Solutions Network's strong history of working with other cities will **inform the creation of an inclusionary zoning policy that closes all the potential loopholes.** We have already seen evidence of how current loopholes have been exploited by developers in order to avoid compliance with IZ policies, such as minimum square foot requirements or front-loading permits and applications prior to an ordinance implementation date.
- We feel very strongly that **the City's inclusionary zoning policy does not go far enough in providing housing that is truly affordable to Minneapolis residents.** As of April 2019, HUD defined area median income (AMI) for the Minneapolis-Saint Paul-Bloomington MSA as \$100,000 for a household of four. Using the HUD standard, which the City currently follows in defining affordability, a housing unit affordable to a 60% AMI household would be affordable to a household of four earning \$60,000. This is a highly problematic approach due to the gap between regional AMI and the reality of Minneapolis' AMI. According to the U.S. Census Bureau, Minneapolis' area median income in 2017 was \$55,720, which is approximately equivalent to 60% of the MSA AMI. Therefore, if the City's inclusionary zoning policy aims to produce housing for 60% AMI households using HUD standards, it will, in actuality, be producing units that will serve Minneapolis residents earning 100% AMI (see table below for reference). This

does not even take into consideration income differences between neighborhoods, which we know can be incredibly large (take for example, Southwest Minneapolis and North Minneapolis).

Minneapolis-St. Paul-Bloomington MSA AMI ¹		City of Minneapolis AMI ²	
% AMI	AMI (\$)	AMI (\$)	% AMI
100%	\$100,000		
80%	\$75,500*	\$61,292	110%
60%	\$60,000	\$55,720	100%
50%	\$50,000	\$44,576	80%
30%	\$30,000	\$33,432	60%

*The 80% of Area Median Income limit is capped at the U.S. national median family income

¹https://www.huduser.gov/portal/datasets/il/il2019/2019summary.odn?states=%24states%24&data=2019&inputname=METRO33460M33460*Minneapolis-St.+Paul-Bloomington%2C+MN-WI+HUD+Metro+FMR+Area&stname=%24stname%24&statefp=99&year=2019&selection_type=hmfa

²<https://www.census.gov/quickfacts/fact/table/minneapoliscityminnesota/INC110217#INC110217>

We believe that in order to alleviate the housing affordability crisis in Minneapolis, housing should be produced from the bottom up, serving those who are most in need before providing for those who earn 100% AMI. More importantly, **our public dollars, should they be used to subsidize private developers in fulfilling their inclusionary zoning requirements, should not be going towards serving median income households.** We hope the City agrees and will follow through on its commitment to invest in affordable housing by serving those who are struggling the most to find housing stability.

We look forward to discussing the details of alternative compliance, as well as other policy details, in the future. We appreciate this opportunity to provide feedback, and hope to meet again when GSN returns in October to further discuss other specifics, such as but not limited to: minimum project size, unit requirement, AMI requirements, terms of compliance, excess TIF usage.

Thank you,

The Alliance for Metropolitan Stability