

Make Homes Happen IZ Statement

The members of Make Homes Happen appreciated the opportunity to discuss alternative compliance options for the permanent inclusionary zoning policy with city and Grounded Solutions staff. We found it to be a productive conversation. In summary, MHH is not opposed to alternative compliance because we value the flexibility that is needed to address the wide range of factors that affect development. Our primary goals and concerns for determining the rules around alternative compliance are as follows:

- For almost all cases, we believe there should be some portion of the required units provided within the subject property. Only the most extreme cases of infeasibility or inappropriateness should be exempted from this requirement. Determining what those cases are should be the subject of future discussion. Modeling the requirement on Chicago's program, which requires 25% on-site, seems reasonable.
- In lieu fees or land valued by an independent appraiser and accounting for all the particularities soil condition, environmental contamination, regulatory hurdles, and highest and best use as housing, seem to be the best candidates for alternative compliance. Replacement units in another project that is proximate in location and time may be acceptable, but seems to be most challenging to administer and fraught with complication.
- The in lieu fee or land value should be higher than the cost to create an affordable unit on-site, so as to incent the most production of units on-site in order to create locational equity for the affordable units.
- The in lieu fee must be used to create an equivalent number of units as would have been required in the originating project, and must not be units that would have otherwise been created.
- In light of the possibility of raising substantial additional funding for affordable housing through the use of excess TIF revenue from subject projects, and the possible loss of such revenue if units are not created in the subject property, the in lieu fee should address the loss of this additional funding.

Our coalition feels 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 metropolitan statistical area (MSA) as \$100,000 for a family of four. Using the HUD standard, which the City of Minneapolis follows in defining affordability, a housing unit affordable to a 60% AMI household would be affordable to a family of four earning \$60,000. However, 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 area median income. Therefore, if the City's inclusionary zoning policy aims to construct housing for 60% AMI households using HUD standards (which it does), it will, in actuality, be producing units that will serve Minneapolis residents earning 100% AMI. More importantly, our public dollars, **should they be used to subsidize private developers in the context of fulfilling their inclusionary zoning requirements**, should not be going towards 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 truly experiencing housing crises.

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 welcome the opportunity to discuss the details of alternative compliance further, as well as, and more importantly, the exact language and requirements of the permanent inclusionary zoning policy itself. There are myriad details that must be addressed in this policy, of which alternative compliance is only one and which is greatly impacted by the basic requirements of the policy. It is our hope that we can meet with city and Grounded Solutions staff again in the near future to discuss such matters as minimum project size, the unit requirement, AMI requirements, term of compliance, our TIF proposal, and many more.