

# Affordable Housing Making it a Reality

A Report Of The Second  
Mayors' Regional Housing Task Force  
October 2002



October 23, 2002

Dear Chairman Mondale and Metropolitan Council Members:

It is our sincere pleasure to transmit to you this report on affordable housing on behalf of the second Mayors Regional Housing Task Force.

We think this report is unusual. First, it does not represent the culmination of the task force's work, but the launching of an intensive period in which task force members will engage others in discussing this report and enlist their support in implementing it.

Second, some problems are so big that they can feel overwhelming. In these instances, the tendency is to focus on barriers to achieving results. Instead, this report focuses on opportunities. Throughout the report you will find examples of best practices being developed throughout the region to provide affordable housing. Our review of these efforts has led us to conclude that we possess the knowledge and capacity to make affordable housing a reality for our region. What we must apply is our determination to make it so, to bring these best practices to scale.

Third, big challenges are rarely solved without the efforts of solid partnerships. This report contains recommendations that call on others, such as nonprofits and our state and federal governments. But the mayors felt that above all, it is important not just to identify what others can do, but for cities to take a leadership role. Therefore we have dedicated an entire section of the report to "what cities can do."

We wish to thank you for this opportunity to serve our region. The mayors of the task force are heavily invested in bringing about a future in which a quality home is available in every community for people of all incomes and at all stages of life. We hope their commitment shines through in this report.

Sincerely,



Peter Enck  
Co-Chair



Joy Tierney  
Co-Chair

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## Executive Summary

In November of 2000, the Mayors' Regional Housing Task Force issued a call to action. They urged the development of housing throughout the region that would be available to people of all income levels and at all stages of life. These mayors “walked their talk,” by following their report with rigorous action. As a result, their work became a nationally recognized model of regional cooperation for affordable housing.

Building on the success and determination of the first task force, a second task force was convened. Despite extraordinary levels of funding and cooperation, more — much more — affordable housing is needed. A 2001 report, commissioned by the Family Housing Fund, estimates that more than 25,000 new affordable rental units and 7,000 affordable ownership homes are needed in five years to house our region's workers earning between \$15,000 and \$50,000 a year. Meanwhile, the median sales price of housing in the Twin Cities Metropolitan region is \$190,000 — a 31 percent increase in a little over two years. Vacancy rates for rental housing have eased somewhat, and with them, annual percentage increases in rents. Nevertheless, average metro area rents which were \$805 per month in 2000 are expected to climb to \$875 by the end of this year.

The first task force concentrated on understanding the need for housing and why we have a shortage of affordable housing. Building on their work, the second task force turned their attention to identifying how we in the region can meet our housing needs. The mayors recognized that our enormous housing need will not be met unless we fulfill certain objectives: we must smartly leverage private resources, carefully focus public investments, engage and educate policy makers as well as the public, and continue to build effective partnerships. They saw four avenues to satisfying these objectives:

1. **Construction practices:** are there emerging construction practices or technologies that can reduce the cost of housing?

2. ***Sustainability***: how can we ensure that housing stays affordable over the long run?
3. ***Funding***: given tough fiscal environments, what funding sources might be available to make the necessary investments in housing?
4. ***Cities' roles***: what can cities do?

Through active investigation of these questions, the mayors came to an encouraging conclusion: ***There is a host of promising, yet infant, best practices emerging across the housing industry, from construction management to financing tools to zoning practices. We possess the knowledge and capacity to make affordable housing a reality for our region. What we must apply is our determination to make it so.***

Armed with this information, the mayors have developed a series of recommendations aimed at helping these best practices take root.

1. **Support efforts to move promising new construction techniques and processes into the region's construction capacities more quickly. Strongly encourage city officials to become familiar with new construction practices, in part by attending regional workshops that are being held for this purpose, and to consider how their cities' procedures might be adapted to facilitate the use of new construction practices.** New effective building designs, construction processes and products are available to help bring down the cost of housing, so that ownership housing could be produced in the marketplace in the \$140,000 to \$160,000 range. Lot size, zoning and building codes have a role in achieving lower cost housing. City officials need to become aware of these practices and learn how they can be implemented.
2. **Establish incentives for housing that demonstrate new construction techniques by streamlining approval processes. This can be accomplished by: 1) developing model ordinances for streamlined approval processes, or 2) establishing a statewide master uniform approval process for building codes.**

One powerful incentive for the introduction of new construction practices is streamlined local approval processes that accept new practices. Cities such as Chaska have demonstrated that one of the most important contributions local governments can make is to understand new products and enable them to be utilized in their communities. A master approval process would streamline the acceptance of new construction products and techniques.

3. **Request the building trades, builders' association and Center for Urban and Regional Affairs (CURA) to identify what types of incentives might prove effective to spur new construction techniques.** A number of organizations are investigating new best practices, and it will be important to hear from them what type of incentives would help move these practices quickly into widespread use.
4. **Encourage cities to become more knowledgeable about land trusts and other mechanisms for preserving affordability of ownership housing. Support the efforts of those hosting workshops for community development officials on these topics.** Land trust and other mechanisms are emerging as a way to ensure that public investments in housing help keep housing affordable over the long-run.
5. **Request the housing industry to work collaboratively to design a metro area second mortgage program.** Second mortgages are a cost-effective way to get people into housing they can afford, because it does not depend on the physical stock of housing and because funds that are invested can be recycled.
6. **Work to preserve existing affordable housing by 1) working with the Association of Metropolitan Municipalities (AMM) and others to provide technical assistance to cities; 2) sharing information about best practices; and 3) supporting the recommendations of the Millennial Housing Commission which facilitate preservation.** Preserving existing affordable housing is far more cost-effective than building new. A variety of programs and

techniques exist to preserve both rental and ownership affordable housing. These efforts can be supported by sharing information and putting in place federal mechanisms to facilitate the preservation of affordable housing.

- 7. Create local options for funding for affordable housing: 1) allow counties the option to increase the mortgage registry and/or deed transfer tax by up to two percent for affordable housing; 2) increase the levy limits of city and county housing and redevelopment authorities (HRA).** The mortgage registry and deed taxes are currently collected by the counties, but 97 percent of the proceeds are passed on to the state. The increased proceeds would also remain with the counties solely for the purpose of improving local capacity for producing affordable housing. Increasing HRA levy limits would provide local communities another option for funding affordable housing.
- 8. Request that the legislature review the effectiveness of the allocations of private activity bonds.** Each state has a capped amount of tax-exempt private activity bonds it may issue each year. Only bonds used for multifamily housing have automatic tax credits attached to them. However, all of the purposes for which the bonds are used are worthwhile, so it is appropriate for the state legislature to review how these bonds can be allocated most effectively.
- 9. Request that the State of Minnesota maintains its existing funding levels for affordable housing.** Although the state is facing a budget shortfall, now is not the time to back away from funding housing.
- 10. Request that the State of Minnesota bond \$20 million per year for the next five years to support affordable housing.** Yes, this is a lot of money, but it is appropriate to use bond funds for housing because we are investing in the region's capital stock for many decades to come. This capital stock is vital to our economy. The use of state bond funds would come with a "hook" — public

agencies would need to retain ownership over the housing or land in order to meet provisions of the state constitution. But given the public interest at stake, we find this to be a reasonable trade-off.

- 11. Request the federal government to increase the amount of funding for Section 8 rental assistance.** In the metro area, requests for rental assistance totaled about 25,000 as of July 2002.<sup>1</sup> The wait for rental assistance vouchers is one to three years and most of the housing authorities have closed their lists. This simply is not an acceptable situation.
- 12. Support the recommendations of the Millennial Housing Commission that advocate for federal funding for the production of new affordable units.** The federal government has basically gone out of the business of directly funding the construction of new affordable housing units, opting for rental assistance instead. The grave need for affordable housing around the country suggests that this is a time for all units of government to invest in housing, and the federal government should be no exception.
- 13. Support the Metropolitan Council's efforts to invest in cities and housing across the region by: 1) endorsing the Blueprint 2030 goals and principles; 2) broadening and expanding the avenues to generate funding for the Livable Communities program; and 3) supporting the Metropolitan Council's request for \$10 million of bonding for public infrastructure associated with Livable Communities developments.** The mayors recognize that the health of their individual cities is integrally linked to the health of the region. The Metropolitan Council has established a solid track record of working cooperatively with cities through partnerships and incentives-based approaches to bring about positive changes for the region.
- 14. Regular information exchange and problem-solving workshops should be held for cities, perhaps through the auspices of the League of Minnesota Cities or the AMM.** Cities have ventured

<sup>1</sup> This number does not represent an unduplicated count — that is, the same person could register on more than one list. The number of duplicate requests is not tracked.

out in many ways, both traditional and cutting-edge, to produce affordable housing in their cities. These practices should be shared so that other cities don't confront the time-consuming task of inventing new programs and tools when existing programs and tools can meet their needs.

**15. All cities should review their land use and zoning policies and development approval processes to ensure they enable, not impede, the development of affordable housing. Cities should consider adopting some of the model zoning ordinances that have been prepared around the region. Some may wish to adopt inclusionary housing practices, and the authority to do so should be clarified by the state legislature.** Case studies and best practices show that some of the biggest fears about land use, such as the unmarketability of small lot sizes or homes with limited parking, are proving untrue. Every city should be producing affordable housing, so every city should ensure its regulatory powers are aligned to do so.

**16. Commit to producing affordable housing.** Affordable housing is not produced on its own. Case studies and best practices demonstrate that affordable housing happens where there is the determination to make it happen. The commitment and drive to make affordable housing a reality must come from the elected leaders of the community.

The mayors plan to put these recommendations into action by consulting a broad range of people and organizations in an effort to publicize what is possible, and most important, to enlist support for their recommendations before the state legislature. The task force welcomes those who would like to endorse the report and its recommendations. If you would like to do so, please let us know by contacting the Metropolitan Council Data Center at 651-602-1140 or [Data.center@metc.state.mn.us](mailto:Data.center@metc.state.mn.us)

# I. Introduction

## The First Mayors' Task Force

In November of 2000, the Mayors' Regional Housing Task Force issued a call to action. They urged the development of housing throughout the region that would be available to people of all income levels and at all stages of life:

*As mayors of a diverse set of metropolitan area communities, we recognize that all communities need quality housing for people at all income levels and ages. In order for the Twin Cities metropolitan region to grow economically, more affordable housing is needed to complement the growing job opportunities in all parts of the region. Businesses need access to workers, and workers need housing they can afford. A varied price range of quality housing is an asset to our communities: it reinforces families by creating stable environments in which children can learn and feel secure, promotes attachment to community by providing housing for all stages of life, and lends richness to community life through variety and balance. Too many people, including our young adult children and senior citizens, cannot afford to live in their home towns, nor can many workers afford to live near their jobs.*

*The availability of quality housing and dignified living conditions for people at all stages of life and income levels is imperative to our region's continued success. Therefore, we will work to increase housing choice in all communities. We will do so in a manner that enhances the livability of all communities and neighborhoods. We will create partnerships and explore opportunities that create housing choice without relying solely on public resources. We call upon the broader community, including the financial community, developers, businesses, all levels of government and nonprofits, to assist us in our effort to build a high quality of life and economic prosperity in the Twin Cities region.*

These mayors “walked their talk,” by following their report with rigorous action. For example,

- Rezoning legislation was approved. Rezoning land to a high-density residential use formerly required a city council super majority. This was reduced to a simple majority.
- The property tax class rate for rental properties was reduced to that of homesteaded properties.
- With the help of local mayors, an effort was made to educate and enlist the participation of more metro area rental property owners about the Section 8 existing housing program in hopes of increasing funding utilization. The Metro HRA, for example, has increased its funding utilization from 78 percent to 100 percent.
- Task force members showed tremendous leadership by aggressively supporting their city’s participation in the Metropolitan Council’s Family Affordable Housing Program.

Their work became a nationally recognized model of regional cooperation for affordable housing. In many ways, it illustrates the strength of our regional efforts — efforts that other areas of the country have been unable to match. For example, tax credit allocations (to help produce low-income rental housing) since 1986 have been proportioned roughly two-thirds to the suburbs — an allocation rare elsewhere in the country. The Minnesota Housing Finance Agency (MHFA) collaborates with the Metropolitan Council and the Family Housing Fund on their housing grant funding process — the only such collaboration in the country. Over 30 suburban municipalities throughout the region are actively participating in the development of over 450 public housing units funded under the Hollman Consent Decree.

### **The Need for Affordable Housing Is as Great as Ever**

And yet, there is so much more work to do. Despite extraordinary levels of funding and cooperation, more — much more — affordable housing is needed.

When the first task force issued its report, the median sales price of housing in the Twin Cities Metropolitan region was \$145,000.<sup>2</sup> Today, it is \$190,000 — a 31 percent increase in a little over two years. Vacancy rates for rental housing have eased somewhat, and with them, annual percentage increases in rents. Nevertheless, average metro area rents which were \$805 per month in 2000 are expected to climb to \$875 by the end of this year.

Production of affordable housing is on the rise, but a 2001 report commissioned by the Family Housing Fund estimates that more than 25,000 new affordable rental units and 7,000 affordable ownership homes are needed in five years to house our workforce. Workforce households earn between \$15,000 and \$50,000 a year, which means they can afford rents of \$375 to \$1250 a month or a house less than \$125,000.<sup>3</sup> The 2000 census found that nearly one in three rental units in Minnesota was too costly for the people living in them.<sup>4</sup>

What does it mean for housing to be “affordable”? There are many different perceptions about affordable housing. When the mayors speak of affordable housing, they mean quality housing that provides dignified living conditions and fits well into its neighborhood. Many people are surprised to learn that affordable may mean precisely the value of housing that already exists in their own communities. A working definition of affordable housing is housing that consumes no more than 30 percent of household income. This implies that a broad range of affordable housing is needed.

### **The Second Mayors' Task Force: Agenda and Goals**

**B**uilding on the success and determination of the first task force, a second task force was convened. While the first task force concentrated on understanding the need for housing and why we have a shortage of affordable housing, the second task force turned its attention to identifying how we in the region can meet our housing needs. The mayors recognized that our need for affordable housing will not be met unless we fulfill certain objectives: we must smartly leverage private resources, carefully focus public investments, engage and educate policy makers as

<sup>2</sup> Housing prices in May of 2000.

<sup>3</sup> Workforce Housing: The Key to Ongoing Regional Prosperity, September 2001, Commissioned by Family Housing Fund.

<sup>4</sup> Affordability was conservatively defined as rents at less than 35 percent of income; reported in the Minneapolis Star and Tribune, June 3, 2002.

well as the public, and continue to build effective partnerships. They saw four avenues to satisfying these objectives:

1. **Construction practices:** are there emerging construction practices or technologies that can reduce the cost of housing?
2. **Sustainability:** how can we ensure that housing stays affordable over the long run?
3. **Funding:** given tough fiscal environments, what funding sources might be available to make the necessary investments in housing?
4. **Cities' roles:** what can cities do?

With these issues in mind, the mayors supplemented the resolve of the first task force as follows: *The aim of the Mayors' Regional Housing Task Force is to ensure that quality housing in our region will be available to people of all income levels and stages of life. To do this, housing must be a public priority. A stable reliable funding source is needed and these funds must be spent in a manner that produces maximum benefit from every dollar. Among other things, this involves reducing costs and ensuring that subsidies result in housing that stays affordable.*

Through active investigation of the four areas, the mayors came to an encouraging conclusion:

***There is a host of promising, yet infant, best practices emerging across the housing industry, from construction management to financing tools to zoning practices. We possess the knowledge and capacity to make affordable housing a reality for our region. What we must apply is our determination to make it so.***

## **About This Report**

Challenges are often analyzed in terms of identifying *barriers* to desired outcomes. The task force, as demonstrated through this report, took a decidedly different approach — the mayors chose to focus instead on *opportunities*. New methods to reduce construction costs (reported in Section II) represent opportunities for reducing the cost of housing and the amount of public subsidies. New means for improving sustainability (Section III) offer opportunities for long-term affordability and more cost-effective use of public dollars. The case studies and best practices suggest opportunities for bringing the region's affordable housing efforts to scale. Having the necessary financial resources is a big part of bringing efforts to scale, so the mayors directly address funding in Section IV.

Funding, without the active participation and engagement of cities, nonprofits, the builders' industry and state and federal governments will not take us very far. Leadership is needed. The mayors felt that above all, it is important not just to talk about what others can do, but to become active participants themselves in bringing about more affordable housing for the region. As you will see in Section V, What Cities Can Do, the task force has already taken a number of actions that demonstrate how cities can actively support affordable housing. The section also draws on best practices from the mayors' cities to illustrate how cities can be effective partners in developing affordable housing.

Reports have curious habits of sitting on shelves. But the mayors determined from the outset that this report would not be the culmination of their work, but the inauguration. Section VI outlines the task force's intent to present their recommendations to a wide number of organizations over the next months, to engage others in discussion about how we can work together to make affordable housing a reality for our region. They will also prepare a legislative agenda and enlist others to support them in their work before the state legislature.

## II. The Cost of Constructing Affordable Housing

The tremendous need for affordable housing imposes an equally tremendous funding burden. A study by the Family Housing Fund, for example, estimated that \$1.5 billion of gap financing would be needed just to fill the demand for workforce housing needed over the next five years. This suggested to the mayors that we must look for means beyond public investments if there is to be enough housing. They asked whether there are new construction technologies or processes that can reduce the cost of housing construction, offering the potential to:

- 1) reduce the amount of subsidy required to produce housing; or
- 2) make it possible at higher ends of affordability to produce housing that doesn't need a subsidy.

The mayors found answers to their questions by conducting three case studies — actually visiting and meeting with people involved with new projects and processes. From the three case studies of housing developments in Chaska and St. Peter and a process development project by the Greater Metropolitan Housing Corporation (GMHC) in Minneapolis, the mayors learned that there are a number of cutting-edge technologies and best practices that are just beginning to be demonstrated and/or tried in the marketplace. These technologies and practices are not widely utilized however, for a variety of reasons, and this lack of commercialization keeps them from reaching their top potential for cost savings.

A summary of the cases is provided here, to give a brief overview of findings. The case studies are included in full in Appendix A. Each concretely demonstrates various means of producing more affordable housing by reducing construction costs, and the excellent results. The many elements discussed can serve as useful groundwork for agencies wishing to design, improve, or approve their own cost-savings programs.

## Summary of Case Studies

### *The time to take action had come*

In all of the projects studied, driving down the cost of construction was so imperative a need that the time had come to take action. But different situations brought each to the table, ready to do whatever it took to improve the availability of affordable housing in their communities.

Tornado devastation greatly magnified an entry-level housing shortage in the City of St. Peter — and low margins were keeping the private sector from acting on the problem. The Greater Metropolitan Housing Corporation saw the need for a proven way to integrate new cost-reducing technologies with best practices in labor if it was to continue carrying out its mission of preserving, improving, and increasing affordable housing. And in Chaska, where population growth is extremely rapid, living up to the City's vision of being the “Best Small Town in Minnesota” required quickly creating housing that's affordable to young families.

The questions before project leaders and city officials changed from “Should we?”, “Could we?” and “Is this the right time?” to “How are we going to get it done?” Each agency emerged as an example of how any area or group with the need for affordable housing strategies can streamline approval processes and old techniques as well as overcome negative stereotypes about new products and processes to quickly and effectively produce quality affordable homes.



### ***Chaska Clover Field Homes.***

*While there are a variety of lot sizes and types of houses, the attached homes start at \$140,000 and the detached homes start at \$170,000.*

### ***High-quality products that cost less***

Chaska's planners created a neo-traditional “village” neighborhood featuring a combination of retail and housing developments — including 1,116 ownership or rental units — with a charming, old-fashioned look. While there are a variety of lot sizes and types of houses, the attached homes start at \$140,000 and the detached homes start at \$170,000. Homes use modular technology, which allows the home structures to be built in just a matter of days. They have front porches, attached garages, and privacy. Typical single-family homes are

1,600-1,900 square feet, not including the two-car garage, and have three bedrooms and two baths. The idea behind this development was to promote community, and it's working.

The City of St. Peter is now developing and selling two phases of a subdivision called Nicollet Meadows, which includes 76 single-family lots as well as two townhouse developments. The ten model (spec) homes that have already been built have sold for between \$108,300 and \$116,000. They come with at least two finished bedrooms, one full bath, and an approximately 24 x 24 attached garage. There are a number of beautiful features included with the homes (see the full case studies in Appendix A), but perhaps the most interesting is a \$1500 landscape allowance. Those who once worried that the development would appear "slummish" are now eating their words, especially as market values are being set around \$130,000.

GMHC is taking a different approach, creating a model for physical construction that integrates best practices (products, processes, etc.) with the newest technologies for reducing cost. The idea is to use automobile technology, where a number of standardized parts can be used in a variety of housing products. This "Integrated Building System", now being modified through a first "experimental" house, might eventually be used by public and private developers to build an mixed income neighborhood. All the nuances of this innovative project, and the house it's producing, are discussed in Appendix A.

***When it came to process, the motto was "think outside the box"***

Once the missions were solid, "common sense" took over, which sometimes meant having to break from past processes to meet goals. In each case, the city or agency mentioned that reducing costs meant thinking carefully about what needs had to be met, instead of limiting project creation to the requirements outlined in zoning ordinances and city approval processes.

In St. Peter, the City decided to act as a developer despite realtors' skepticism about the City's role. Also, in order to keep costs down and to act quickly in a time of crisis, the City Council made a number of decisions that were later ratified by the Planning Commission —

a process exactly the opposite of what is typical. The City Council wasn't bogged down in the ordinances, but was more interested in how best to serve residents' housing needs. Once council members reviewed "Building Better Neighborhoods" design concepts by the Greater Minnesota Housing Fund, they approved a number of ideas that were not previously allowed for in policy such as narrower lots, narrower streets, and unfinished space. The City even assisted with financing by issuing bonds to construct the infrastructure and used tax-increment financing to provide rebates on lot costs.

GMHC faced more of a hassle in the approval process, but was able to gather its team of architects and engineers to support its arguments for using new practices — whether panelization, insulation, or structural ideas - with regulations. State certification for the new techniques would help a great deal. GMHC speculates that its entire project may have been thwarted if its team had not spent time with officials to review and explain the process and work with them to understand the bases of the new system.

Planners in Chaska determined that it would have to provide the best to be the best, and toured new neighborhoods throughout the United States and Canada to learn what that was before the City could get bogged down in what ordinances required. The visits informed them about cost-saving design techniques that don't sacrifice quality and actually make for better communities. They also learned about what affects sales rates and affordability, both short- and long-term. The very intriguing list of lessons learned during the visits is included in Appendix A with the full case studies.

### *Other thoughts on "what worked"*

Partnerships were key in making the projects successful, particularly in securing financing and learning about the best designs. The Greater Minnesota Housing Fund provided plans and expertise about construction methods (in the form of design professionals and architects) for the model homes in St. Peter, as well as \$630,000 at zero percent financing to build them. GMHC's partnerships with architects and engineers helped navigate the approval process. Chaska's visits

with developers and cities who were willing to share information enabled it to combine the best designs from all over the nation into its projects.

Agencies are also working to keep their projects sustainable. Chaska is forming the Chaska Community Land Trust (CLT), a nonprofit organization with a mission to create and permanently preserve affordable housing opportunities. While the CLT will not be a municipal corporation, it will be initially endowed by the City of Chaska and other partners.

### Case Studies – Lessons Learned

- **There is a market demand for smaller houses, small lot sizes, and neighborhoods with narrower streets.** Cities often grapple with the decision of whether or not to support developments with homes that have characteristics not traditionally found in their communities, such as less square footage or narrow streets. These homes cost less to construct, making homes more affordable, but will people purchase them?

The case studies revealed that there is a high market demand for such homes — most are sold before construction begins. What's more — developers and buyers put a positive spin on what used to be considered “negative”. Smaller lots mean less lawn maintenance, and more time to dedicate to community building, for example. And narrower streets can mean the creation of alleys, which gives the neighborhood a cleaner, more traditional look.

- **Efforts that reduce construction costs, and make housing more affordable, are best accomplished when there is a strong mission to do so.** All of the case study projects were achieved because of a strong mission to create more affordable housing. A “mission” gave project leaders the ability to see beyond practical limits to create what their communities truly needed. For all projects, this meant acting outside the confines of zoning ordinances. For Chaska, it meant touring the nation and Canada to learn “what works” and then

feeling free to incorporate what was learned into projects. For GMHC, it meant assembling a team of architects and engineers to defend the legality of new products and processes that they believed could be incorporated into a more effective system of building. For St. Peter, it meant adjusting approval processes in order to act at a quick pace. In the words of one task force member, “Once these groups decided to use the mission in order to solve the problem, the problem was solved.”

- **Building trades are still unfamiliar with new types of housing construction, and as a result, savings are not yet materializing, but there appears to be significant potential.** GMHC’s project to create an Integrated Building System using best practices, products, and processes is clearly significant for driving down construction costs in the future. But creating the system takes time. The case study of GMHC revealed that the first house is really a test case of new labor techniques and new products. Figuring out how to make the system work is the goal at this stage. Savings will be the ultimate result, but they cannot be proven right now. Leaders of the Chaska and St. Peter projects tell a similar story — they see potential for costs to decrease in future developments as builders become more familiar with the technology.
- **Streamlining regulatory approval processes is one way of quickening acceptance of cost-reducing products and processes in the marketplace.** Developers are hesitant to work with agencies that will not back up their need to reduce construction costs with hassle-free regulatory approval. Due to officials’ lack of familiarity with new technology, GMHC had to go out of its way to gain approval by having architects and engineers demonstrate that its project was supported by regulations. But GMHC’s sole organizational mission is to promote affordable housing, so it has additional incentive to navigate these processes. Developers and builders might share an interest in improving affordability, but may not be as willing to navigate the regulatory approval processes when traditional materials and processes are approved more simply and quickly. Agencies that become familiar with the new technologies and begin to discuss how

to align zoning ordinances to these technologies can help expedite affordable housing in their communities.

- **Panelized, or manufactured, homes can be well-designed and contribute to quality neighborhoods:** While the task force was familiar with negative stereotypes surrounding the look and quality of panelized homes, their own examination of the case study properties revealed that such homes and neighborhoods can be quite attractive. Mayors learned that panelization technology provides the opportunity to build traditional architectural homes quickly and at a reduced cost, without sacrificing quality.

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**Conclusion: Throughout the metro area, builders, designers, nonprofits and cities are inventing ways to reduce the cost of constructing housing. These practices should be supported and encouraged in order to stimulate acceptance in the marketplace and in regulatory approval processes.**

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### **Recommendations**

1. **Support efforts to move promising new construction techniques and processes into the region's construction capacities more quickly. Strongly encourage city officials to become familiar with new construction practices, in part by attending regional workshops that are being held for this purpose, and to consider how their cities' procedures might be adapted to facilitate the use of new construction practices.**

New effective building designs, construction processes and products are available to help bring down the cost of housing, so that ownership housing could be produced in the marketplace in the \$140,000 to \$160,000 range. Lot size, zoning and building codes have a role in achieving lower cost housing. Workshops can introduce best practices

and help local officials understand how they can help implement new techniques to make housing more affordable. City officials need to become aware of these practices and learn how they can be implemented.

**2. Establish incentives for housing that demonstrate new construction techniques by streamlining approval processes. This can be accomplished by: 1) developing model processes for streamlined approvals, or 2) establishing a statewide master uniform approval process for building codes.**

One powerful incentive for the introduction of new construction practices is streamlined local approval processes that accept new practices. Cities such as Chaska have demonstrated that one of the most important contributions local governments can make is to understand new products and enable them to be utilized in their communities. Building on these successes, a model that streamlines approval processes and that cities can readily adapt to their own situations should be developed. When making Livable Communities grants, the Metropolitan Council might consider whether applicants have adopted such streamlined approval processes.

Even with the adoption of model zoning and building codes, ordinances can vary considerably from city to city, adding confusion and cost for builders and developers. A single statewide system acceptable to cities would greatly simplify the approval process; cost and time savings would result. One possibility is state “pre-approval” for new construction products and techniques which cities could accept as evidence that new products and processes work.

**3. Request the building trades, builders' association and CURA to identify what types of incentives might prove effective to spur new construction techniques.**

Two additional barriers prevent the widespread application of these products and processes. The first is that the building trades are unfamiliar with the new construction techniques so that early applica-

tions actually result in more labor costs, not less. The second is that builders are reluctant to experiment with “untested” products or techniques because of market risk or product liability.

Efforts are underway to address some of these concerns. For example, the building trades unions along with private investors are developing a joint effort to provide a manufacturing plant in Hugo that will produce panelized housing in either complete units or panels that are a part of a completed unit. Modern manufacturing processes and equipment will be used to ensure the highest quality and lowest possible costs. Production will start in November of 2002 using union labor and the most modern designs available. This new initiative offers an opportunity to work with cities and developers in a joint effort to provide the most affordable, highest quality products at a scale that can produce units to meet the growth needs of both the metropolitan area as well as the entire state. The Builders Association of the Twin Cities is working with the Center for Urban and Regional Affairs (CURA) at the University of Minnesota on modeling affordable housing designs.

However, more needs to be done to provide incentives for new construction products and processes to reach the market faster. Incentives might include working with local communities to identify test sites, or to establish funding priorities or set asides that encourage the use of these new products and processes. The task force requests that the building trades, the builders' association and CURA identify incentives that could prove effective.

### III. Sustainability

It does little good to produce affordable housing for the short term, so that the need returns tomorrow. Moreover, we cannot afford to devote large sums of public money to housing that does not remain affordable over the long-run. Because ownership housing and rental housing are financed differently, the issues involved with sustainability differ as well.

#### Affordable Ownership Housing

While there are well-developed means of ensuring that rental housing remains affordable for a ten- to twenty-year period, sustaining the affordability of ownership housing is more problematic. In regions such as ours with rapidly escalating home prices, a house that is affordable today may no longer be so in a few short years. If a home is subsidized to make it affordable, what happens upon the sale of that home? If it simply sells at the new higher price, its affordability may be lost, as well as the impact of the public investment.

The task force found that there are a number of emerging mechanisms to help sustain the affordability of ownership housing. The task force looked in depth at two: land trusts and second mortgages.

**Land trusts.** One technique that has been used in some parts of the country but is relatively unfamiliar in Minnesota is the land trust. (See Appendix B for a fuller description of land trusts.) In a land trust, building improvements are treated separately from the land. Typically, a public entity or nonprofit retains ownership of the land as the means of controlling subsequent sales prices of the housing on that land. Land trusts can be set up in a variety of creative ways to meet local needs, but they do require a considerable amount of effort to establish the trust and an ongoing entity to manage the trust.

There are a total of eight community land trusts (CLTs) in Minnesota, most of which are fairly new, but a few have been around for more than

a decade. They are located in Duluth, Minneapolis, Minnetonka, Northfield, Rochester (Three Rivers), Saint Paul (Rondo), and Washington County (Two Rivers and WB Homes). Others are being considered in Chaska and Woodbury.

**Second mortgages.** Another way of making ownership affordable over the long-term is to provide a second mortgage. Suppose a homeowner wants to buy a home but cannot afford the full cost of the home. An agency, such as a city community development agency or a land trust, provides funding for a second mortgage on the home. This mortgage is typically structured as a deferred loan, so the homeowner makes payments on the first mortgage only. Repayment of the second mortgage is due when the homeowner sells the house or at the end of the loan period, whichever comes first.

For example, a home sells for \$150,000. The homeowner makes a down payment of \$3,000, and takes out 30-year mortgage of \$120,000. An agency provides a second mortgage (deferred loan at 0% interest in this example) of the difference, or \$27,000. Five years later, the home appreciates to \$170,000 and there is \$115,000 outstanding on first mortgage. The first and second mortgages are paid off, and the difference between the balances (\$115,000 plus \$27,000) and the sales price accrues to the homeowner (\$28,000). The funding agency can reinvest second mortgage proceeds with another homeowner.

Second mortgages offer several advantages for providing affordable homeownership. They are relatively simple to administer and could become even more so if the recommendation at the end of this section is implemented. The same set of funds can be continually recycled into affordable housing through reinvestment (and will retain their value depending on the interest rate of the deferred loan). Homeowners can earn full appreciation on their investment, depending on the loan structure. Finally, because second mortgages make homes affordable by assisting people, not physical structures, it is possible to quickly make ownership homes affordable without having to wait for the production of physical stock. Furthermore, second mortgages can help avoid the

problems associated with sustaining a physical stock as affordable and in good condition.

**Sustainable Construction.** The idea behind sustainable construction is to make an up-front investment in good, strong, energy efficient materials to prevent the need for rehabilitation and high energy costs in the long-run. Disposable materials do not cost less in the long run for the cities or homeowners (high energy bills; costly repairs), and they do not improve or preserve cities' overall character and appearance.

**Cooperative Housing for Low-Income Families.** Cooperative housing programs allow qualifying buyers to purchase and then own a share of a larger unit. Each owner is a member of the unit's cooperative. The board of the cooperative works with the members and other investors to sustain the property, using mainly preservation techniques. Rondo CLT is proposing a cooperative for seniors wishing to sell their large homes for a smaller one. The CLT would secure the seniors' former homes for the trust. Powderhorn Residents Group is also exploring a cooperative housing project.

**Mortgage Foreclosure Prevention Programs.** These programs help some low-income homeowners who have had an unexpected, but temporary, financial setback to avoid foreclosure by providing in-depth counseling, intervention, advocacy, and financial assistance. The financial assistance is in the form of a zero percent deferred loan that is due only upon sale or refinance. Through the program, families become current on their payments, decreasing the chances of losing their affordable homes to the market. The Home Ownership Center in St. Paul runs this type of program.

**Preservation Programs.** Maintaining the quality of its existing housing stock is a critical issue facing many of the region's established communities. In many cities, older homes are the most affordable and therefore the most cost-effective way to maintain an affordable homeownership housing stock. Often older homes can fall into disrepair, so rehabilitation programs offering financial support, and

sometimes design support, can prove very effective. For example, the I-35W Coalition (consisting of northern suburban communities along I-35W) has prepared a set of designs showing homeowners of small WW-II era bungalows how their homes might be modernized. City staff are often available for consultation on these projects, and some cities back them up with financing sources for qualified homeowners. Other programs aim to rehabilitate homes before families purchase them. This alleviates the potential for families to fall behind on mortgage payments due to costly rehabilitation needs.

### **Affordable Rental Housing**

In today's market, it is nearly impossible to build affordable rental housing without public subsidies of some sort. The more widely used public funding sources, such as tax credits or project-based Section 8 funding, contain covenants that mandate affordability over time periods ranging from five to twenty years. However, when the affordability period expires, the units can be converted to market rate units.

Affordable rental housing is in very short supply in our region, so preserving the affordability of existing units is critical. According to the Family Housing Fund, the federal government subsidizes more than 12,000 units of privately owned rental housing for low-income families, people with disabilities and senior citizens in the Minneapolis-St. Paul area. Almost two-thirds of these units are located in the suburbs. Over the next four years, more than 9,000 of these units will be at risk of conversion to higher rents, placing thousands of low-income tenants in danger of losing their homes.

Preservation of existing housing can prove to be an effective tool in *reducing the loss of affordable units*. There are significant variables among "preservation projects"; some require the acquisition of units from existing owners plus rehabilitation; some simply require moderate improvements and potentially a reallocation of operating subsidies. Nevertheless, given these variables, construction costs are generally significantly reduced, and some soft costs may be eliminated all together.

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**Conclusion: The most efficient way to provide affordable housing is to preserve what we have. New preservation techniques and other programs for improving the sustainability of affordable housing are beginning to emerge. Sustainability can still be cumbersome to achieve because insufficient scale requires cities and nonprofits to establish their own unique programs.**

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### **Recommendations**

- 4. Encourage cities to become more knowledgeable about land trusts and other mechanisms for preserving affordability of ownership housing. Support the efforts of those hosting workshops for community development officials on these topics.**

The task force, interested in sustaining the affordability of ownership and rental housing, has a key interest in encouraging local officials to become more knowledgeable about land trusts and other means of achieving sustainability. As a first step in this direction, the mayors would like municipalities to have an easy format for looking at and gaining information about these efforts. They recommend that technical assistance workshops be held for community development officials so they can specifically learn more about the potential of land trusts and how they might work for their communities. Mayors will encourage participation among their employees and other interested community members.

- 5. Request the housing industry to work collaboratively to design a metro area second mortgage program.**

This technique is being used now in the Twin Cities; however, there is no standardization of the mortgages, which inhibits efficient servicing. Instead, the mortgages tend to be uniquely written and held by the organization initiating the housing project — requiring a costly and

long-term time commitment. This is not a particularly efficient arrangement and may keep the use of second mortgages from going to scale. If there were a metro area program that offered standardized second mortgages and an efficient means to service them, cities, counties and nonprofits would have a convenient means of achieving affordable home ownership through second mortgages.

The task force thinks this issue is best resolved by industry experts. It requests that they work collaboratively to design a second mortgage program that local governments and nonprofits could utilize if they wish.

**6. Work to preserve existing affordable housing by 1) working with the AMM and others to provide technical assistance to cities; 2) sharing information about best practices; and 3) supporting the recommendations of the Millennial Housing Commission which facilitate preservation.**

Cities can foster preservation by becoming more knowledgeable and engaged with preservation. City staff should be educated about preservation issues and policies. This information should include not only the nuts and bolts of preservation and the applicable laws and regulations, but also information about the preservation tools and supportive policies that are available to cities; how to keep track of the projects in the community and assess the risk of loss; and how to work effectively with owners, tenants, other funders, advocates, etc. Training and technical assistance is needed to accomplish this.

A number of cities have undertaken innovative projects to preserve and rehabilitate existing affordable housing. Information about these projects should be shared. For example, New Hope's Bass Lake Court Townhomes was a collaborative effort among the City of New Hope, Project for Pride In Living (PPL), the Robbinsdale School District and a number of other funding agencies. The project involved the rehabilitation of seven fourplex units into 14 side-by-side duplex townhomes and the construction of 20 new townhomes. A number of the site and

utility improvements were also completed, including: the installation of new water, sanitary sewer, storm sewer, street with curb and gutter, perimeter fencing, playground equipment and landscaping. Twelve of the 34 units were designated as “Hollman” units. Hollman Units are created as a result of a legal settlement and provide for affordable rental units for people at 80% median income or below.

On the national front, the Millennial Housing Commission Report makes an excellent case for the need for preservation, and outlines important initiatives that the task force wishes to draw attention to. These include exit tax relief that would facilitate sales of federally assisted projects to preservation buyers, implementation of a preservation tax incentive and changes to HUD policies and practices. A summary of these recommendations can be found in Appendix C.

## IV. Funding

The price tag for meeting our affordable housing needs is huge. Yet the price tag for not meeting these needs is even greater — to our communities, our businesses, our economy. After World War II, the federal government made affordable housing a priority. Major programs such as the G. I. bill and interstate highway construction helped home ownership become a reality for millions.

It is time again to invest in our region's housing stock. Our economy has changed considerably, with increasing numbers of jobs being created in the lower-paying service sector. As noted earlier, our region is critically short of workforce housing — housing affordable to those earning between \$15,000 and \$50,000 annually. The Family Housing Fund report says as many as 31,000 units are needed over the next five years, at an estimated price tag of \$1.5 billion of public funds. The region is currently producing at a rate of only 4200 affordable owner and renter units each year, or a five-year pace of 21,000, spending all sums available.

The task force agrees with their predecessors, that solving this problem requires joint efforts on behalf of many — all levels of government, nonprofits and the business community. Therefore the task force has developed a series of recommendations aimed at distributing the public responsibility for affordable housing across all levels of government.

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**Conclusion: Affordable housing will not be produced in adequate quantities until substantially more funding is made available. Given the large sums of money needed, the financial burden should be shouldered across a variety of sources.**

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## **Recommendations**

### **7. Create local options for funding for affordable housing:**

- 1) allow counties the option to increase the mortgage registry and/or deed transfer tax by up to two percent for affordable housing; 2) increase the levy limits of city and county Housing and Redevelopment Authorities.**

The first Mayors' Task Force recommended several ways in which the mortgage registry and/or deed tax could provide a source of funding for affordable housing. Likewise, this task force thinks these are viable funding sources, although we believe the funding should be made available for counties' use at their own discretion in order to improve local capacity to support affordable housing. This funding would be a potential match for the Family Housing Fund's new discretionary pool of \$10 million which must be used to leverage other funds.

Both taxes are collected by the counties. Counties retain three percent of the proceeds from each tax, and the remaining 97 percent is passed on to the state and deposited in its general fund. The current rates for both taxes were set in 1987. The tax rate for the mortgage registry tax is 0.23 percent of the principal debt secured by a mortgage of real property; the deed tax is 0.33 percent of the value being conveyed.

The tax force recommends that the state legislature enable counties to increase either or both of the mortgage registry or deed transfer taxes by up to two percentage points each (to a maximum of 0.25 percent and 0.35 percent, respectively) for the purposes of producing affordable housing. If both taxes were increased by two cents, over \$9 million would be available annually in the seven county metro area. These amounts would remain with the counties to use solely for the purpose of producing affordable housing. Furthermore, the task force believes that the counties must maintain their efforts with respect to funding affordable housing — that is, the new tax receipts should not supplant existing funds but must be used to produce additional affordable housing.

One way local governments provide affordable housing is through their Housing and Redevelopment Authorities (HRAs). The HRAs are permitted by state law to levy property taxes, although the amount is quite limited, currently set at 0.0144% of taxable market value, and several HRAs are already at the maximum amount. Affordable housing is emerging as a new costly responsibility for local governments, and this ought to be recognized by the amount of the levy limit. The task force requests the state legislature to raise the levy limit for HRAs, which would allow each HRA to choose whether or not to raise taxes to fund affordable housing. In addition, increases in the levy limit should be tied to providing affordable housing. Current law does not stipulate that an HRA levy be used for affordable housing purposes.

**8. Request that the legislature review the effectiveness of the allocations of private activity bonds.**

Each state has an annual cap on the amount of tax-exempt private activity bonds that may be issued. Only a few purposes qualify for the use of this financing — namely housing, student loans, certain public facilities and a very few private facilities. The first Mayors' Task Force supported an increase in the cap. The federal government did, in fact, increase the cap in 2001 and again in 2002. Much of the increase was allocated toward affordable housing.

Financing affordable housing with these bonds is fiscally wise because it attracts new dollars through federal tax credits. The tax credits are sold and become an important source of equity for project financing. It is important to note that multifamily housing projects are the only use of the tax-exempt bonds that attracts the federal tax credits.

While all the uses of these tax exempt bonds are worthwhile, the task force would like to point out that there is an immediate and acute shortage of affordable rental housing — the region needs as many as 25,000 new units within the next five years, and is only producing at a rate of 10,000. The task force recognizes that there are important interests at stake in the bond allocation process. Therefore, it requests

the state legislature to review the state's bonding allocation and consider how the bonds might best be allocated to achieve maximum effectiveness.

**9. Request that the State of Minnesota maintains its existing funding levels for affordable housing.**

The State of Minnesota has demonstrated its commitment to affordable housing with dramatic increases in appropriations over the past decade. However, most of the increases were made available from one-time-only monies. Although the state is facing a budget shortfall, now is not the time to back away from funding housing. The first mayors' task force recommended increased funding for affordable housing. In light of the state's fiscal situation and in recognition that an alternative funding source must be found for the one-time monies, we request that the state legislature maintain its current level of funding to the MHFA, which is approximately \$106 million for the 2002-03 biennium.

**10. Request that the State of Minnesota bond \$20 million per year for the next five years to support affordable housing.**

The task force recognizes that \$20 million per year is a significant sum of money and would represent a major commitment on behalf of the state to securing affordable housing. It is appropriate to use bond funds for housing because we are investing in the region's capital stock for many decades to come. The use of state bond funds would come with a "hook" — public agencies would need to retain ownership over the housing or land in order to meet provisions of the state constitution. But given the public interest at stake, we find this to be a reasonable trade-off.

Roughly speaking, \$20 million would double the assistance offered through the Metropolitan Housing Implementation Group (comprised of the Minnesota Housing Finance Agency, the Metropolitan Council, and the Family Housing Fund) Super RFP pool for rental housing, enabling it to raise production from about 700 units a year to 1,400 at average assistance levels of \$28,000. More households would be assisted if

some of the money were spent on homeownership projects or second mortgages, which tend to have smaller subsidies than the average rental unit.

### **11. Request the federal government to increase the amount of funding for Section 8 rental assistance.**

The first mayors' task force found that at least \$14 million of Section 8 rental assistance vouchers were going unused. With the help of the mayors, these federal funds quickly became fully utilized. This task force has found quite the opposite problem: many counties have long waiting lists for rental assistance. In the metro area, requests for rental assistance totaled about 25,000 as of July 2002.<sup>5</sup> The wait for rental assistance vouchers is one to three years and most of the housing authorities have closed their lists.

This simply is not an acceptable situation. The federal government has an important role in providing affordable housing. In the past, it met this responsibility by appropriating funds to support the production of housing. Today direct appropriations are primarily aimed at supplementing the incomes of poorer households. But the waiting lists show these funds to be sorely inadequate. Therefore, we ask the federal government to fulfill its responsibility by making more money available through Section 8 program for those seeking rental assistance.

### **12. Support the recommendations of the Millennial Housing Commission that advocate for federal funding for the production of new affordable units.**

As noted above, the federal government has basically gone out of the business of directly funding new affordable housing units, opting for rental assistance instead. The grave need for affordable housing around the country suggests that this is a time for all units of government to invest in housing, and the federal government should be no exception. Therefore, the task force supports the recommendations of the Millennial Housing Commission which call for federal funding for the production of affordable housing.

<sup>5</sup> This number does not represent an unduplicated count — that is, the same person could register on more than one list. The number of duplicate requests is not tracked.

**13. Support the Metropolitan Council's efforts to invest in cities and housing across the region by: 1) endorsing the Blueprint 2030 goals and principles; 2) broadening and expanding the avenues to generate funding for the Livable Communities program; and 3) supporting the Metropolitan Council's request for \$10 million of bonding for public infrastructure associated with Livable Communities developments.**

The mayors recognize that the health of their individual cities is integrally linked to the health of the region. The mayors support the vision for our region and its housing set forth by the Blueprint 2030 goals and principles. (These goals and principles are still in draft form — see Appendix D.) The Metropolitan Council has established a solid track record of working cooperatively with cities through partnerships and incentives-based approaches to bring about positive changes for the region.

The Metropolitan Livable Communities Fund was established by the 1995 Livable Communities Act (Minnesota Statutes, Sections 473.25 through 473.55). The fund has three accounts:

- The Livable Communities Demonstration Account (LCDA) funds projects which create development or redevelopment that incorporates efficient use of land, a range of types and costs, commercial and community uses, walkable neighborhoods and easy access to transit and open space.
- The Local Housing Incentive Account (LHIA) helps expand life-cycle and affordable rental and ownership housing in the region.
- The Tax Base Revitalization Account (TBRA) helps cities clean up contaminated urban land for subsequent commercial and industrial development, thus restoring tax base and jobs near existing housing and services.

To receive funds from any of the accounts, cities must voluntarily agree to participate in the Housing Incentives Program established by the Act and work toward affordable housing goals developed in cooperation with the Council.

## V. What Cities Can Do

Cities are the front line in producing affordable housing. It is within their borders that housing is built and neighborhoods created. Cities depend on partnerships with federal, state and regional agencies to get affordable housing built. But much of the “heavy lifting” falls on cities’ shoulders. They develop land use plans and put in place ordinances that can facilitate — or hinder — the development of affordable housing. They work carefully with their citizens to develop visions for their communities’ future, to plan specific housing projects and to alleviate specific concerns. Cities put together financing deals, packaging as many as 12 or more sources of funding to accomplish a single affordable housing development. They create tax-increment financing districts and redevelopment districts. They may assemble land and construct the public infrastructure needed for new housing.

Because cities play such a pivotal role in the development of affordable housing, the task force felt a responsibility to take a leadership role as a task force in garnering support for, and disseminating information, about affordable housing. First, the task force members felt that a key need for making affordable housing a reality is to share what works. They decided to share among themselves and the broader communities the practices and programs that have been effective in their own communities. Second, the task force decided that as a task force, they have the opportunity to speak out and inform citizens and policy-makers about affordable housing. The mayors involved themselves in a series of actions doing just that.

### **Best Practices**

All told, developing affordable housing is a time-consuming and painstaking task. Cities involve themselves, though, because they know how important affordable housing is to the health of their communities. What is interesting, and perhaps a little-told story, is how engaged some cities are. The mayors compiled some of the best affordable housing practices from their own cities, so that this information might be shared

more broadly. A summary follows, and a more complete compendium can be found in Appendix E.

Briefly, the practices include the following:

- **Political leadership.** Over 30 metro area cities worked to build coalitions so that Hollman units would be accepted within their communities. Task force cities participating are: Blaine, Shoreview, Coon Rapids, Edina, Minnetonka, Plymouth, New Hope, Woodbury, Stillwater, Shakopee, Chaska, Minneapolis, Maple Grove, and Eden Prairie.
- **Education.** Coon Rapids has been hosting quarterly county-wide workforce housing forums for council members and staff. The forums feature information about best practices.
- **Community processes.** Actively involving the community from the very beginning of the planning process can save time and money required to make changes later on, and more important, give residents the opportunity to help create their city. Cities like Chaska and Falcon Heights have demonstrated that when citizens are involved in meaningful planning processes, they tend to embrace affordable housing and higher densities, not oppose it. Shoreview developed a partnership with the residents of a townhome development to prevent it from converting from subsidized to market-rate housing.
- **Land Use and Zoning.** Many studies have pointed to the relationship between land use planning and zoning ordinances and a city's capacity for affordable housing. Cities are responding to this in a number of ways. Eden Prairie, for example, has used the planned unit development process for nearly 30 years. Eden Prairie, Woodbury, and Apple Valley also provide density bonuses. Other cities, such as Shakopee, keep their single family lot sizes small. An increasing number of cities are amending their zoning ordinances to facilitate mixed-use, mixed-income developments. One of the earliest examples of this is the successful West Ridge development in Minnetonka, completed in 1998. Apple Valley's Central Village Legacy is a planned unit development which utilizes

reduced street setbacks, pedestrian connections, higher densities, mixed housing types, and mixed income housing. In another project, Apple Valley negotiated zoning and building materials standards in order to make its Hidden Ponds inclusionary housing financially viable.

- **Financing.** Cities invest heavily in affordable housing, using traditional city financing mechanisms such as community development block grant funds and tax increment financing as well as less traditional sources. Other cities use less conventional financing means, such as Plymouth's general fund levy that it enacted for housing in the early 1990s or Burnsville's use of tipping (landfill) fees. Edina established the East Edina Housing Foundation in 1985 to assist the city and its housing and redevelopment authority (HRA) to provide housing opportunities for persons earning low- and moderate-incomes. Minneapolis' "Moving Home" program allows Section 8 families to purchase homes and apply their monthly Section 8 housing assistance toward their monthly mortgage (PITI) payment.
  
- **Special Programs.** A number of cities have developed affordable housing programs targeted to the specific needs of their communities. New Hope has the authority to purchase distressed properties and to rehabilitate them or demolish them to accommodate new construction. The housing units are then sold to first-time homebuyers who meet low- to moderate-income guidelines. Plymouth provides rental assistance to its HRA-owned senior housing. Coon Rapids received a grant from the developer of a regional shopping mall to support adjacent housing units for some of the retail workers. Eden Prairie's HOPE program provides housing vouchers to help families on welfare move into market-rate housing of their choice. The units they vacate are freed up for other families waiting for housing. To receive a voucher, families must commit to a career development and economic self-sufficiency plan. Families are matched with volunteer families from the community who provide support and in return gain an understanding of the challenges facing welfare-dependent families.

- **Sustainability.** Minnetonka has established a community land trust, and other cities such as Chaska are considering how to put one in place. Shakopee and others focus on supporting the rehabilitation of existing housing, realizing that their older housing is among the most affordable in the city, making rehab one of the most cost-effective, easy-to-provide affordable housing. Some cities, such as Shoreview, have discounted housing costs for first-time homebuyers and included resale restrictions to guarantee future affordability of the homes.
  
- **Partnerships.** Partnerships are a necessary ingredient for most affordable housing projects, and in the end, it is the quality of the partnerships that helps determine the success of the project. Burnsville's Aspen Grove Lane project, the largest Habitat for Humanity project in the state, relied on: the Dakota County Community Development Agency for transferring ownership of tax-forfeited land; local utilities for early financial support; refuse companies for clean-up services and waste removal at a reduced cost; businesses and the faith community for funds and volunteer labor for the projects; citizens for construction assistance and city employees, who raised nearly \$50,000 for the project. Eden Prairie's HOPE is a collaborative effort involving the City of Eden Prairie, the Metropolitan Council's Housing and Redevelopment Authority, Hennepin County Technical College (HTC), Episcopal Community Services, Eden Prairie School District, and many volunteers from the community. The "It's All About Kids" program in Minneapolis is a partnership between the Minneapolis Schools, the Minneapolis Community Development Agency, the Minneapolis Public Housing Authority, Lutheran Social Services, the Resource Center and the Family Housing Fund. The project provides housing to low-income families that is near to community schools with the goal of increasing family participation in their children's education.
  
- **Subregional Planning.** Housing needs are not confined to political borders. Shoreview is working with adjacent units of government to plan housing in the Rice Street area. Shoreview and Blaine are

members of the much celebrated I-35W Coalition, whose work includes creating a model housing maintenance code, producing a manufactured housing study and developing a life-cycle housing plan. New Hope participates with other cities in the Northwest Community Revitalization Corporation, which was organized to provide quality affordable housing to persons of low to moderate incomes in the participating cities.

### **Task Force Action**

The task force organized a series of opportunities to help disseminate information about affordable housing and how to make it a reality.

- Task force representatives testified before a United States Senate hearing on affordable housing.
- Task force representatives supported various affordable housing funding proposals before the state legislature.
- The task force met with the editorial boards of the Star Tribune and the Pioneer Press to further engage the public in the affordable housing issues.
- The Mayors' Regional Housing Task Force held an event with Deputy Director of the Department of Housing and Urban Development, Alphonso Jackson in May 2002. Leaders from MHFA, Metropolitan Council, Dakota County Community Development Agency and the Family Housing Fund served on the panel. Local HUD office staff, local advocacy groups, and regional housing organizations, as well as congressional staff, attended this very successful event.
- Several mayors of the task force have taken leadership roles in national organizations, such as the National League of Cities and the U.S. Conference of Mayors. These efforts relate to affordable housing. Specific examples are: Mayor Karen Anderson, Minnetonka: President, National League of Cities;

Mayor Elizabeth Kautz, Burnsville: National Board Member, U.S. Conference of Mayors.

- Mayors' Regional Housing Task Force has joined the HousingMinnesota Campaign as a supporting member, and publicly endorses its efforts.

The task force also sponsored a series of highly successful open houses for candidates running for the state legislature and county boards. Eight open houses were held in late summer of 2002, in cooperation with HousingMinnesota, Metro Transit and the Suburban Transit Association. There were 165 candidates in attendance at the sessions. Candidates and task force members discussed the need for affordable housing and the issues surrounding affordable housing, such as the importance of linking housing to transit and to jobs. Candidates were encouraged to submit written responses to questions about affordable housing.

Some candidates were well-versed in the issues of affordable housing, having served in elected office for some time. For others, affordable housing was a new topic. The task force concluded that it is important to continue to present information about affordable housing to the state legislature and to continue to work in partnership with the state legislature to achieve affordable housing goals.

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**Conclusion: Because cities have an important frontline role in the production of affordable housing, they are positioned to also take a leadership role in making affordable housing a reality across the region. They can do this at a political level by continuing to inform people about the need for affordable housing. They can do this at the production level by sharing effective practices and encouraging other cities to use and adapt those practices that fit the needs of their cities.**

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## **Recommendations**

### **14. Regular information exchange and problem-solving workshops should be held for cities, perhaps through the auspices of the League of Minnesota Cities or the AMM.**

As the best practices from the task force cities demonstrate, cities have ventured out in many ways, both traditional and cutting-edge, to produce affordable housing in their cities. These practices should be shared so that other cities don't confront the time-consuming task of inventing new programs and tools when existing programs and tools can meet their needs. Producing affordable housing can be a daunting task, so it is especially important to share success stories.

### **15. All cities should review their land use and zoning policies and development approval processes to ensure they enable the development of affordable housing. Cities should consider adopting some of the model zoning ordinances that have been prepared around the region. Some may wish to adopt inclusionary housing practices, and the authority to do so should be clarified by the state legislature.**

The case studies and best practices show that some of the biggest fears about land use, such as the unmarketability of small lot sizes or home with limited parking, are proving untrue. Mixed use and mixed income developments are fitting beautifully into their neighborhoods, and proving to be a catalyst for subsequent development.

Every city should be producing affordable housing, so every city should ensure its regulatory powers are aligned to do so. This may include adopting model zoning ordinances. The task force wishes to acknowledge the effort of the State of Minnesota's Model Zoning Technical Advisory Group (MZTAG), whose charge is to recommend ways that local government may simplify and reduce the cost of redevelopment in fully developed areas and of mixed-use and compact new development. Models for voluntary use by local units of government will be developed. Cities may also want to consider

enacting inclusionary housing practices that help ensure that a portion of new housing developments are affordable. It is presumed that cities currently have the authority to adopt inclusionary housing practices that make sense for their cities, but this authority should be clarified by the state legislature.

#### **16. Commit your city to producing affordable housing.**

Affordable housing is not produced on its own. Above all, the case studies and best practices demonstrate that affordable housing happens where there is the determination to make it happen. The commitment and drive to make affordable housing a reality must come from the elected leaders of the community.

## VI. Next Steps

The task force does not consider its work complete with the issuance of this report. The task force intends to develop a legislative package to take to this year's state legislature. Furthermore, the task force will form partnerships to work toward implementing the legislative package as well as the other recommendations in this report.

The task force welcomes those who would like to endorse the report and its recommendations. If you would like to do so, please let us know by contacting the Metropolitan Council Data Center at 651-602-1140 or [Data.center@metc.state.mn.us](mailto:Data.center@metc.state.mn.us)

## About the Task Force

The second Mayors' Regional Housing Task Force was convened in February of 2002 at the request of the Metropolitan Council. Their charge was to build on the successful work of the first task force, which completed its work in November of 2000. The task force is composed of 20 cities, representing the spectrum of development stages found in the metropolitan area.

The task force welcomes any metropolitan area mayor who would like to join in implementing the recommendations contained in this report. If you would like to assist, please call Elizabeth Ryan, Director Housing and Community Development for the Metropolitan Council at 651-602-1000.

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## Acknowledgements

The task force would like to thank the following people for so generously sharing their time and expertise and for their commitment to affordable housing:

Barb Broen, Broen Housing Consultants

Dick Brustad, Brighton Development Corporation

Jeff Corey, Minnesota Coalition of Land Trusts

Greg Finzell, Rondo Community Land Trust

Tom Fulton, Family Housing Fund

Kit Hadley, Minnesota Housing Finance Agency

Chip Halbach, Minnesota Housing Partnership

Pete Keeley, Elness Swenson Graham Architects Inc.

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The work of the task force was facilitated by Stacy Becker of Becker Consulting, with the assistance of Kim Farris-Berg, and Metropolitan Council staff members Joanne Barron, Pat Curtiss, Melissa Manderschied, Guy Peterson, Judd Schetnan and Elizabeth Ryan. Publication assistance by Margaret Meyer of MARGgraphics.

## Appendix A – Case Studies

**The task force’s three case studies of housing developments in Chaska and St. Peter, and a project by the Greater Metropolitan Housing Corporation (GMHC) in Minneapolis showed that there are a number of cutting edge technologies and best practices that are just beginning to demonstrate how construction costs can be diminished. The studies may be a useful groundwork for agencies wishing to design, approve, or improve their own cost savings programs.**

### **Clover Field Homes: City of Chaska**

#### *A strong vision to be the “Best Small Town in Minnesota”*

From a planner’s perspective, one of the great things about Chaska is that it has a vision statement: “to be the Best Small Town in Minnesota”. Although the implementation of that statement can be, and is, debated, it is a unifying vision that all the residents of the community can embrace. Elements of the vision include enhancing quality of life, maintaining a sense of community, orderly community development, and ensuring taxpayer quality by providing for cost effective services.

So when Chaska began to experience an affordable housing crisis in the late 1990s, no city planner wanted the commitment to excellence to be lost on his or her watch. But housing costs were skyrocketing while median incomes stayed the same or decreased. Entry-level workers could not afford the mortgage on a new house without committing over fifty percent of their monthly incomes. And population was (and still is) predicted to almost double between 2000 and 2015. Chaska officials knew that being the best small town in Minnesota meant creating new, affordable housing options that would be appropriate for and appealing to young families. With the citizens and politicians already unified around a common vision, Planners set forth to create the housing developments it needed.

#### *Making the vision a reality: Clover Field Homes*



#### ***Chaska Clover Field Homes***

*Planners designed a neo-traditional “village” neighborhood featuring a combination of retail and housing developments.*

Planners designed a neo-traditional “village” neighborhood featuring a combination of retail and housing developments. The development site — already under construction — is 255 acres of greenfield, and will contain 25,000 square feet of retail (a restaurant, specialty shops, and service-oriented businesses) and 1,116 housing units (ownership *and* rental). The neighborhood focuses on community, and specifically features inviting public spaces. There is a community center that features a workout room, a community post office, and other shared facilities. Small public gathering spaces are provided in proximity to all housing units. And there’s an elementary school that children from any of the housing units can walk to.



### ***Chaska Clover Field Homes***

*The attached homes start at \$140,000 and the detached homes start at \$170,000.*

Clover Field Homes, one of the developments on the site, uses cost effective construction to produce affordable housing. While there are a variety of lot sizes and types of houses, the attached homes start at \$140,000 and the detached homes start at \$170,000. Some of the lot sizes are smaller than in typical neighborhoods. Clover Field representatives say one of the advantages of small lots is that owners don't become bogged down with lawn maintenance. Instead, they can invest their time in their community and meet their neighbors.

Homes use modular technology, which allows the home structures to be built in just a matter of days. They have front porches, attached garages, and privacy (windows don't look into the neighbors' homes). Typical single-family homes in Clover Field are 1,600-1,900 square feet, not including the two-car garage, and have three bedrooms and 2\_ baths. The homes have a charming, old- fashioned look, so residents can experience the comfort of tradition while still living in a new home. One of the new concepts employed in this project is offering options such as duplexes and carriage houses above homeowners' garages. Also, some units feature an unfinished second level as well as a basement, which allows residents to increase their square footage as their families grow.

### *Streamlining the Approval Process: Conceptual Planning rather than Zoning Ordinances*

Chaska's planners realized that to generate the right concepts for their neighborhoods, they shouldn't limit themselves to the regulations outlined in the City's zoning and subdivision ordinances. The City would have to provide the best to be the best. So the planners made a list of concepts that they thought would best suit the community and its needs, and then toured award-winning new neighborhoods throughout the U.S. and Canada to identify best practices in achieving those concepts.

The concepts included that neighborhoods should: have an identifiable center and edge; identify the most important and visible property for public use; be limited in size by the distance from the edge to the center, generally a five to ten minute walk; consist of an integrated network of walk-able streets; and contain a diversity in land uses, building types, sizes and prices, and styles of ownership.

Planners learned a lot from the project visits — about alley and garage designs, integration of homes, what affects sales rates, and what affects affordability. The list of lessons learned is very long, and the full list can be obtained at [www.chaskamn.com](http://www.chaskamn.com). A few are included here:

- Neo-traditional developments are more expensive to build by 10 – 20 percent. Therefore, if affordability is to be retained as an objective, then residential density bonuses are a must.
- *Very* small lots can provide an affordable housing alternative. However, great care and variability is required on the exteriors, which can be counter-productive with affordable single-family price-points.
- Shorter alley lengths result in shorter block lengths, which increase pedestrian mobility and can reduce storm sewer costs.
- Accessory units can be nicely integrated into a neighborhood if they are placed correctly and detailed like the principal structure.
- Segregation of single-family price-points is imperative. Developers from the award winning neighborhoods stated that buyers did not accept mixing house sizes, prices, or types within a given block. The primary issue is that in a neo-traditional development a lot of the value is common (i.e. town center, open space, etc.). Upper price homebuyers question, “What do we get for our dollar?” Developers learned that it is more pragmatic to build different home types in proximity with one another.
- New housing types sell more slowly. Traditional suburban developments absorb faster because they have projects all throughout a given market that the builders can send potential buyers to.
- Walk-able streets that are not dominated by garages do promote a sense of community.

Each lesson was incorporated into the planning and development of neighborhoods in Clover Field, and the result is a compact, mixed-use, pedestrian-oriented residential neighborhood. The sense of community is definitely experienced by residents, traffic congestion is minimized, and affordable properties are available. Now, communities everywhere can benefit from Chaska’s research and willingness to act on their findings.

### *Ensuring the investment is sustainable*

Once the City of Chaska put so much effort into creating a great neighborhood with affordable single-family homes, officials began concentrating on how to sustain the homes. After exploring a number of opportunities, the City decided to create the Chaska Community Land Trust (CLT). The Chaska CLT will be a nonprofit organization with a mission to create and permanently preserve affordable housing opportunities. While the CLT will not be a municipal corporation, it will be initially endowed by the City of Chaska and other partners. Additional information about CLTs can be found later in this report, under “Sustainability”.

Source: Kevin Ringwald, AICP

*City of Chaska*

## **Greater Metropolitan Housing Corporation — Twin Cities: a nonprofit organization**

### *Streamlining the Building Process: creating an Integrated Building System*

Rather than seeking City approval to construct a *particular* housing development, the Greater Metropolitan Housing Corporation (GMHC) —Twin Cities is creating and seeking approval for a *new methodology* of building homes. Essentially, the organization is integrating best practices (products, labor, etc.) with the newest technologies and incorporating what is learned into a model for physical construction. Using the successful model for building automobiles, GMHC is working to reduce construction costs by combining basic platforms with interchangeable parts, thereby reducing “the house” to a series of designs, specifications, protocols, parts lists, labor quotients, and assembly instructions. One major objective is to develop a line of standardized products for use in a variety of applications – be they single family, duplex, or multifamily. The products will be designed to fit a great variety of floor plans, exterior elevations, and other housing options.

GMHC believes that the result, what they’re calling the “Integrated Building System”, will help demystify the process of housing development, minimize risk, and secure regulatory approval. Speed, accuracy, accountability, and more efficient purchasing will be some of the outcomes. What is learned through development of the Integrated Building System can be used in future housing developments, for which cities can be assured of long-term sustainability and good value. Brand name houses could be produced by a combination of entities from the public and private sectors, and both could use one product line to build an integrated income neighborhood. This idea is rooted in new urbanism philosophy.

### *Putting the idea into practice: GMHC’s first Integrated Building System house*

The first house produced using Integrated Building System methodology is a three bedroom, 2.5 bath, 1600 square foot four square homestead at 2619 – 16<sup>th</sup> Avenue South in Minneapolis. It is architectural, and completely engineered structurally and mechanically. Being completely trussed, it has an adaptable floor plan for future flexibility. Features include a mudroom, kitchen with island, dining room with bay, living room, ceramic baths, full basement ready to finish with rough in bath, detached two car garage, front and rear porches decked with Trex, Hardie plank cement siding (prefinished), Marvin windows, 30 year textured roof, gutters and downspouts, full drain tiling, category one energy efficiency, humidifier and security system. Overall, it conveys a feeling of strength, permanence and quality that is noticeable immediately.

GMHC is using IBP design technologies to produce a line of building structures. The frame of this house was up, and enclosed to include a roof, decking, windows, doors, and exterior sheathing in just eight days. This was made possible by use of a concrete panelized foundation, panelized floor system, and panelized

walls that were erected and assembled at the job site. These same efforts are now being applied to other categories of construction.

*Acting on a mission to reduce construction costs while retaining quality*

GMHC's mission is to preserve, improve, and increase affordable housing for low- and moderate-income individuals and families, as well as assist communities with housing revitalization. The Articles of Incorporation include a responsibility to promote research and development of new modes of construction and financing housing. Throughout the years, GMHC has completed a number of demonstration projects that focus on producing more affordable housing; reducing costs while retaining quality. This Integrated Building System project is one way of seeking a more affordable way to produce housing, although it is a new approach for GMHC.

While costs were important to GMHC when constructing its first house using the Integrated Building System, the organization's primary focus was linking best practices in the use of human capital with new technologies. GMHC decided that the key goal was to develop systems that demonstrate how techniques for team building, labor measurements, and/or quantification can be used effectively to speed efficient construction that relies on new technologies (e.g. panelized foundations, floor systems, and walls). Actual or initial cost savings are hard to assess because the house involves a number of new technologies and products, regulatory approvals, new organization of labor, specific waivers, documented practices, more accurate accounting, scheduling, and management. GMHC notes, however, that costs of the upfront work required of suppliers and subcontractors were at or below the competitive bids when adjusted for upgrades.

*Overcoming negative stereotypes about new products and processes in order to secure City approval is GMHC's greatest challenge*

According to GMHC, its new approach would benefit greatly from two things. Firstly, state certification. The organization believes that its use of new practices – whether panelization, insulation, or structural ideas – would have been thwarted if its team of architects and engineers had not spent time with officials to review and explain the process and work with them to understand the bases of the new system.

Secondly, to preserve team integrity, GMHC could benefit from formalization of the ability to obtain waivers for competitive bidding and minority hiring or set-asides in the development stages.

Source: Carolyn Olson, President

GMHC

## **Nicollet Meadows Subdivision: City of Saint Peter**

### *Shifting the Mission: natural disaster created an immediate need for affordable single-family homes*

Tornado devastation in the City of Saint Peter forced the removal of many types of homes in 1998, but one of its biggest impacts was to magnify the shortage of affordable entry-level, single-family homes. The shortage, combined with a very tight rental market, caused the cost of ownership *and* rental housing to skyrocket. Furthermore, low margins were keeping the private sector from building entry-level homes. To best serve its community, the City had to start playing the development game.

One thing was out of St. Peter's control – *the market*. But there was little choice – an affordable new development *had* to be built. The questions before officials changed from “Should we?” and “Could we?” and “Is this the right time?” to “How are we going to get it done?” St. Peter started developing Nicollet Meadows, and eventually became an example of how a city in crisis, or any city that needs affordable housing, can streamline the approval process and overcome stereotypes about cost-reducing products and methods to quickly produce quality affordable homes.

### *Developing quality, affordable, mixed-use and mixed-income housing*

The City of Saint Peter is now selling both vacant single-family lots as well as single-family model homes in a subdivision called Nicollet Meadows. The two phases include 76 single-family lots as well as two townhouse developments. Southwestern Minnesota Housing Partnership will build the first 20-unit townhouse, where 11 units must be rented to households with qualifying incomes. The other 44-unit market rent townhouse is privately financed and owned.

To date the City has completed construction of ten model (spec) homes. An additional four are under construction, and construction of four more will begin in October. They have sold for between \$108,300 and \$116,000 depending on the home style and lot size. All homes come with at least two finished bedrooms, one full bath, and an approximately 24 x 24 attached garage. The homes also have special features that make them particularly “nice”: oak hardwood millwork throughout, central air conditioning, architectural style 25-year laminated shingles, and a \$1500 landscape allowance built into the price. There appears to be a great demand for the homes — almost all are sold prior to, or before completion of construction.

The City credits Nicollet Meadows' success partially to their own officials' willingness to move forward despite realtors' outspoken skepticism as to why the City was becoming a developer. They also continued work after receiving some vocal concerns that the City was creating a “slummish”, low-income

development. Officials were confident that Nicollet Meadows would be a quality development, based on the experiences of partnering organizations (see “Building Partnerships”, below). Now the skeptics are eating their words. Nicollet Meadows is a well built development, with mixed use as well as mixed income housing. The county has established market values of the spec homes at \$130,000, and many of the privately constructed, privately financed homes are in the \$150,000 to \$170,000 range.

*Streamlining the Approval Process: a willingness to change roles, procedures, and old “rules”*

To achieve its goals, the City was willing to seek out and participate in a number of processes and behaviors it had not engaged in significantly in the past. The first change was that the City was willing to act as a developer. The second, more procedural, change “just happened” — it wasn’t really planned — but had very positive results. Since St. Peter had to act quickly and keep costs low, the City Council made a lot of decisions which were later ratified by the Planning Commission — a process exactly the opposite of what is typical. An unintentional, but very positive consequence of the switch was that the City Council was open to a large realm of possibilities about the design concept, and did not limit itself to what was provided in the zoning or subdivision ordinance as the Planning Commission may have done.

For example, the Council zoned the Nicollet Meadows area as “R-5” (St. Peter’s version of a planned unit development [p.u.d.]) to allow narrower lots than what the ordinance required (60-80 feet wide). This allowed the City to spread assessments for infrastructure among more lots, reducing lot costs. It also allowed for the construction of more home on the lot. The City reduced other costs by following the principals of the “Building Better Neighborhoods” program of the Greater Minnesota Housing Fund (GMHF), sometimes abandoning city ordinances and council members’ preconceived ideas about what methods for construction must be used to ensure a quality home. The basics are:

- Narrower streets: Even marginally narrower streets use fewer materials, and thereby lower the cost of construction and maintenance.
- Unfinished space: Leaving the 1,000 square foot lower level unfinished allows young families to save \$12,000 - \$15,000 when purchasing their home, but provides young families with the ability to expand when they have the money.
- Solicit bids in volume: St. Peter solicits bids for a minimum of three homes at one time, on adjacent lots if possible, to allow for one-time mobilization of excavators, bricklayers, plumbers, etc. This saves \$1,000 - \$2,000 per home.
- Seek low land costs: Look for underutilized publicly owned parcels that could support housing. Hoping that Nicollet Meadows would attract families with school-aged children, the Saint Peter School District sold 40 acres to the City for \$28,000, identifying the remaining \$252,000 of market costs as an in-kind contribution. The City made its biggest savings here, and many young families are in fact purchasing the homes.

Finally, the City assisted with financing by issuing bonds to construct the infrastructure. A tax-increment-financing district allows the City to provide a \$10,000 rebate on the lot costs to qualifying families. This

allows St. Peter to sell lots for between \$8,750 and \$20,000 — much lower than in surrounding communities.

*Building partnerships to secure funding and expertise*

The City credits a lot of Nicollet Meadow’s success to the involvement of partners, to whom it gave authority over various aspects of the project. GMHF provided plans and expertise about construction methods (in the form of design professionals and architects) for the model homes, as well as \$630,000 at zero percent financing to build them. HUD contributed \$300,000 in Small Cities Development Program dollars to construct the homes as well. St. Peter will use that money as a perpetual revolving loan fund to support housing construction and maintenance for low and moderate-income homeowners. And finally, Southwest Minnesota Housing Partnership does the program intake and construction management. This is a particularly large task because homebuyers must meet HUD and GMHF guidelines and have a household income that is below 80 percent of the county median income.

*Source: Russ Wille, Community Development Director*

*City of St. Peter*

## Appendix B – An overview of community land trusts (CLTs)

One of the sustainability efforts employed in Minnesota today is Community Land Trusts (CLTs). CLTs are nonprofit organizations or public entities that own land and acquire and sell housing, holding the land titles in trust with other land, for an indefinite period of time.<sup>1</sup> Upon acquiring land, the CLT rehabilitates the property on the land or builds new, and then sells the buildings (homes) to families meeting criteria established by the CLT board (usually made up of CLT homeowners, their non-CLT participating neighbors, and interested members of the surrounding community).<sup>2</sup>

At the same time, the CLT leases the underlying land to the homeowners through a long-term (usually 99-year) renewable lease, which gives residents and their descendants the right to use the land for as long as they wish to live there. Owners have all the rights and responsibilities of traditional homeowners. They may also receive help with code work on their homes, training opportunities, and help for community economic development from their CLT. In exchange for these benefits, when and if the family decides to sell the home, they must sell it as a community land trust house (at an affordable price to a qualifying family). Typically this means that they must leave a large portion of the increase in equity with the home. At the Rondo Community Land Trust in Saint Paul, for example, the homeowner keeps 25 percent of any increase, but must leave 75 percent for the next homeowner, who must also sign the land lease.

CLTs sustain the affordability of ownership housing by permanently limiting land costs and “locking in” subsidies so that they benefit one homeowner after another, and do not need to be repeated each time the home is sold. Thus, they help control the ever-widening gap between available subsidies and housing costs. CLTs also discourage disinvestment and absentee ownership. Older buildings typically bought by absentee investors, who often allow buildings to deteriorate while charging high rents, may be acquired by CLTs. Residents of CLT homes can then capture the value they create so it benefits their property as well as the broader community. Finally, CLTs ensure a long-term commitment to the land and housing they acquire because they involve entire communities.

Not everyone may want to establish CLTs, however. Some are philosophically opposed to limiting anyone’s equity, particularly the equity of low-income people. Others establish CLTs believing that any equity, and a sustainable home, is a positive step for families in their community. Eleven areas with CLTs throughout the country are adjusting property taxes due according to the equity the family will receive from the house so the limited equity is more reasonable. For example, if the family receives 25 percent of equity,

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<sup>1</sup> Much of the information that defines CLTs is taken from the Institute for Community Economics web site: [www.iceclt.org](http://www.iceclt.org).

<sup>2</sup> CLTs typically establish that only low-income families who would not otherwise be able to afford home ownership are qualified to purchase CLT homes.

they pay 25 percent of property taxes due. Currently, in Minnesota, CLT homeowners pay 100 percent of property taxes.

There are a total of eight CLTs in Minnesota, most of which are fairly new, but a few have been around for more than a decade. They are located in Duluth, Minneapolis, Minnetonka (West Hennepin), Northfield, Rochester (Three Rivers), Saint Paul (Rondo), and Washington County (Two Rivers and WB Homes). Others are being considered in Chaska and Woodbury. All eight are now joining forces as the Minnesota Coalition of Land Trusts, which will allow communities with CLTs to benefit from one another's ideas and experiences. The group will also serve as a resource to communities that deciding to set-up their own CLTs.

One thing the Coalition already states is: *CLTs that have close relationships with their cities reportedly serve their communities very well.* Creative new projects result from such partnerships, and good relationships with cities ensure that their administrative processes for sustaining affordable ownership housing are run more efficiently. CLTs can be set-up in a variety of creative ways to meet local needs, but a considerable amount of effort is required to establish the organization and an ongoing entity to manage the operations. The process may be considerably less overwhelming now that cities can more readily access information and resources on CLTs.

## Appendix C – The Millennial Housing Commission

### The Millennial Housing Commission

In December of 2000, the Congress of the United States, pursuant to legislation introduced by Representative James Walsh, established the bipartisan Millennial Housing Commission (MHC). Commission members were appointed by the chairs and ranking minority members of the House and Senate Appropriations Committees and Subcommittees for VA, HUD and Independent Agencies; the Senate Banking, Housing and Urban Affairs Committee and its Housing and Transportation Subcommittee; and the House Financial Services Committee and its Housing and Community Opportunity Subcommittee. The Commission was charged with examining, analyzing, and exploring:

“(1) the importance of housing, particularly affordable housing which includes housing for the elderly, to the infrastructure of the United States;

“(2) the various possible methods for increasing the role of the private sector in providing affordable housing in the United States, including the effectiveness and efficiency of such methods; and

“(3) whether the existing programs of the Department of Housing and Urban Development work in conjunction with one another to provide better housing opportunities for families, neighborhoods, and communities, and how such programs can be improved with respect to such purpose.”

(P.L. 106-74, Sec. 206(b))

Note: At the same time that it established the Millennial Housing Commission, Congress created the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century. The Seniors Commission was established to report on the housing and health needs for the next generation of seniors, and to offer policy and legislative recommendations for enhancing services and increasing the available housing for this rapidly growing segment of our society. It is scheduled to deliver its report by June 30, 2002. The Millennial Housing Commission deferred senior housing issues to the Seniors Commission.

## **Meeting Our Nation's Housing Challenges**

Report of the Bipartisan Millennial Housing Commission  
Appointed by the Congress of the United States

### ***Submitted to the***

Committee on Appropriations and  
Subcommittee for VA, HUD and Independent Agencies

Committee on Financial Services and  
Subcommittee on Housing and Community Opportunity

*United States House of Representatives*

Committee on Appropriations and  
Subcommittee for VA, HUD and Independent Agencies

Committee on Banking, Housing and Urban Affairs and  
Subcommittee on Housing and Transportation

*United States Senate*

Pursuant to Section 206(b) of Public Law 106-74, as Amended

Washington, D.C.: May 30, 2002

## Executive Summary

Housing is most Americans' largest expense. Decent and affordable housing has a demonstrable impact on family stability and the life outcomes of children. Decent housing is an indispensable building block of healthy neighborhoods, and thus shapes the quality of community life. In addition, the housing sector provides a major stimulus to the nation's economy, consistently generating more than one-fifth of gross domestic product. Better housing can lead to better outcomes for individuals, communities, and American society as a whole. In short, housing matters.

This is why the federal government has long sought to expand the country's housing supply. Federal support for housing has taken many forms over the years: grants; subsidies on mortgage debt; direct payments to landlords on behalf of low-income citizens; the provision of liquidity and stability to the housing finance system through Federal Housing Administration mortgage insurance; the creation of the Federal Home Loan Banks, Fannie Mae, and Freddie Mac; and housing-related tax code measures, such as mortgage interest and property tax deductions, accelerated depreciation, tax-exempt mortgage financing, and Low Income Housing Tax Credits.

Federal support for the housing sector has been tremendously successful for most households. America's homeownership rate is a remarkable 67.8 percent. Direct federal assistance for rental housing now reaches 4.8 million low- and moderate-income families who cannot afford housing in the open market. The nation's housing stock is the envy of the world. More than one million additional affordable rentals are assisted through tax credits and block grants.

For many poor households, however, federal efforts have been less than successful. The most significant housing challenge is affordability, growing in severity as family incomes move down the ladder. In 1999, one in four—almost 28 million—American households reported spending more on housing than the federal government considers affordable and appropriate (more than 30 percent of income). Even working full time no longer guarantees escape from severe housing affordability problems. In 1999, one in eight lower-income working families earning at least the full-time equivalent of the minimum wage reported spending more than half their incomes on housing.

The gap between the available rental supply of units affordable to the poorest households and the demand for them stood at 1.8 million in 1999. Because they could afford nothing better, 1.7 million lower-income households lived in severely inadequate housing, placing their health and safety at risk. Finally, despite the 1990s homeownership boom, black and Hispanic homeownership rates in 2001 lagged the homeownership rate of whites by almost 27 percentage points.

Federal support for the housing sector has been insufficient to cover growing needs, fill the gaps in availability and affordability, preserve the nation's investment in federally assisted housing, and provide sufficient flexibility to craft local solutions to problems. For example, multifamily production in the 1990s was approximately half of its level in each of the previous two decades. As a result of this and the shift toward production of more expensive apartments, rentals affordable to low- and moderate-income households fell by 9.5 percent between 1985 and 1999, further thinning the supply of affordable housing. Federal efforts have often not provided sufficient cash flow and incentives to insure proper physical maintenance or continued affordability when relatively short-term subsidy arrangements expire. Many federal programs fail to reflect state-to-state variations in housing needs and costs, and they fail to motivate proper planning—planning that relates housing to educational and economic opportunities, as well as to transportation.

At the opening of the new millennium, the nation faces a widening gap between the demand for affordable housing and the supply of it. The causes are varied—rising housing production costs in relation to family incomes, inadequate public subsidies, restrictive zoning practices, adoption of local regulations that discourage housing development, and loss of units from the supply of federally subsidized housing. Rural areas and Native American lands present especially difficult environments for affordable housing because of the higher costs of providing infrastructure and the dearth of well-paying jobs. And despite civil-rights and fair housing guarantees, the housing shortage hits minorities hardest of all.

America's housing challenges cannot be described with statistics alone; they must be understood as quality-of-life issues as well. Fundamental to the American Dream is somewhere to call home—a safe and welcoming “anchor place” where families are raised and memories are formed. Furthermore, housing must be viewed in the context of the community in which it is located. Improvements in housing need to be linked to improvements in schools, community safety, transportation, and job access.

Success in federal housing policy needs to be evaluated not just according to the number of housing units produced but also in terms of whether the housing produced improves both communities and individual lives. Federal housing assistance programs need to be reformed so that non-elderly, able-bodied people living in assisted housing have a personal responsibility, as do others, to contribute to society as well as accept its help. It is time for America to put these quality-of-life considerations on a par with cost considerations and make housing programs work to improve communities and individual lives.

In light of its mandate from Congress, the Millennial Housing Commission sought answers to some basic questions in seeking to address the nation's housing challenges:

- What is the importance of housing, particularly affordable housing, to the nation's infrastructure?
- Is the nation getting the housing outcomes it expects and desires for individuals, families, and communities? Are there better ways to meet these needs?
- How can the nation increase private-sector involvement?
- Are existing housing programs living up to their potential? Which need reform or significant restructuring?
- What are the critical unmet housing needs? Are new programs necessary to address these needs?

In the search for answers to these questions, the Commission held five public hearings, conducted numerous focus group meetings, commissioned papers, and solicited input on policy positions and program recommendations from a myriad of individuals and organizations. The consistent ideas expressed in these various forums were:

- Affordability and lack of decent housing are a growing problem, particularly for low-income families.
- Housing must be financially and physically sustainable for the long term.
- Housing issues are predominantly local issues, and programs must reflect the variations from state to state and community to community.
- Housing exists in a broader community context, and programs must consider the relation and impact of housing on education, economic opportunity, and transportation.
- Private-sector involvement in the production of affordable housing must be increased.
- Mixed-income housing is generally preferable to affordable housing that concentrates and isolates poor families.
- Consistent enforcement of the nation's fair housing laws is a vital part of making housing a part of the ladder of economic opportunity.
- Congruence among existing housing programs is essential.

- Homeownership counseling is necessary to make homeownership programs work well for low-income families.

These ideas are reflected in the Commission’s recommendations to Congress.

\* \* \*

This is not a report about specific funding levels, nor does it lay out quantitative goals. Instead, this report presents a new vision for the nation’s housing. The Millennial Housing Commission’s vision can be stated quite simply:

to produce and preserve more sustainable, affordable housing in healthy communities to help American families progress up the ladder of economic opportunity.

To achieve this goal, the Millennial Housing Commission recommends that the links between housing and the community in which it is located be strengthened, that authority and responsibility for making decisions about housing remain in the hands of state and local governments, that the role of the private sector in producing affordable housing be enhanced, and that the goals of sustainability and affordability be placed on equal footing so that continued affordability is no longer the enemy of proper physical maintenance. All affordable housing needs to be designed, financed, and managed to be sustainable over the long term. These policy principles underpin all of the Commission’s recommendations to Congress. The recommendations made in this report also rest upon the assumption that every part of the housing, real estate, mortgage, and community development industries must operate without regard to race, color, national origin, gender, disability, family status, or religion.

A summary of the Commission’s 13 principal recommendations follows. These recommendations are divided into three categories: new tools, major reforms to existing programs, and streamlining of existing programs. The policy principles of strengthening communities, devolving decision-making, involving the private sector, and ensuring sustainability inform all of the recommendations. The recommendations derive from nearly a century of experience. They represent lessons learned and a reaffirmation of the importance of housing to the nation as a whole, its communities, neighborhoods, families, and citizens.

## New Tools

- **Enact a new homeownership tax credit.**

The Commission recommends a state-administered homeownership tax credit, modeled on the successful Low Income Housing Tax Credit for rental housing. States would be able to use this flexible credit, under a qualified allocation plan, for two purposes. In qualified census tracts, where the cost to build or rehabilitate a unit will be greater than the appraised value of the completed home, states may use the credit to offset the developer’s total development cost. A credit used in this manner would thus serve a community development purpose in addition to providing a new unit at a cost to the buyer that reflects local market conditions rather than the otherwise prohibitively high cost of development. Or, states may allocate the credit to lenders who in turn provide lower-cost mortgages to qualified buyers. In either form, the credit will extend the benefits of homeownership to low-income households and the communities in which they choose to live.

- **Support preservation with a broad system of tools, beginning with exit tax relief.**

The stock of affordable housing units is shrinking. Some properties are in attractive markets, giving owners an economic incentive to opt out of federal programs in favor of market rents, and many owners have done so. Other properties are poorly located and cannot command rents adequate to finance needed repairs. In general, properties with lesser economic value are at risk of deterioration and, ultimately, abandonment, unless they can be transferred to new owners. To remove an impediment to transfer, the Commission recommends that Congress recognize and authorize “preservation entities,” organizations that would acquire and own such properties and commit to the preservation of existing affordability. The Commission

further recommends that Congress enact a preservation tax incentive to encourage sellers to transfer their properties to such entities. Subject to state housing finance agency oversight, an owner who sells to a preservation entity would be eligible for exit tax relief.

- **Provide capital subsidies for the production of units for occupancy by extremely low-income households.**

This new tool would address the multiple problems of housing inadequacy that bear most heavily on extremely low-income (ELI) households, most of whom report paying well over half their incomes for housing costs. The most dramatic problem is the severe shortage of available units. No production program currently serves these households, and a significant portion of existing units that would be affordable to some of these families is occupied by higher-income households spending less than 30 percent of their incomes on housing. The capital subsidy would be used to produce new units and/or preserve existing units for ELI occupancy, eliminating debt on the units—and thus removing the debt service component from the household’s monthly rental payment. No more than 20 percent of the units in any one development would have ELI occupancy restrictions. This program would thus result in more and better-quality units for ELI households and a degree of deconcentration of poverty.

- **Enact a new mixed-income, multifamily rental production program.**

In most housing markets, an increase in the housing supply would be beneficial because it would lower rents at all price levels. Scarcity begets higher rents. The Commission therefore recommends a new multifamily production program with modest federal targeting requirements that, because of its relative simplicity, would attract private capital to produce multifamily rental housing. The essence of this recommendation is to take the limits off of states’ ability to issue tax-exempt debt for specific housing and community development purposes. States may choose to allocate the resource via an allocation plan in order to target production to specific areas, such as those characterized by employment and other opportunities that would be particularly beneficial to the low-income families residing in the rent-restricted units.

- **Facilitate strategic community development by empowering state and local governments to blend funding streams.**

State and local leaders have trouble coordinating affordable housing activities with transportation, economic development, employment, training, childcare, and educational activities, because funding for such purposes is delivered through separate federal-to-state funding streams. To facilitate the combined use of such funds in support of comprehensive neighborhood redevelopment, the Commission recommends that Congress authorize governors to set aside up to 15 percent of federal block grant funds received. Funds could be combined and used for specific projects developed with the support of local government(s). Funds would be used for the same purposes as they were intended (e.g., job training, childcare, transportation, housing, social services), but in support of comprehensive neighborhood redevelopment. Localities would undertake a comprehensive planning process with meaningful public input to create a holistic development strategy for a particular neighborhood. Projects selected would benefit from consolidated review and decision-making. Governors would have limited authority to waive federal regulations that interfere with the combined use of funds.

## **Major Reforms to Existing Programs**

- **Transform the public housing program.**

Public housing agencies (PHAs) are encumbered by federal regulations that undermine local decision-making authority and make it difficult for PHAs to provide quality housing to low-income families. For example, the centralized system of public housing funding—wherein funds flow to PHAs as a whole and not to individual properties—makes it difficult for PHAs to finance needed capital improvements through the private markets. Meanwhile, federal funding for such activities has fallen short by approximately \$20 billion to date. To transform the program, the MHC recommends a gradual transition to a project-based approach, with subsidies flowing to specific properties based on the rents that units would command after any needed renovation. This transformation would enable PHAs to rehabilitate properties using funds borrowed in private markets. If feasible, obsolete properties could be repositioned using the HOPE VI

program. The recommendation also addresses troubled agencies, the program's overly complicated rent structure, and the disproportionate regulatory burden on small PHAs.

- **Revitalize and restructure the Federal Housing Administration within HUD.**

Revitalizing and restructuring FHA is an urgent priority for congressional action. FHA's multifamily insurance is an indispensable tool for stimulating housing production, and its single-family insurance extends homeownership opportunities to low-income families and minorities. FHA's potential, however, is limited by its outmoded structure and confining statutes. The Commission therefore recommends that Congress restructure FHA as a wholly owned government corporation within HUD, governed by a board chaired by the HUD Secretary. Such a structure would enable FHA to adapt its programs to evolving markets without relying on Congress to legislate each change, and it could be accomplished with no substantial budget impact. It would also enable FHA to invest in technology, leading to increased efficiency and reduced risk, and to attract and compensate staff at competitive levels, securing the skills needed to manage its nearly \$500 billion mortgage insurance program. Equally important is that under such a restructuring the FHA would remain with HUD and would be an effective force for the production and preservation of affordable housing. The Commission also outlines recommendations intended to provide FHA with more flexible multifamily and single-family operations. If Congress chooses not to restructure FHA, the MHC recommends that its proposed improvements be implemented within the current FHA organization.

- **End chronic homelessness.**

Homeless families and individuals generally fall into two categories: the transitionally homeless and the chronically homeless. Transitionally homeless households need adequate housing, first and foremost, while those who are chronically homeless confront health or substance abuse problems in addition to extreme poverty. With its capital subsidy for units targeted exclusively to extremely low-income households and its recommended improvements to public housing, vouchers, and the HOME and Low Income Housing Tax Credit programs, the Commission believes that the tools needed to end transitional homelessness will be available. For the chronically homeless, permanent supportive housing, which combines housing with intensive rehabilitative and other social services, is needed. The Commission recommends the elimination of chronic homelessness over a 10-year period by the creation of additional units of permanent supportive housing and the transfer of renewal funding for such units to HUD's Housing Certificate Fund.

- **Over time, establish a work requirement linked to housing assistance.**

As with other "means-tested programs," a household qualifies for housing assistance based on its income. Housing programs that set rents at a percentage of household income create a disincentive to increase income through work or marriage and a powerful barrier to household movement up the ladder of economic opportunity. The Commission recommends several measures to move assisted families up and out of assisted housing units, over time, through a combination of work requirements and supportive services, enabling them to increase their incomes and freeing up the housing units for other, currently unassisted families. In addition, the Commission recommends continued experimentation with and changes to the rent structure of public and assisted housing to reduce the disincentives to work and marriage.

## **Streamlining of Existing Programs**

- **Expand and strengthen the housing choice voucher program.**

The voucher program serves 1.6 million households and is for the most part highly successful. In some markets, however, program administration and regulatory complexity create an effective disincentive for private owners to accept voucher-holding tenants, especially when owners can instead rent to unsubsidized tenants. The Commission recommends increased authority for local program administrators to change payment standards in response to market conditions, and, recognizing the versatility of the program, it proposes measures to match voucher holders with services that complement efforts to embrace employment and other opportunities. Additional recommendations strengthen and enforce the requirement that owners of housing produced with federal assistance accept voucher-holding households—including

extremely low-income households, for whom the Commission recommends a special type of voucher—in all cases subject to a local cap to encourage deconcentration of poverty. Finally, the Commission asserts that the voucher program is distinctly worthy of additional funding in substantial annual increments.

- **Reform the HOME and Low Income Housing Tax Credit programs, and increase funding for HOME.**

The HOME and Low Income Housing Tax Credit programs are both highly successful. Outdated rules and regulations, however, inhibit their potential for production and preservation activities, particularly those that would provide new or rehabilitated units affordable to the lowest-income households. The Commission recommends elimination of these rules and of programmatic complexities that burden project developers and owners. In the case of the tax credit, the Commission recommends elimination of uncertainties that can spoil investor appetite. To support the efforts of former welfare recipients, the Commission calls for a change to the tax code to allow states to use Temporary Assistance to Needy Families (TANF) funds for one-time grants to tax credit properties. The grants would be used to reduce the rents on particular units, which would be occupied by working poor, including former welfare, households. For the HOME program, the Commission recommends substantially increased appropriations.

- **Improve the Mortgage Revenue Bond program.**

State housing finance agencies (HFAs) issue Mortgage Revenue Bonds (MRBs) and use the proceeds to generate single-family mortgages. A statutory provision known as the “10-year rule” limits HFA use of scheduled repayments and mortgage prepayments and has resulted in substantial lost mortgage volume to date. This provision should be repealed immediately. In addition, as long as income limits are enforced, the Commission recommends repeal of purchase price limits, as well as restrictions that limit eligibility to first-time homebuyers and restrictions that apply in some states and limit eligible Veterans. These measures combined will help to ensure that HFAs maximize the public benefit associated with bond issuance in the interest of promoting homeownership for low-income families.

- **Revise federal budget laws that deter affordable housing production and preservation.**

Budget laws inhibit the U.S. Department of Housing and Urban Development (HUD) from entering into contracts requiring more than one year’s funding. As a consequence, HUD cannot offer the owners of multifamily housing multiyear contracts for rental assistance, and owners cannot obtain financing on the terms most advantageous for capital investment in the affordable housing stock. As a practical matter, Congress has never failed to appropriate funding to renew existing contracts for rental assistance. The Commission recommends, therefore, that funding for rental assistance be moved to the “mandatory” category of federal expenditures, so that private-sector lenders will be willing to finance repairs. The MHC suggests alternate measures that would have the same effect.

In addition to the principal recommendations described above, the Millennial Housing Commission endorsed a number of supporting recommendations: increase funding for housing assistance in rural areas; increase funding for Native American housing; establish Individual Homeownership Development Accounts to help more low-income households buy homes; allow housing finance agencies to earn arbitrage; exempt housing bond purchasers from the Alternative Minimum Tax; undertake a study of Davis-Bacon Act requirements; address regulatory barriers that add to the cost of housing production; streamline state planning requirements for community development programs; expand the financing options for small multifamily properties; foster a secondary market for development and construction lending; launch a demonstration project for comprehensive community development; improve consumer education about home mortgage lending; improve the access of manufactured home buyers to capital markets; affirm the importance of the Community Reinvestment Act; and affirm the importance of the government-sponsored enterprises.

## Appendix D – Blueprint 2030: A Plan for Growth and Change

A strong economy, successful schools, stunning parks and lakes, a vibrant cultural life and a beautiful natural environment have transformed the Twin Cities area into one of the fastest growing metropolitan areas. Growth has brought new jobs, rising incomes, new tax revenue, higher property values, and the highest rate of home ownership in the nation. It has stimulated the revitalization of the region’s older areas, attracted new businesses and workers, and strengthened the geographic clustering of industries that make the region competitive in a world economy. Growth has brought more consumer choices, employment options and social diversity.

And the Twin Cities will keep growing over the next 30 years. We can expect an increase in the number of households that is slightly more than that of the past three decades. We’ll see increasing population, but a slower rate of job growth as large numbers of Baby Boomers retire.

### Metropolitan Area Growth

	1970 – 2000	2000 – 2030
Households	447,000	461,000
Population	767,000	930,000
Jobs	786,000	553,000

The metropolitan area faces the same issues confronting other successful regions—highway congestion, rising housing costs and the continuing loss of farmland and natural areas. At the same time, there’s a growing consensus that the region has new opportunities to shape its growth. The crucial question is *how* the region grows, not *how much*.

The challenge is: How can the region accommodate expected growth while improving our quality of life?

The Metropolitan Council brings together the emerging trends in individual city and township plans, the aspirations of citizens, the ideas of the business community and public groups, and a wide variety of census, land use, environmental and transportation data, to give voice to what makes the larger “place”—the community that is the Twin Cities metropolitan area—one of the best places to live, work, raise a family and do business.

### Blueprint 2030 Goals

The vision of what the region can become over the next 30 years echoes the mission of the Metropolitan Council: To create a metropolitan region that is one of the best places to live, work, raise a family and do business. The seven interrelated goals set out in this Blueprint are designed to do just that. The goals are:

- Greater transportation choices and access to jobs and opportunities are provided through development patterns that strengthen regional connections and improve mobility.
- Urban and rural centers along transportation corridors are the focus for growth and redevelopment that integrates land use and transportation to build and support a sense of place.
- Expanded choices of lifecycle and affordable housing meet changing demographic trends and market preferences, and support the region’s economic competitiveness.
- Natural areas have been conserved and protected in ways that sustain a healthy natural environment and enhance the quality of life.
- Developing communities accommodate new growth through a connected and sustainable pattern of land use.

- Fully developed and older communities are the focus for reinvestment to ensure their continued vitality through maintaining and renewing buildings, land, streets, water and sewer lines, and other public and private infrastructure.
- Rural communities are sustained as rural places and productive agricultural lands are preserved as a long-term asset of the region.

### *A New Direction*

The region cannot rely solely on what has made it a success in the past. We need new approaches shaped by emerging trends, market demands, citizen values and preferences, and leading-edge data, woven together into an overall, comprehensive strategy.

This new direction means:

- **More attention to the pattern and arrangement of land uses.** *Blueprint 2030* pays attention to *how* development occurs—such as the mix of land uses, the number of housing units per acre, and the potential for transit and local street connections. The pattern and arrangement of land uses offer opportunities to leverage a range of benefits—expanded housing choices, improved transportation mobility (shorter vehicle trips and more travel choices), and more livable communities with an enhanced sense of place.
- **Transportation used to shape land use patterns.** The *Blueprint* calls for intensified development in centers along transportation corridors and in rural towns that want to grow and that lie along major highways. Regional investments can create a transportation system that relies on innovative transit solutions—including exclusive transitways and service improvements—that support attractive, walkable neighborhoods with homes, green space, public places and other amenities.
- **Emphasis on reinvestment in older areas.** The *Blueprint* calls for accommodating approximately a third of new households over the next three decades in a designated “Reinvestment Area.” By reinvesting in currently underused land and by redeveloping at higher densities, the region can accommodate growth on a much smaller urban “footprint,” slow the rate of increase in traffic congestion, ease development pressures on rural land, save billions of dollars in local sewer, water and road construction costs, and strengthen the vitality of older areas.
- **Development of a metro-wide natural resources inventory and assessment to foster development that is more sensitive to the environment.** An inventory and assessment of the region’s natural resources now are documented in overlays of computerized maps. This tool can help local governments plan development that respects the integrity of natural areas and incorporates environmental features into development projects. Conserving and restoring regional and local natural resources contributes to a healthy natural environment and enhances our quality of life. Connecting regional and local features by natural-resource corridors helps sustain wildlife and plant habitat and shapes how development looks on the ground.
- **Emphasis on increasing housing production that reflects market demand, shifting demographics, employment locations, and a diversity of incomes.** The new-housing market has been weighted in favor of single-family housing over such alternatives as townhomes and condominiums. Already, that is changing. The oldest baby-boomers are now in their 50s, and newcomers to the metropolitan area are likely to expect a variety of housing types and prices. The market demand for single-family detached housing is expected to decline in the next 30 years, even as the overall demand for housing remains strong.
- A mix of housing types and prices enables people to work, raise a family and retire in the same community, attracts jobs, and improves local economic competitiveness. Affordable units, incorporated into attractive market-rate developments, can expand housing opportunities for lower-income families and households.

- **Support for expanded protections of farmland and natural resource areas.** Approximately 73,000 acres of natural-resource areas are currently unprotected from development, and tens of thousands of acres of prime farmland may be converted to home sites over the next 30 years without additional protections. Strengthening the Regional Park and Open Space system will help preserve regional natural resource areas. We can also strengthen existing preservation programs, such as Metropolitan Agricultural Preserves. To preserve much of the remaining open, rural areas, however, we need additional tools involving the purchase of development rights—such as conservation easements and agricultural preservation easements.
- **Flexibility in the location of new development in growing communities.** Some cities at the urban edge have portions of their jurisdictions lying within the region’s urban area and portions within its rural area. The Metropolitan Council is committed to providing these cities with regional wastewater service to accommodate 10 years of growth, as it has in the past. A growing city has the flexibility to decide where development occurs within its areas planned and staged for urbanization—provided that regional infrastructure is available and adequate—with the expectation that the city will make efficient use of public investments and develop in a manner that takes natural features and transportation services into account. Cities are encouraged to plan and make available for potential development an area needed to accommodate up to 20 years of growth.
- **Support for rural towns that want to grow.** The spread of scattered development in rural areas threatens the very qualities that attracted residents in the first place. The Council supports growth in “Rural Growth Centers” in ways that absorb much of the development that would otherwise occur in the countryside. For those Rural Growth Centers hampered in their growth potential because they are reaching the limits of their wastewater service capacity, the Council will consider offering regional wastewater services provided the centers meet criteria qualifying them for assistance.

*Blueprint 2030 Principles*

Four principles are fundamental to the way the Metropolitan Council will pursue the approaches outlined in *Blueprint 2030*.

- **Collaboration and Partnership.** The continued involvement of citizens, local governments (especially the region’s mayors), state and federal agencies, business leaders, community organizations and public-interest groups is needed to shape solutions and initiatives.
- To increase mobility and housing production to meet the region’s needs, to ensure sustainable land use patterns, and to protect the natural environment, the region will need collective and collaborative approaches together with focused tools and strategies.
- **Alignment and Integration.** The Council will coordinate the full range of existing regional investments to better support local communities striving to improve their livability and economic competitiveness. These investments include expenditures for highways, transit, wastewater facilities, airports, housing, brownfield clean-up, environmental remediation, financial incentives for development and redevelopment, regional parks and open space, and conservation of the regional natural-resource areas identified in the Regional Natural Resource Inventory and Assessment (NRI/A). The Council will continue to identify opportunities to more effectively use its resources to support local efforts.
- **Fully Utilized and Increased Resources.** The Council intends to use all its tools to the fullest extent possible and to seek new and enhanced resources to achieve *Blueprint* goals. The Council will work to increase resources for its regional systems and current financial incentives available to local communities. It also will look for ways to support promising initiatives, programs and projects when opportunities arise, providing regional services such as wastewater and transit service at a quality and cost that are competitive with any public or private provider in the nation. The Council will also

partner with others in both the public and private sector to leverage additional investments in *Blueprint* goals.

. **Accountability in Implementation.** The Council will work with local governments to identify benchmarking indicators and a process for regularly assessing the progress of local and regional efforts. The Council will foster more flexible tools, such as performance-based standards, for measuring performance.

### *An Integrated and Aligned Approach*

The seven goals laid out in the *Blueprint* are the foundation for a number of key policies that reflect the importance of **integration** and **alignment**.

- . *Integration* recognizes the connections among all the factors that are important to achieving goals—for example, making decisions that consider roadways, transit, housing and parks together to expand choices for commuting to work or for enjoying open spaces. An integrated approach produces an outcome that is greater than the sum of its parts.
- . *Alignment* involves directing resources—for example, dollars, regulatory requirements, technical assistance, and partnership actions—so they all work to achieve the same desired outcome and avoid working at cross-purposes. Policies and strategies that align resources help ensure success in achieving goals.

### *Blueprint 2030 policies:*

- . Emphasize the importance of the pattern of growth more than the amount.
- . Recognize the role that transportation and the conservation of natural resources can play in shaping growth rather than just serving it.
- . Acknowledge that lifecycle and affordable housing requires not only the right number and mix of units at the right price, but also the right location, near the right mix of jobs and services connected by a choice of mobility options.
- . Achieve regional growth targets with a greater emphasis on redevelopment and infill.
- . Provide local governments with more flexibility to stage development.
- . Align and seek new tools, resources and incentives to help every community in the region achieve a strong economy and maintain a high quality of life.

### *Blueprint 2030 Policies*

POLICY 1. SHAPE THE REGION’S GROWTH PATTERNS TO IMPROVE MOBILITY, CREATE CONNECTIONS AMONG LOCAL LAND USES, SUSTAIN THE NATURAL ENVIRONMENT, AND EXPAND CHOICES IN HOUSING TYPES AND LOCATIONS.

POLICY 2. Increase the production of housing, expand choices in housing locations and types, and improve access to jobs and opportunities.

POLICY 3. Support Developing Communities as they grow with regional investments and incentives.

POLICY 4. Support the revitalization of communities as they change and respond to market preferences.

POLICY 5. Conserve natural resources as the region grows.

POLICY 6. Preserve rural areas and agricultural lands as long-term features of the region.

## Appendix E—Best Practices

### Developing Affordable Housing: What Works for Cities

As discussed in the “Best Practices” section of the report, city governments with mayoral representation on the Task force don’t just talk about ways to improve housing affordability in the region. They also work hard to incorporate new ideas and processes into their development strategies. A number of approaches have worked well for the Cities involved, and are shared here as “best practice strategies” so others might benefit from their experiences when designing their own programs.

*Strategy 1:* Projects work well when there is **strong leadership and/or political commitment** from the City.

- Coon Rapids brings representatives from the Met Council and nonprofit housing organizations to speak to its council members about the need for affordable housing. Recently, speakers helped convey the importance of the City’s purchase of 20 houses as part of the Hollman project. The project was approved.
- The City of Shakopee routinely plans additional areas for development of new, attached, or multiple family housing.

*Strategy 2:* Projects that focus on **community involvement** are efficient and can increase cities’ control over the redevelopment process.

- Falcon Heights invited residents and business owners to become active partners in planning a total redevelopment for a 4-acre site that formerly housed a 50-year old shopping center. The community decided to keep a small amount of space for retail, but replace the rest with mixed-use and mixed-income housing. They are now coming up with design standards, around which the City will ask developers to shape their proposals. Falcon Heights said that involving the community, and keeping them updated is expected to save time and money – they will avoid having to make dramatic changes later on. Community involvement will also ensure that land use changes were compatible with the surrounding neighborhoods.
- When the property owner of the 44-unit Meadowland Townhomes indicated an interest in converting the development to market-rate housing, the City of Shoreview partnered with residents to work with the property owner to delay or reconsider. The owner has now tentatively agreed to a new ten-year contract to continue offering affordable housing.
- Eden Prairie’s Project HOPE connects families it serves to volunteer families from the community who provide friendship and support while they work toward completing their career goals. This helps educate citizens about the challenges facing welfare dependent families.

*Strategy 3: Educational components* are effective in helping families achieve and sustain self-sufficiency.

- Coon Rapids secured \$100,000 from a regional shopping mall developer to support adjacent housing (some efficiency units) so retail workers from the mall would have a local place to live. The City used some of the grant to host a county-wide workforce housing forum that featured best practices in zoning, housing materials, housing styles, etc. The City now hosts four workshops a year for council members and staffs.
- The City of Shoreview acquired and renovated a historic residential property to be the 35W Coalition's Housing Resource Center. The City now contracts with the Center to administer housing programs in the local community. Services provided include: loan information; first time homebuyer assistance; construction management assistance; homeownership assistance; and administration of a home improvement rebate program.
- Families that receive vouchers to move into market rate housing of their choice from Project HOPE in Eden Prairie must commit to up to five years of career development and economic self-sufficiency training.

*Strategy 4: Changing rules and systems around land use and zoning ordinances* to promote density, mixed use, and mixed income developments can increase cities' ability to make new projects happen.

- Apple Valley constantly reviews its policies to make certain that they make sense when tackling the affordable housing shortage. When approached by a nonprofit housing group about its idea to take advantage of the Inclusionary Housing Act as developer of the Hidden Ponds apartment complex, the City agreed to reduce several building setback requirements, reduce exterior building materials standards, and provide a density bonus under negotiated zoning standards. In return, the developer agreed to reserve twenty percent of the dwelling units for households who are recent or current recipients of the Minnesota Family Investment Program (MFIP).

The City is also in the final stages of review for the Tuscany Apartments, which proposes to include 63 affordable one- and two-bedroom units (twenty percent of the total number of units). The apartments are part of the Central Village Legacy development, which is a compact development using smart growth principles of reduced street setbacks, pedestrian connections, high levels of public amenities in the streetscape, and mixed housing types of general occupancy apartments, senior apartments, and owner-occupied townhomes, plus commercial uses to serve the local residents. The Planned Unit Development zoning also addresses enhanced design standards for the buildings and density provisions substantially higher than in traditional suburban developments. Negotiated performance standards had an estimated value of \$280,000.

Other shifts from tradition include: utilization of density bonuses to allow for increased densities; relaxation of performance standards, such as exterior finish material requirements, to keep building costs down; and granting setback variances to allow for construction of a multi-building apartment complex that contained both affordable and market rate rental units.

- As part of its comprehensive planning, the City of Shoreview has created a high-density senior residential land use designation. It permits 20 to 45 units per acre. Also, the City created “MU”, a mixed-use land use designation which permits the integration of residential with commercial/office/business park uses. These designations are being used to approve a number of developments including redevelopment of the currently all-commercial Shoreview Town Center into a retail and residential area.

Shoreview has also developed a multi-generational development in The Shores/Shoreview Village, a 68-unit apartment complex for seniors and 15 owner-occupied townhome units. Forty percent of the senior units are affordable, and the City received funding from the Metropolitan Council to offer the townhomes at a reduced cost, so it now meets the affordability guidelines for first-time homebuyers. Re-sales are restricted to sustain affordability. The City offered a number of fee waivers and reductions, write-down of land costs, and tax increment financing to assist with financing of this project.

- The City of Shakopee has kept lot size requirements for single-family, detached developments low. The zoning code requires a minimum lot width and lot depth of 60 feet and 100 feet, respectively. This amounts to a minimum lot size in the City’s Urban Residential (R-1B) zone of about 6000 square feet, or only .14 acre.

*Strategy 5: **Getting involved with the provision of financing tools** can help communities achieve their housing goals.*

- The Plymouth HRA began using a tax levy to support the City’s housing initiatives in the early 1990s, and has gradually increased support over time. In 2003, the proposed levy is just over \$550,000. The main program Plymouth assists with levy funds is the HRA-owned senior facility, Plymouth Town Square (PTS). The HRA provides \$270,000 annually towards rental assistance to keep rents at an affordable level. The levy also funds development projects, which provide affordable units in both ownership and rental housing when a “gap” exists and there is a demonstrated need for assistance.

In the past three years, Plymouth has also created two tax-increment financing districts that provide over \$4 million dollars in assistance to projects that include affordable owner and rental

units. Plymouth has also taken advantage of changes in the TIF laws that allow the City to transfer funds from existing districts, whether they are housing districts or not, to assist with additional affordable housing needs.

- The Minneapolis Public Housing Authority's Section 8 Homeownership Program will allow 50 Section 8 families approved for participation to purchase homes and apply their monthly Section 8 housing assistance towards their monthly mortgage (PITI) payment on their single family home, townhome, or condominium. This is the first program in the county to allow Section 8 assistance to be applied toward mortgage payments. First-time homebuyer counseling and a deduction and continued Section 8 assistance is provided to all participants through the Section 8 term or for 5 years, whichever comes first.
- The East Edina Housing Foundation, a nonprofit funded by Edina's HRA, was formed in 1985 to assist the City and HRA to provide modest cost housing opportunities for persons of low- and moderate-incomes. In 1985, the Foundation began offering down payment assistance in the form of a second mortgage for qualified purchasers of Edinborough and Centennial Lakes condominiums. This program has been very successful, having provided over 300 second mortgages to date. The deferred payment loans have been accruing five percent simple interest. Over the years, enough of the loans have been paid back to put the foundation in a financial position to offer other housing assistance programs, to include down payment assistance, and housing rehabilitation.
- The City of Shakopee encourages and supports the preservation of the City's older and therefore more affordable housing stock by maintaining a rehab loan fund for homes in the downtown and surrounding, older area of the city.
- Apple Valley used CDBG funds to assist in property acquisition for affordable housing. The City also provided resolutions of support for developers seeking tax-increment financing assistance from the Dakota County CDA for multi-family residential projects. But perhaps most interesting is that the City worked with a number of agencies to obtain deep subsidies that would allow achievement of deep affordability targets for the Hidden Ponds project (see "Strategy 4" above). The Minnesota Housing Finance Agency (MHFA) provided a first mortgage of \$5,061,718 as well as \$3,048,429 in deferred zero-interest loans. The Dakota County Community Development Agency (CDA) provided a \$93,000 deferred one-percent interest loan of HOME funds, established a tax-increment financing district providing about \$84,000 per year for fifteen years to allow a larger first mortgage amount, and committed ten units of Section 8 base assistance. The City of Apple Valley itself obtained a \$500,000 grant of Inclusionary Housing Account funds from the Metropolitan Council on behalf of the developer to underwrite project costs. The Metropolitan Council also waived sewer availability charges (SAC) for affordable units, and Apple Valley did likewise for its local sewer and water availability charges.

*Strategy 6:* When communities have specific housing needs, **program features can be specifically designed** to meet them.

- Eden Prairie’s Project HOPE helped the City overcome a severe shortage in affordable housing by providing scattered-site-housing choices to families currently living in low-income housing developments. As HOPE families move into market-rate housing of their choice, the units they vacate are freed-up for other families waiting for housing. For every housing voucher, two very low-income families are housed in Eden Prairie.
- To help keep cities’ investments in affordable housing sustainable, Minnetonka helped initiate the West Hennepin Affordable Housing Land Trust (WHAHLT), an organization that buys and holds title to the residential lot so the homebuyer only needs to obtain a mortgage for the house itself (more about land trusts is available in the “Sustainability” section and Appendix B of this report). WHAHLT now owns homes in Minnetonka and Richfield, and is pursuing properties in other cities.
- New Hope designed its Scattered Site Housing Program to improve the cities housing stock while providing livable housing options for low- and moderate-income families. The program gives the City the authority to purchase distressed properties throughout the City using CDBG funding that is accessed through a cooperative agreement with Hennepin County. The homes are then either rehabilitated or demolished to accommodate new construction, and are sold to first-time homebuyers who meet low- to moderate-income guidelines.

*Strategy 7:* **Collaborative efforts, such as multi-jurisdictional and/or subregional planning, increase the scope of development efforts**, reaching beyond political borders.

- Shoreview is participating in a multi-jurisdictional study with Vadnais Heights and Little Canada to address the redevelopment of the I694/Rice Street area. Existing uses will transition to a mixture of uses, including medium/high density residential. Shoreview is also an active member of the North Metro I35 Corridor Coalition Housing Subcommittee, where it addresses issues of demographics, affordable housing needs, and legislative needs. Finally, Shoreview markets the Minnesota Housing Finance Agency’s First Time Home Buyer program to its residents.
- New Hope participates as a board member in the Northwest Community Revitalization Corporation (NCRC) Community Housing Development Organization (CHDO), which builds partnerships to provide decent housing that is affordable to low- and moderate-income citizens of New Hope, Crystal, Brooklyn Park, Maple Grove, and Robbinsdale. NCRC CHDO helps cities to access “HOME”, additional funding and technical assistance for various home ownership projects.

- The Minneapolis Community Development Agency (MCDA) and Minneapolis Public Housing Authority (MPHA) is working with Minneapolis Schools, Lutheran Social Services, the Resource Center, and Family Housing Fund to provide housing to low-income families in the Community School areas where the children are presently bussed. The goal is to increase family participation in their children's education, thus increasing potential for success. This is also an attempt to increase access to market units that have not participated in Section 8 activity, and should expand opportunities in non-impacted areas of the City. Lutheran Social Services is working with landlords in the areas to place families referred by local Principals of the schools. MPHA is providing vouchers to the families. Ongoing support service and case management is being provided by the Resource Center. And the MCDA and Family Housing Fund are providing funds for administration, moving assistance, down payment assistance, and damage deposits to make the program and its participants successful.
- Project HOPE in Eden Prairie is a collaborative effort involving the City of Eden Prairie, the Metropolitan Council Housing and Redevelopment Authority (HRA), Hennepin County Technical College, Episcopal Community Services, Eden Prairie School District, and community volunteers.