

Affordable Housing Strategy: Ford Site Planning

The information contained in this memo is for the Planning Commission's consideration. There are several affordable housing options available for the Ford Site that can be tied to zoning or public financial assistance. The site will be rezoned in preparation for new development, and there may be public investment, although not a surety, in infrastructure and housing production. The City of Saint Paul is committed to furthering fair housing, housing choice, and access to economic opportunity and has a longstanding practice of coordinating public investments to achieve these goals. The goal of the City of Saint Paul is to continue to make community development investments through a lens of fair housing and racial equity.

Ford Site Affordability Goals

The Ford Master Plan recommends the following affordability goals for the site:

- 10% of housing units will be affordable to households earning 60% of AMI.
- 10% of housing units will be affordable to households earning 50% of AMI.

Affordability goals will apply to the site in aggregate and should consist of a mix of rental and ownership units.

City staff is open to exploring other options relative to this strategy. Options may include adjusting the percentage of affordable units, the area median income (AMI) levels they serve, and/or making distinctions between rental and ownership units.

Comprehensive Plan Affordability Goals

The Comprehensive Plan's Housing Chapter sets citywide goals for the production of new rental and homeowner units when City financial assistance, such as Tax Increment Financing, is provided to the project as follows:

- 30% of City/HRA-assisted *rental* units will be affordable to households earning 60% of AMI, with at least one third affordable to households earning 50% of AMI, and at least one third affordable to households earning 30% of AMI.
- 20% of City/HRA-assisted *ownership* units will be affordable to households earning up to 80% of AMI, and an additional 10% will be affordable to households at 60% of AMI.

On an aggregate basis, the City has exceeded the rental housing goals over the last 10 years. The City has also exceeded the ownership goals through the Inspiring Communities program. (See attached AMI Income Levels and Housing Costs Exhibit 1.)

Metropolitan Council Goals

As a participant of the Metropolitan Council's Livable Communities Program, the City is committed to work toward fulfilling its obligation to provide its share of affordable housing to meet the regional need. Every ten years, the City recommits to participating in this program by agreeing to work toward a specific affordable housing goal. The City continues to work towards its 2011 – 2020 goal of creating 2,625 units of affordable housing at or below 60% of AMI. In 2014, the Metropolitan Council adopted a Housing Policy Plan that reformulated how affordable housing would be allocated throughout the region and created goals for specific affordability levels. Based on the allocations in that plan, the City's

affordable housing goals for 2021 – 2030 will include creating 832 units at or below 30% of AMI, 128 units between 31% and 50% of AMI, and 1,013 units between 51% to 80% of AMI. It is likely that any affordable units built at Ford would not come on line until 2021 and will help meet the new goals.

Fair Housing

The City receives federal grants and is required by HUD to take meaningful action to overcome historic patterns of racial and economic segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination. Recently, the City, together with regional, city, county, and community partners completed an addendum to the Regional Analysis of Impediments (AI) to Fair Housing, which provides goals and recommendations to address fair housing issues. Development at the Ford site can help further three key goals identified in the AI.

1. Improve opportunities for Mobility within the Region
 - This can be accomplished by considering requiring the acceptance of Housing Choice Vouchers (Section 8) on a portion of the units in projects receiving city assistance.
2. Expand locations of affordable housing
 - The City strives to balance affordable housing across the city, taking into account which areas include census tracts with concentrated race and poverty (See ACP50s map attached as Exhibit 2.) and which areas include non-concentrated census tracts. Approximately half the city is located in an ACP50 area and our practice has been to prioritize the preservation of existing affordable units in those census tracts. The new construction of affordable units are prioritized in areas outside of ACP50 areas as opportunities become available. For example, there are approximately 600 new construction affordable units planned in non-ACP50 areas to be located in the near future in neighborhoods on the western end of the Green Line.
 - The City can assist in meeting this goal by setting aside funding to provide gap assistance for affordable housing. (See Affordable Housing Tools below)
3. Increase access to homeownership
 - The City can assist in meeting this goal by setting aside funding to enable land trusts or limited equity cooperatives for affordable ownership.

Ford Site Affordability Goals

The current Ford Site Affordability Goals vary from the Comprehensive Plan (CP) goals for the following reasons:

- The CP goals only apply to buildings that the City invests in and the required percentages apply to unit production in the aggregate across the entire city. Applying the CP goals to a relatively small area (Ford site boundaries) will result in the percentages applying to an entire neighborhood and a disproportionate use of subsidy in one neighborhood at the expense of investments in other city neighborhoods.
- Ward 3 is already home to approximately 700 publicly-assisted low income and public housing rental units of which approximately 500 are affordable to households at or below 30% of AMI.

- Ford site affordability goals, coupled with public subsidies, could produce ownership units at a lower income threshold than those specified in the Comprehensive Plan.

Affordable Housing Tools

The provision of public subsidy is the most straightforward mechanism to ensure the creation of units and long term preservation of affordability. Public assistance tools may include:

1. Tax Increment Financing – Rental or Ownership Tool

While creation of a TIF Redevelopment District does not require affordable units, TIF can be used to subsidize affordable housing. The use of this tool would yield affordable units at a level and term that would be negotiated.

2. Low Income Housing 9% Tax Credits – Rental Tool

HRA annual allocation results in the production of one 50 unit project every two years. The current priority is for preservation projects with support services and historically results in 100% of the units affordable to households at 50% AMI or below for 30 years. This source requires a minimum of 20% of the units affordable at 50% AMI or 40% of the units affordable at 60% of AMI.

3. Tax Exempt Bonds/4% Tax Credits – Rental Tool

HRA annual allocation is approximately \$37M which results in 200 units which can be a combination of smaller projects or one large project. Typically results in 80% of the units affordable to households at 60% AMI and 20% at 50% AMI for 20 years. This source requires a minimum of 20% of the units affordable at 50% AMI or 40% of the units affordable at 60% AMI.

4. HOME Program – Rental or Ownership Tool

City annual allocation is approximately \$1,300,000 which typically assists one or two projects depending on project size and level of affordability. This source restricts units to Section 8 rents and must be affordable for a period of 20 years.

5. HRA Funds - Rental or Ownership Tool

These dollars are not subject to federal or state affordability requirements, however, use of these funds are negotiated and would result in the provision of affordable housing.

6. Housing Partners – Rental and Ownership Tool

Affordable housing funding partners include the Minnesota Housing Finance Agency, Metropolitan Council, Federal Home Loan Bank, Capitol Region Watershed District, and Foundations.

7. Inclusionary Zoning – Rental or Ownership Tool

One non-financial method of producing affordable rental and ownership is creating an Inclusionary Zoning Ordinance. Depending on market conditions, public subsidy may not be needed to support private market development of the Ford site. In this case, City policies for requiring affordable housing would not be triggered. Inclusionary zoning is a tool to ensure that affordable units are produced. (See Inclusionary Zoning Exhibit 3.)

Similar Project Examples

Victoria Park: The HRA/City installed public and site improvements by selling General Obligation (GO) TIF bonds which required a Development Agreement (DA). The DA required that 20% of the total units be affordable (10% of units at 30% AMI and 10% of units at 50% AMI) and at least 15% of those units had to be for ownership at 50% AMI. The construction of the Shalom project satisfied the rental obligation in the first phase of development through a Section 202 Federal grant (The 202 Program is currently not funded by Congress). An Amendment to the Development Agreement renegotiated the affordable ownership requirement. There are now 339 rental units, 45 of which are affordable (13%), plus an additional 108 nursing home beds.

Upper Landing: The HRA/City issued TIF revenue bonds and made loans to help finance public and site improvements requiring a Development Agreement (DA). The DA required 20% of the rental units be occupied with incomes at or below 50% AMI, and allowed up to half of the units to be occupied by Section 8 tenants. There are now 434 rental units, 90 of which are affordable (20%) plus 268 market rate ownership units.

Missing Middle – 80-120% of AMI

There is an increasing scarcity of affordable housing due to market conditions and higher construction costs. Low vacancy rates, a growing population, high employment rates and a movement to live in the inner city have increased housing demand leading to increasing rents and reduced supply of naturally occurring affordable housing (defined as existing projects without any public financing or rent restrictions).

- Due to the desirability of the site and, potential high land costs, it could require a larger financial subsidy than typical to decrease rents or home sale prices thereby producing fewer affordable units.
- Because subsidy funding is very limited, the city should prioritize projects that address Saint Paul's most pressing housing needs, which are cost burdened households (earning 60% or below AMI) and the homeownership gap between people of color and whites.

Twin Cities Housing Affordability – AMI Income Levels and Housing Costs

Some general information

- Subsidized developments typically have income requirements between 30% - 60% AMI (\$19,000 – \$38,000 a year for a single person HH and \$27,100 - \$54,200 a year for a family of four)
- For households with a Section 8 voucher, cost of housing is calculated as 30% monthly household income rather than a price per unit

Number of Persons	1		2		3		4	
	Income Limit	30% Monthly Wage	Income Limit	30% Monthly Wage	Income Limit	30% Monthly Wage	Income Limit	30% Monthly Wage
30% AMI	19,000	475	21,700	543	24,400	610	27,100	678
50% AMI	31,650	791	36,200	905	40,700	1,018	45,200	1,130
60% AMI	38,000	950	43,400	1,085	48,800	1,220	54,200	1,355
80% AMI	47,600	1,190	54,400	1,360	61,200	1,530	68,000	1,700
100% AMI	63,300	1,583	72,400	1,810	81,400	2,035	90,400	2,260
120% AMI	75,960	1,899	86,880	2,172	97,680	2,442	108,500	2,713

30% Area Median Income

- A single person HH can afford to spend \$475/month on housing
 - Two person HH can afford to spend \$543/month on housing
 - Three person HH can afford to spend \$610/month on housing
 - Four person HH can afford to spend \$678/month on housing
- This income range can afford you a bedroom in a shared household (think student housing) or a one- or two-bedroom apartment at a subsidized housing development, like one of the PPL or Aeon properties. There are not traditionally ownership opportunities at this income level.

Examples:

PPL's Fort Road Flats



Twin Cities Housing Affordability – AMI Income Levels and Housing Costs

50% Area Median Income

- A single person HH can afford to spend \$791/month on housing
 - Two person HH can afford to spend \$905/month on housing
 - Three person HH can afford to spend \$1,018/month on housing
 - Four person HH can afford to spend \$1,130/month on housing
- o This income range can afford a lower amenity building or is still eligible for some affordable developments (usually 50% or less AMI eligibility)

Amenities at this level:

-Fitness room, community room, on bus line, high ceilings, laundry, storage, outdoor space

Examples:

2700 University

20% of the units are affordable at 50% AMI

Aeon's Renaissance Box Apartments, St. Paul

Studio - \$635

1 BR - \$775

2 BR - \$927

Aeon's Roselle, Minneapolis

Studio - \$575-\$665

1 BR - \$743



Twin Cities Housing Affordability – AMI Income Levels and Housing Costs

80% Area Median Income

- A single person HH can afford to spend \$1,190/month on housing
 - Two person HH can afford to spend \$1,360/month on housing
 - Three person HH can afford to spend \$1,530/month on housing
 - Four person HH can afford to spend \$1,700/month on housing
- o Persons at 80% AMI are often ineligible for subsidized housing, but can afford units within buildings equipped with basic amenities in central locations

Examples:

Galtier Towers, Pioneer Endicott, Kellogg Square apartments in downtown St. Paul

Studios ~\$1,170

1 BR ~\$1,500

2 BR ~\$1,700+



100% Area Median Income

- A single person HH can afford to spend \$1,583/month on housing
- Two person HH can afford to spend \$1,810/month on housing
- Three person HH can afford to spend \$2,035/month on housing
- Four person HH can afford to spend \$2,260/month on housing

120%+ Area Median Income

- A single person HH can afford to spend \$1,899/month on housing
- Two person HH can afford to spend \$2,172/month on housing
- Three person HH can afford to spend \$2,442/month on housing
- Four person HH can afford to spend \$2,713/month on housing

All household sizes can often afford to live in luxury apartments in high demand areas within the Twin Cities, like the Penfield in downtown St. Paul or LPM in Minneapolis.

Twin Cities Housing Affordability – AMI Income Levels and Housing Costs

Amenities at this level:

-Fitness centers, swimming pools, bike storage, club and meeting rooms, sun decks, etc.

Examples:

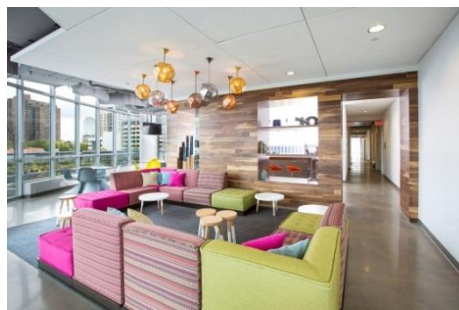
The Penfield and Loring Park Apartments

Studios ~ \$1,000 to \$1,700

One Bedroom ~ \$1,680 - \$2,080

Two bedroom ~ \$1,850 - \$2,400

Three bedroom ~ \$2,125 and up



Homeownership and Area Median Income

Homeownership for 30% - 80% AMI retrieved from [Met Council Ownership and Rent Affordability Limits](#)

Twin Cities Housing Affordability – AMI Income Levels and Housing Costs

<i>2017 Home Ownership</i>	
Household Income Level	Affordable Home Price
80% AMI (\$68,000)	\$236,000
60% AMI (\$54,240)	\$185,000
50% AMI (\$43,300)	\$153,000
30% AMI (\$26,000)	\$85,500

80% Area Median Income

720 N 4th – 1BR \$237,500
(HOA dues \$424 per month)

Amenities: balcony, laundry, covered garage, rooftop hangout, community room, fitness room



60% Area Median Income

LaSalle 1 BR - \$150,000
(HOA dues \$427 per month)

Amenities: 24 hour guard, secure building, heated garage, exercise room, elevators



30% Area Median Income

Kenwood Isles, Minneapolis
1BR \$85,000 purchase price

Twin Cities Housing Affordability – AMI Income Levels and Housing Costs

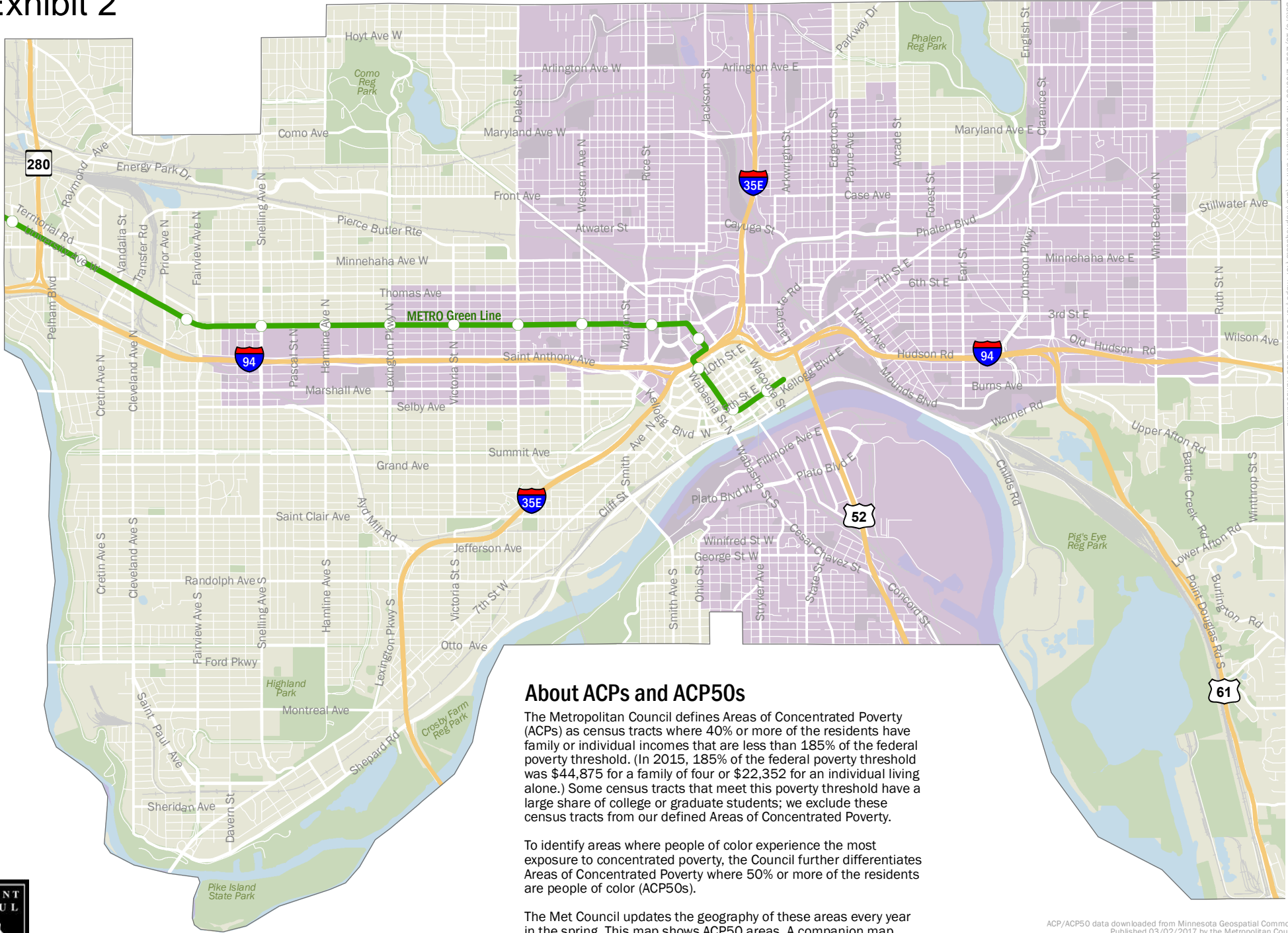
(HOA dues \$380 per month)

Amenities: 24-Hour Guard, Common Garden, Fire Sprinkler System, Elevator(s), Concrete Floors & Walls, natural woodwork, patio



Information on income limits retrieved from: [HUD Income Limits for Twin Cities Metro.](#)

Exhibit 2



About ACPs and ACP50s

The Metropolitan Council defines Areas of Concentrated Poverty (ACPs) as census tracts where 40% or more of the residents have family or individual incomes that are less than 185% of the federal poverty threshold. (In 2015, 185% of the federal poverty threshold was \$44,875 for a family of four or \$22,352 for an individual living alone.) Some census tracts that meet this poverty threshold have a large share of college or graduate students; we exclude these census tracts from our defined Areas of Concentrated Poverty.

To identify areas where people of color experience the most exposure to concentrated poverty, the Council further differentiates Areas of Concentrated Poverty where 50% or more of the residents are people of color (ACP50s).

The Met Council updates the geography of these areas every year in the spring. This map shows ACP50 areas. A companion map shows where ACP areas are located. Updated maps are available from the Research & GIS Team in Planning & Economic Development.

ACP/ACP50 data downloaded from Minnesota Geospatial Commons. Published 03/02/2017 by the Metropolitan Council.

This document was prepared by the Saint Paul Planning and Economic Development Department and is intended to be used for reference and illustrative purposes only. This drawing is not a legally recorded plan, survey, official tax map or engineering schematic and is not intended to be used as such.



ACP50 Areas June 2017

 ACP50 Areas



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Exhibit 3

Inclusionary Housing Alternative for Ford Site

This summary is for informational purposes only. Inclusionary Zoning is not included in the Ford Master Plan due to the fact that Inclusionary Zoning has not been tested in Minnesota and there is uncertainty regarding whether the City can collect a payment in lieu of building the affordable units within a proposed development project.

Inclusionary housing programs (IHPs) promote the production of affordable housing by requiring residential developers to set aside a specific percentage of housing units in a proposed development and price them at a level that is affordable to low- and moderate-income households. These programs can either be a mandatory requirement on developers to create a certain number of units or a voluntary goal with built-in incentives to encourage developers to include affordable units in their developments.¹ The term IHP is often used synonymously with the term inclusionary zoning; however, a distinction between these two terms is that inclusionary zoning is a broader term in that zoning is a control or incentive adopted by ordinance while IHP can include regulations and well as policies.

IHPs often have the following characteristics:

- *Set aside requirement:* Sets the percentage of units that must be affordable.
- *Developer incentives:* Identifies what a developer receives for providing affordable units (e.g. density bonuses, fee alleviation, etc.).
- *Target incomes:* Determines to what level of household area median income (AMI) to which the units must be affordable.
- *Term of affordability:* The number of years that a unit must be affordable.
- *Monitoring and enforcement:* Administrative system that monitors compliance with the requirements.

Alternative	Strength	Weakness
<i>Zoning-Based</i>		
<p><u>Requirement:</u> Project must include affordable housing as part of zoning requirements</p>	<ul style="list-style-type: none"> • Reduces market value of land (in lieu of cash subsidy for affordability) • Certainty that affordable housing would be developed • Works in strong markets 	<ul style="list-style-type: none"> • Potential lack of flexibility • Not tested in Minnesota • Lack of clarity regarding authority to collect a cash in lieu of payment²

¹ Definition taken from *Opening the Door to Inclusionary Housing* produced by Business and Professional People for the Public Interest, 2003.

² October 25, 2007 Opinion of the Minnesota Attorney General in response to questions posed by the City of Forest Lake, Minnesota, related to the legality of a fee in lieu has not been legally tested.