New or Expanded Tools for Development and Preservation of Affordable Housing in Minneapolis

buildingMPLS2gether

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Thank you for the opportunity to provide feedback on the city's proposed IZ framework.

We continue to express concern that the current Inclusionary Zoning framework will have negative effects on our city's housing affordability. An Inclusionary Zoning mandate will add significant cost & barriers to new housing supply which will make housing in our market less affordable. Restricting new supply increases landlord leverage over tenants, causes rent growth to increase, and induces more need for income restricted housing. This reality, coupled with significant evidence from other municipalities that Inclusionary Zoning is not an effective way to increase a city's supply of income-restricted housing units, is why we continue to urge the city to proceed with caution on the current IZ policy framework.

It is an additional concern that this policy will directly cause an acceleration of the loss of our city's NOAH & Workforce housing supply. By artificially lowering the 'yield' on new developments and restricting new supply, the policy will inversely function to increase investor 'yield' for buying and renovating existing housing. A decrease in new market rate housing supply will only increase investor leverage to increase rents after completing NOAH 'value-add' conversion projects.

We agree that our city needs more income-restricted housing units. But we continue to urge the city to explore policy solutions that don't make the housing market less affordable and create more need for income restricted units.

We believe there are a few very effective tools that the city could consider which would aid in improving both housing affordability and increasing the city's supply of income restricted housing. Those tools include:

- Create the **Minneapolis Inclusionary Development Investment Fund** by pooling TIF generated through continued investment in market rate housing and resulting tax base expansion. This would create a new source of revenue for policy makers to use to invest in a range of affordability programs and projects. Authorizing legislation will be required.
  NOTE: Past examples of harnessing a growing tax base from private investment for targeted policy goals include the Neighborhood Revitalization Program and the Value Capture District for the Nicollet – Central Street Car project. Both programs required state approval.

- Support legislative authorization to enhance affordability by **reducing property tax costs** for income-restricted units in two ways:
  1. Enhance the existing and successful Low-Income Rental Classification (LIRC) program (which in turn will enhance the Minneapolis 4d Affordable Housing Incentive Program); and
  2. Explore adding as another tool the proposed Affordable Housing Tax Valuation Credit (Kelly Doran).

Understanding that the council is steadfast in their objective to enact Inclusionary Zoning legislation, we believe the following updates to the framework would help reduce the negative effects that the policy will have on market supply & affordability:

- Adopt a permanent **Inclusionary Zoning Ordinance** requiring 10% of units in privately financed projects be affordable at 60% AMI rents subject to these provisions. Projects that include the required income-restricted units are eligible to apply for the Revenue Loss Offset Assistance Program administered by CPED.
    - Alternative Compliance Options:
        - Development of new construction market rate and income-restricted buildings including the required number of units within the same PUD is permitted
        - Investment in a tax credit project pool targeting NOAH projects in the City of Minneapolis
        - Dedication of the same number of required IZ units, as 'income-restricted' in an existing owned building.