

CITY OF MINNEAPOLIS

Housing Advisory Committee

Housing Development 101

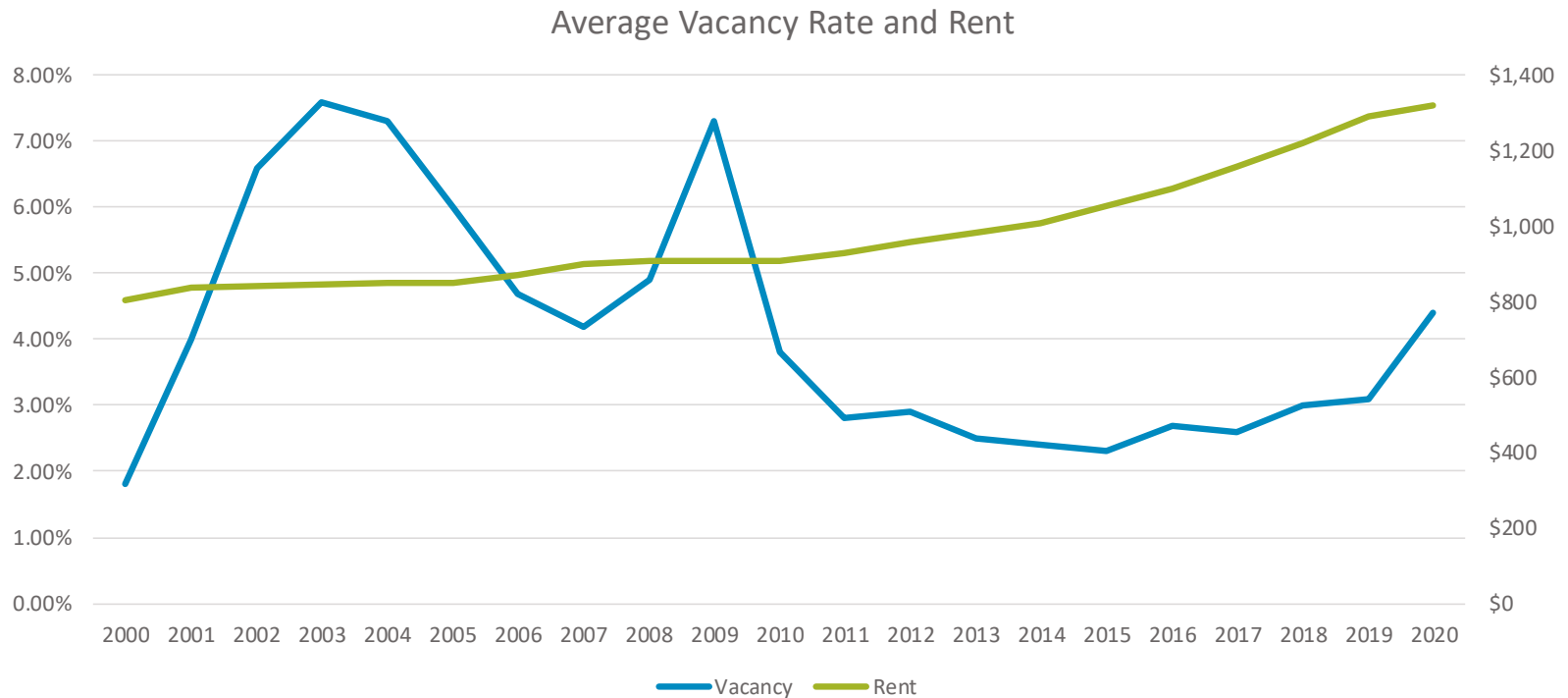
What do we mean by “affordable housing?”

- Costs no more than 30% of household income
- Decent and safe
- Well located
- Proper size for the family
- Community Asset

minneapolis | 2040

In 2040, all Minneapolis residents will be able to afford and access quality housing throughout the city.

Economics 101: Supply and Demand v1



Working Doesn't Always Pay for a Home

Single Family Home
(\$325,000)
79% of income to housing



\$81,700 Income
(\$39/hour)

2-Bedroom Apartment
(\$1,400 per month)
54% of income to rent

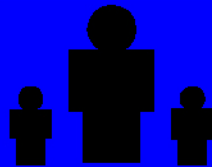


\$56,000 Income
(\$27/hour)

Affordable Amount
(\$780 per month)

\$31,200 Income
(\$15/hour)

Full-Time Worker



160%
Wage
Increase



Outcomes for tenants

- Pay too much
- Frequent mobility
- Substandard housing
- Overcrowding violations
- Homelessness



Core Housing Values

Advance Racial Equity

Eliminate racial disparities

Expand Opportunity

Disrupt historical geographic patterns of racial segregation and wealth extraction, disinvestment in Black, Indigenous and people of color (BIPOC) communities, and limited fair housing choice and opportunity

Prevent Displacement

Prevent the involuntary displacement of Minneapolis residents, especially low-income, BIPOC, seniors and people with disabilities

Prioritize Resources

Invest in households facing the most severe housing instability

Develop Sustainably

Promote energy-efficient and healthy homes toward our goal of resiliency

Strategies

1. Increase housing supply, diversity and affordability in all neighborhoods
2. Produce more affordable rental housing and preserve subsidized affordable rental housing, for 30 years or more
3. Preserve unsubsidized naturally occurring affordable housing (NOAH)
4. Improve and sustain access to homeownership, especially among low-income and Black, Indigenous, People of Color (BIPOC) residents
5. Support renters
6. Prevent and end homelessness
7. Maximize potential of publicly-owned land to meet City housing goals

MINNEAPOLIS AFFORDABLE HOUSING CONTINUUM



| INCOME | LESS THAN 30% AMI \$30,000 AND BELOW | 31% - 50% AMI \$30,001 - \$50,000 | 51% - 60% AMI \$50,001 - \$60,000 | 61% - 80% AMI \$60,001 - \$80,000 | 81% - 115% AMI \$80,001 - \$115,000 |
|--|--|--|--|---|---|
| CITY HOUSING STRATEGIES | Increase housing supply, diversity and affordability in all neighborhoods | | | | |
| | Produce more housing and preserve existing affordable housing with subsidies and long-term affordability requirements | | | | |
| | | | Preserve naturally occurring affordable housing (NOAH) | | |
| | Improve and sustain access to homeownership, especially among low-income BIPOC residents | | | | |
| | Support renters | | | | |
| | Prevent and end homelessness | | | | |
| Maximize potential of publicly-owned land to meet City housing goals | | | | | |
| * POPULATION | 34,074 total households | 21,688 total households | 10,801 households | 15,645 households | 31,558 households |
| HOUSING COST-BURDEN | 84% of households (28,773) are cost burdened | 76% of households (16,450) are cost burdened | 50% of households (5,410) are cost burdened | 30% of households (4,675) are cost burdened | 16% of households (5,039) are cost burdened |
| PROGRAMS POLICIES | Minneapolis 2040 | | | | |
| | Inclusionary Zoning | | | | |
| | Affordable Housing Trust Fund (AHTF) | | | | |
| | Low Income Housing tax credit | | | | |
| | Tax Increment Financing | | | | |
| | NOAH Preservation Fund | | | | |
| | Small Medium Multifamily Pilot | | | | |
| | 4d Affordable Housing Incentive Program | | | | |
| | Advance Notice of Sale and Post-sale tenant protections | | | | |
| | Minneapolis Homes: Down Payment Assistance | | | | |
| | Minneapolis Homes: Real Estate Development | | | | |
| | Minneapolis Homes: Owner Occupied Rehab | | | | |
| | Legal Services for renters | | | | |
| | Emergency Stabilization Pilot Program | | | | |
| | Renter Protection Policies and HOME Line Informational and Referral Services | | | | |
| Street outreach (ESG) | | | | | |
| Shelter rehabilitation (ESG) | | | | | |
| Stable Homes Stable Schools | | | | | |
| Intentional Community Cluster Developments | | | | | |
| Higher Density Corridor Housing Initiative | | | | | |
| Minneapolis Homes: BUILD/REHAB | | | | | |
| PARTNERS | Minnesota Housing Hennepin County U.S. Dept. of Housing & Urban Development Metropolitan Council Minneapolis Public Housing Authority MN Dept. of Employment & Economic Development Legal Aid/Volunteer Lawyers Network HOME Line Minneapolis Public Schools Local Initiatives Support Corporation (LISC) Twin Cities Land Bank Twin Cities Family Housing Fund Housing Developers Shelter and Street Outreach Providers | | | | |

* Total households in Minneapolis: 172,077 (35% of all households are cost-burdened)



The Louis Apartments
(Aeon)

70 units

1, 2, and 3 BR

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30%, 50%, 60% AMI rents

\$19 million TDC

--

\$270,000/unit

“The Louis”*

*Approximation; dramatic oversimplification

Total Development Cost per unit
(land, construction, fees, financing costs)

\$270,000

Rent
Required

\$1,300

Tenant Income
Required

\$52,000

Total Operating Costs per unit, per month
(maintenance, taxes, reserves)

\$700

Rent
Required

\$2,000

Tenant Income
Required

\$80,000



“The Louis”*

*Approximation; dramatic oversimplification

| | |
|----------------------------|------------------|
| First Mortgage | \$4,100,000 |
| Federal (tax credits) | \$10,500,000 |
| City Investment (AHTF) | \$1,100,000 |
| State Investment | \$600,000 |
| Other Public Investment | \$1,900,000 |
| Misc Rebates/Contributions | <u>\$800,000</u> |
| TDC | \$19,000,000 |

New Rent: \$1,000 (2BR) \$800 (1BR)

Tenant Income Required: \$32,000

Impact of Rents on Financing Gap

- 30% AMI hard to achieve without rent subsidy
 - Lost revenue from rents insufficient to cover even expenses

| Case study: 66 unit project, \$18 million TDC | | | | | | | |
|---|----------|----------------------------|----------|-----------------------------|----------|--|--|
| 60% Rents | | 50% Rents | | 30-50% Rents | | | |
| \$18,291,786 | TDC | \$18,291,786 | TDC | \$18,291,786 | TDC | | |
| <u>\$10,267,000</u> | Mortgage | <u>\$8,365,000</u> | Mortgage | <u>\$6,407,000</u> | Mortgage | | |
| \$8,024,786 | | \$9,926,786 | | \$11,884,786 | | | |
| <u>\$5,000,000</u> | Credits | <u>\$5,000,000</u> | Credits | <u>\$5,000,000</u> | Credits | | |
| \$3,024,786 | GAP | \$4,926,786 | GAP | \$6,884,786 | GAP | | |
| \$45,830/unit (16.5% of TDC) | | \$74,650/unit (27% of TDC) | | \$104,300/unit (38% of TDC) | | | |

- The City can't do this alone
 - One part of the capital stack. It takes many partners to bring projects to reality.

Rental production 2018-2020

