

HENNEPIN COUNTY
MINNESOTA

Bottineau Housing Investment Framework

2020

Hennepin County Housing Development & Finance
701 4th Avenue S, Suite 400
Minneapolis, MN 55415
hennepin.us

Contents

Background	1
Housing Gaps	2
Housing Investment Framework	5
Contact information	17

Background

In 2017, Hennepin County was a sub-recipient to Metro Transit for a Pilot Program for Transit-Oriented Development Planning grant from the Federal Transit Administration. This \$1.2 million grant had six tasks: development plans, infrastructure plans, housing strategy, economic development strategy, financing strategies for implementing TOD and community engagement, which was woven through the previous five tasks. The housing task had three components: a housing inventory, a gaps analysis and a document that would integrate the data and gaps together with strategies for action.

Hennepin County and Bottineau Corridor cities have worked together since 2017 to inventory the existing corridor housing market and demographics, assess current and future housing needs, and identify methods to encourage a full range of housing choice in corridor station areas. This work began with the completion of a Housing Inventory report in 2017, which assessed baseline demographic and housing data. This was followed by a Housing Gaps Analysis completed in 2018, which built on the Housing Inventory data by analyzing current and future gaps in the corridor housing supply. This Housing Investment Framework concludes this multi-year joint planning effort by identifying key resources, tools, and policies to address the needs identified in the prior studies. Together, these three documents aim to:

1. Aid the development and planning decisions prior to, during, and after the construction of LRT
2. Help corridor cities determine effective strategies for creating and sustaining a full range of housing opportunities
3. Help inform comprehensive plans and aid the Metropolitan Council's transit planning efforts
4. Provide data to help evaluate the impacts of the LRT on demographics and housing once the train is operational

Housing Gaps

The Housing Gaps Analysis identified a number of corridor-wide housing gaps to meet current and future housing demand. These represent the key areas of housing need impacting all or a majority of the corridor and are the primary focus of this Housing Investment Framework. The corridor-wide housing gaps are summarized below. The Housing Gaps Analysis additionally evaluated station-area specific housing gaps at a more granular level, including estimates of housing unit demand through 2040. These additional gaps are described in the Housing Gaps Analysis report and were utilized by cities to inform the development of comprehensive plan updates, station area plans, and station-area zoning code updates and will continue to help guide housing and development policy development and implementation over the coming years.

New Construction

The Housing Gaps Analysis identified new construction of housing as a general high-level need throughout the corridor. The housing stock in much of the corridor was predominantly developed either in the pre-World War II era or in the mid-20th century. Most of the corridor has seen little new housing development in the recent years. This is particularly true of multifamily housing, as many Bottineau station areas have not had any new multifamily housing development in over 30 years. New construction of housing of all types would increase housing choice by diversifying housing options, help attract new households to the corridor, and position corridor cities to capture potential increases in additional housing demand due to introduction of light rail service.

Rehabilitation

The older age of much of the corridor housing stock creates a particular need for resources to assist and promote housing rehabilitation, particularly for older multifamily properties, homes owned by low-income owners, and single-family home rental properties. Additionally, the Housing Inventory identified multi-year trends towards increases in the share of corridor housing that is rented (versus owner-

occupied) and also in the number of foreign-born households living in the corridor. These trends point to a need for increased education and outreach regarding the maintenance rights and responsibilities for both owners and renter households.

Housing Affordability

Additional affordable housing was identified as a need throughout the corridor. While median rents and home values in the corridor are below metro area averages, many households are nevertheless housing cost burdened, meaning they pay more than 30% of their income towards housing. Much of the current affordable housing in the corridor is of the naturally occurring affordable housing (“NOAH”) type, meaning it is unsubsidized and/or not subject to long-term rent and income restrictions, but rather affordable due to natural market forces. While NOAH provides a valuable housing resource, it also is subject to potential risk of loss due to housing market changes and increased housing prices. Additional affordable housing would provide additional housing choices for cost-burdened households in the corridor and also for new households seeking to move to the corridor due to access to jobs provided by LRT. New income- and rent-restricted affordable housing would have the additional benefit of ensuring long-term affordability, while NOAH rehabilitation and preservation would help preserve and enhance existing affordable housing in the corridor.

Senior Housing

The Housing Inventory and Housing Gaps Analysis identified trends toward increasing numbers of senior households and a corresponding need for more senior housing options. The need for senior housing is anticipated to increase over the coming years, and creates a need for additional senior housing of all types, including affordable independent living, assisted living, and memory care. The aging household trend also points to a need for enhanced use of “Universal Design” principles, resources for adaptive accessibility improvements, and philanthropic services to assist with maintenance and repairs to help ensure senior households can continue living with dignity in their current homes.

Large Family Rental

The Housing Gaps Analysis identified a need for rental housing with three or more bedrooms to accommodate the needs of large families. Much of the rental housing in the corridor consists predominantly of one- and two-bedroom units, as the primary target market for those properties at the time they were developed was single adults living alone or with a roommate. This has created a mismatch between the existing corridor housing stock and the needs of current renter households, which over time has included an increasing share of families with children. This gap is prevalent not only across the corridor but also across the metro area. Additional large family housing, in particular rental units with 3+ bedrooms, would provide additional housing choice and affordable options for families with children.

Medium Density Housing

As identified in the Housing Inventory and Housing Gaps Analysis, much of the corridor outside of Minneapolis lacks medium density housing options. Housing is primarily found in either single family homes or in large 20+ unit multifamily properties, with relatively few medium density properties such as duplexes, triplexes, or small 5-10 unit multifamily buildings. Additional medium density housing would increase the range of housing choices available and offer housing options not currently widely available in the corridor. Such housing types could help to moderately increase density and affordability of housing, and could be developed in areas where higher density and or larger structures may not be feasible or desirable by local policy or site constraints.

Housing Investment Framework

Housing Investment Framework

Four main strategies were identified to address the above corridor housing gaps. A range of tools, resources, and policies are identified under each category as implementation methods to further the strategy. Hennepin County and corridor cities have already taken many actions to further the strategies identified herein and to address affordable housing gaps; actions taken to date are also noted below.

Strategy 1: Develop New Housing

Create new housing that includes a mix of unit types with values and rents affordable to people with a full range of incomes. New housing development may also help to address specific housing gaps for senior households and large families. Focus on creating mixed income neighborhoods as well as opportunities for mixed income projects. Support opportunities in home ownership as well as rental units.

Implementation Methods

- Promote development of new housing, with additional priority on housing types identified in gaps analysis
 - Affordable rental and homeownership
 - Senior housing (affordable and market rate independent living, assisted living, and memory care)
 - Large family rental housing
- Engage large corridor employers in workforce housing development.
 - Engage employers and industry groups with workplaces in or near the corridor on workforce housing needs
 - Encourage employers to strategically invest in the preservation and production of housing opportunities for low-to moderate income employees
- Maintain and enhance policies around station areas to promote increased density and include a mix of uses consistent with federal and regional transportation policies.
 - Provide flexibility to allow less parking around transit areas.

- Implement TOD-friendly zoning code updates, allowing greater flexibility for increased density and mixed uses.
- Engage private and non-profit developers regarding locally-identified opportunity sites in station areas.
 - Share results of Bottineau Housing Gaps Analysis to help demonstrate current and future demand for new housing in the corridor
- Assist with land/site assembly to promote development of opportunity sites, including excess right of way or other publicly-owned redevelopment sites
 - Inventory and coordinate around existing publicly-owned properties in station areas with potential for redevelopment or assembly into larger sites
- Implement wayfinding recommendations from the Bottineau Wayfinding Plan to provide connectivity in and around station areas and maximize development potential at station sites.
- Utilize creative tools and resources to engage the public and policy leaders around key development opportunity sites.

Actions Taken

- Minneapolis- approved “Minneapolis 2040” comprehensive plan update, which significantly increases developable density and eliminates single-family zoning across the city; the lowest density zoning districts now all allow up to 3-unit dwellings. Zoning codes at station areas and across the city will be updated to match the new comp plan designations in 2020.
- Golden Valley- re-guided (and will rezone) the St. Margaret Mary site for mixed-use development, which allows high density housing and other uses (office, commercial, institutional), allowing the potential future redevelopment of a prime TOD development site adjacent to a future LRT station.
- Robbinsdale- adopted a TOD overlay zoning district that regulates building heights by block and requires buildings to front on sidewalks along designated streets in the downtown area.
- Crystal- adopted the “Town Center” zoning regulations surrounding the planned Bass Lake road LRT station. These regulations will encourage redevelopment by allowing much higher density (up to 80 units per acre in

some locations), a mix of residential and commercial uses, reduced parking ratios, and building placement that encourages pedestrian interaction with the street.

- Brooklyn Park- entered into development agreement with Minnesota State Colleges and Universities for purchase of vacant development site at 6900 85th Avenue, and issued Request for Qualifications to select a developer for the site. Accepted application to issue housing revenue bonds for the development of 240 units of affordable senior housing at 7849 West Broadway. Brooklyn Park also adopted TOD Zoning Districts for station areas to create mixed-use, multi-modal neighborhoods within walking distance of public transit. The Zoning District ordinance focuses on the building's orientation to the street, defines a walkable environment and reduces parking requirements.

Strategy 2: Preserve Existing Affordable Housing

With the majority of the corridor housing stock currently affordable to households with incomes at or below 60% of AMI, there is a compelling need to preserve existing affordable housing. Preservation and enhancement of existing subsidized and unsubsidized housing stock will help ensure continued affordability and housing stability for residents with low to moderate incomes.

Implementation Methods

- Work with public and nonprofit partners to develop a system to track subsidized housing at risk of conversion.
 - Determine length of contracts and assess conversion risk
 - Consider monitoring NOAH at risk of loss in addition to subsidized properties
 - Prioritize housing affordable to households with the lowest incomes (at or below 30% AMI)
- Proactively engage owners in maintaining affordability and extending agreements
- Develop policies to preserve and add legally-binding affordability restrictions
- Develop policies to preserve legally binding affordable housing units along the Corridor

- Engage owners early in maintaining affordability and extending agreements.
- Track use of Housing Choice vouchers along the corridor and actively work to preserve units accepting vouchers.
- Explore expanding use of CDBG as a tool for NOAH preservation and rehabilitation

Actions Taken

- Brooklyn Park – NOAH Preservation Program
 - NOAH In 2019 the Brooklyn Park EDA established a Naturally Occurring Affordable Housing (NOAH) Preservation Program. The program has a goal of preserving and re-habilitating at least 500 units of existing market rate, affordable multifamily-rental housing by 2023. Under the NOAH program, the EDA could provide funding to developers and rental property owners for the acquisition and/or re-habilitating of NOAH rental properties in Brooklyn Park, in exchange for long-term affordability. Link to program overview: <https://www.brooklynpark.org/wp-content/uploads/2020/03/Brooklyn-Park-NOAH-Program-overview.pdf>.
 - In January 2020, the EDA entered into a development agreement with Aeon regarding the purchase, rehabilitation, and affordable preservation of Huntington Place Apartments, the city's largest (at 834 units) apartment community. Through its NOAH Preservation Fund, the EDA contributed a \$5 million loan to Aeon, who will maintain affordable rents long-term at the property.
- Brooklyn Park – Rental Housing Rehabilitation Program
 - In April 2020, the Brooklyn Park EDA approved establishing and funding a Rental Housing Rehabilitation Program. This program will provide loans to encourage and assist with physical improvements to the city's existing small rental apartment housing stock (1-16 units). Owners who keep the rents affordable at 60% area median income during the loan term through a deed restriction can receive zero percent interest on the loan.
- Golden Valley – 4(d) Program

- Adopted a 4(d) program in 2020 that allows owners of NOAH properties to apply for a reduced property tax rate in exchange for maintaining affordable rent levels.
- Hennepin County – NOAH Impact Fund
 - Following a \$3 million investment in the NOAH Impact Fund Phase 1 in 2016, Hennepin County invested an additional \$2 million into the \$32.5 million Phase II fund in 2020, with the goal of acquiring and preserving 500 naturally occurring affordable housing units.
- Hennepin County – Affordable Housing Incentive Fund
 - Hennepin County invests over \$5 million annually to support the development and preservation of affordable housing through its Affordable Housing Incentive Fund, which has supported the preservation of existing subsidized housing in the corridor such as Brooks Landing and Brooks Garden in recent years.
- Minneapolis – NOAH Preservation Fund
 - Provides no interest deferred loans to buyers that will keep NOAH properties affordable
- Minneapolis – Small Medium Multifamily Pilot
 - Partnership with Twin Cities Land Bank and Local Initiatives Support Corporation (LISC)
 - Land Bank acquires multiple properties, makes needed repairs, assembles the properties and sells to non-profit community-based organizations
- Minneapolis – 4(2) Affordable Housing Incentive Program
 - The State’s 4(d) property tax classification allows for a lower property tax rate for affordable housing. The City program provides this lower tax classification to owners of NOAH properties if they agree to maintain affordable rent limits for a 10 year period.

Strategy 3: Develop Innovative Regulation

New and expanded regulatory tools could help address housing gaps without committing additional scarce financial resources. Inclusionary zoning policies could ensure some affordable housing is included in larger redevelopment projects,

promoting a full range of housing choice in new developments. Tenant protection policies may provide important benefits to ensure housing stability for existing low-income residents should the corridor experience increased demand in the housing market. New federal regulations such as Opportunity Zones may provide cities opportunities to work with investors to attract new types of capital to support development of housing and other real estate projects in the corridor.

- Consider implementation of inclusionary zoning policies to promote the development of affordable housing and inclusion of affordable housing in mixed-income projects
- Implement tenant protection policies to help ensure housing stability for low income renters
- Explore options to utilize Opportunity Zones to help attract investments in new affordable housing projects

Actions Taken

- Brooklyn Park – Mixed Income Housing Policy
 - The City Council adopted a Mixed-Income Housing Policy in 2017. This policy applies to rental housing developments that add or create ten or more residential units and receive City or EDA financial subsidy or certain land use or zoning changes. Under the policy, such developments are required to meet affordability requirements. In 2019, the policy was amended to apply to projects located in Transit-Oriented Development (TOD) zoning areas as well. More policy information available here: <https://www.brooklynpark.org/housing/mixed-income-policy/>
- Brooklyn Park – Opportunity Zones
 - Brooklyn Park has one census tract designated as a qualified opportunity zone. The Brooklyn Park EDA owns several parcels of land within this census tract and currently is in discussion about various housing opportunities. One site under discussion in the opportunity zone is 7621 Brooklyn Blvd, where a developer is proposing 83 units of mixed-income housing along with commercial space on an EDA-owned parcel. The EDA

supported the developer in its successful application for Metropolitan Council Livable Communities funds for the project.

- Brooklyn Park – Tenant Notification Ordinance
 - In 2019 the City of Brooklyn Park a Tenant Notification Ordinance, the purpose of which is to improve communication practices when apartments sell and to provide tenants with more time or resources if they are potentially facing displacement due to ownership changes. Under the ordinance, apartment owners may have to pay relocation benefits if they make certain changes to leases or policies within a three month notification period. FAQ on the ordinance available here: <https://www.brooklynpark.org/housing/tenant-notification-ordinance/>
- Crystal – Opportunity Zones
 - There is an Opportunity Zone located in the Bass Lake Road station area (Census Tract #27053020804); the city has initiated discussions with developers regarding development opportunities in the zone in conjunction with recent zoning changes.
- Robbinsdale – Opportunity Zones
 - There is an Opportunity Zone located in Robbinsdale, stretching from 36th Avenue to 42nd Avenue and from West Broadway to County Road 81 (Census Tract #27053021300). So far, two developments, Birdtown Flats, with 152 units of market-rate housing and Parker Station Flats with 193 units of market-rate housing, have used Opportunity Zone funds in this area. The new market rate units increase housing choice by introducing new housing options and amenities and help address market desire for new households wanting to move to the area. This influx helps to support the local stores helping them to stay viable for the entire community. By filling the market demand for units in the area it also helps reduce the demand for units in NOAH helping to keep that product available for current occupants.
- Golden Valley – Inclusionary Zoning
 - Adopted a Mixed Income Housing policy which requires affordable units to be included in most new multifamily projects
- Golden Valley – Tenant Protection

- Adopted tenant protection ordinance, which requires landlords to pay the moving expenses of low-income tenants if they decide to raise rents, not renew leases, or re-screen tenants within the first three months of acquiring a rental property
- Minneapolis – Inclusionary Zoning
 - City policy requires that any new rental housing project with 10 or more units that receives City financial assistance or is developed on City-owned land to include 20% or more of the units to be affordable.
 - In 2018, the Council approved an Inclusionary Zoning ordinance that adds affordable housing requirements to any project seeking additional development capacity:
 - Effective January 1, 2019, Inclusionary Housing is required for new residential development projects that either (1) seek a rezoning from a zoning district that does not allow multiple-family residential to one that does; or (2) a residential development project that seeks to increase the allowed development capacity (measured in floor area) by greater than 60% of what would otherwise be allowed.
 - The affordability requirements are described in the Unified Housing Policy. Under the policy, residential rental projects must meet one of the following:
 - At least 10% of units must be affordable to households with incomes at or below 60% of area median income.
 - At least 20% of the units must be affordable to households with incomes at or below 50% of area median income. For projects meeting this criterion, City financial assistance may be available.
- Minneapolis – Tenant Protection Policies
 - Public Assistance Discrimination ordinance: In 2017, the City Council amended an ordinance that generally made it illegal for property owners to reject Section 8 voucher holders based on the requirements of the Section 8 program.
 - The City partnered with the Minneapolis Public Housing Agency (MPHA) to create the Minneapolis Property Owner Incentive Fund Pilot Program, which:

- provides a one-time incentive fee for first time owners participating in the Section 8 program
- helps reimburse owners for lost rent related to temporarily holding an apartment open for a Section 8 renter prior to move-in
- helps cover certain costs of damages in excess of renter security deposits
- Advance notification of building sale: Due to an increased sale of apartment buildings in Minneapolis to new property owners who then increase rent, the city in 2018 passed an ordinance requiring building owners of Naturally Occurring Affordable Housing to give notice to the City 60 days prior to making their property available for sale
 - Naturally Occurring Affordable Housing is defined as apartments with 5 or more units in which at least 20% of the units are affordable to households earning less than 60% of area median income
 - Property owners must notify residents about the building sale and include additional post sale protections for renters
- Post-sale renter protections: For 90 days after the notice of sale is given, renters are eligible for relocation assistance if a lease is terminated without cause, if rents increase, or if the renter is re-screened
- Renter Protections Ordinance: adopted in 2019, it limits upfront costs to obtaining housing by capping the amount a property owner can charge for a security deposit and establishes some restrictions on applicant screening to reduce barriers to accessing rental housing

Strategy 4: Expand Financing Tools

Expanding existing financing tools and developing new resources would promote affordable housing development in the corridor. Locally-funded gap financing programs could help leverage additional state and federal funding sources to finance new affordable housing and address identified housing gaps. Tax-increment financing could help attract mixed-income housing development projects, adding housing

servicing a range of income levels. Lastly, land trusts and other models could be utilized to expand affordable home ownership opportunities.

Implementation Methods

- Expand use of the land trust model to increase affordable home ownership opportunities
- Implement locally funded gap financing subsidy programs to support affordable housing development and to leverage other state and federal sources (such as federal Low-Income Housing Tax Credits and state Housing Infrastructure Bonds)
- Consider using tax increment financing to support the development of new affordable housing

Actions Taken

- Brooklyn Park – Gap Financing
 - Brooklyn Park has a Housing Set Aside Fund to be used for affordable housing (or mixed income projects). This fund was originally funded by pooled TIF dollars from several other TIF districts. In 2019, the Brooklyn Park EDA designated \$5 Million from the fund to be dedicated to Naturally Occurring Affordable Housing (NOAH) preservation and \$5 Million to be directed to development of new affordable or mixed income housing.
 - Brooklyn Park has financially supported the rehab of several existing subsidized affordable apartments in recent years (Autumn Ridge, Brooks Landing & Brook Gardens)
- Crystal – TIF
 - The city has used TIF financing to advance various commercial and residential projects. Most recently TIF financing was used for Bass Lake Road streetscape improvements within the LRT station area, and development of The Cavanagh, an affordable apartment building, just outside the LRT station area. The City will consider use TIF in the future where it makes sense for a specific development proposal.
- Robbinsdale – TIF

- Robbinsdale will consider using TIF on a pay-as-you-go model if projects meet a community need; applications considered on a case-by case basis.
- Golden Valley – Gap Financing
 - The Golden Valley HRA is currently in the process of establishing an HRA levy to support affordable housing efforts in Golden Valley, including NOAH preservation and affordable senior housing.
- Golden Valley – TIF
 - City policy allows use of TIF to support affordable housing development; applications considered on a case by case basis
- Hennepin County – Land Trusts
 - In 2020, Hennepin County allocated over \$1,000,000 of its federal HOME and CDBG dollars and another \$1,100,000 of its locally funded Affordable Housing Incentive Fund program dollars towards the development of affordable land trust homeownership homes.
- Hennepin County – Gap Financing
 - Since 2000, Hennepin County has supported the development and preservation of affordable housing with its Affordable Housing Incentive Fund (AHIF) program which provides low interest deferred loans to help close financing gaps for affordable housing projects. In 2020, the annual program budget was increased from \$3.5 million to \$5.5 million.
 - In 2019, Hennepin County launched a new gap financing tool to support the development of supportive housing for households with the lowest incomes (<30% AMI) and with the highest barriers (such as chronic homelessness). The program is funded through HRA property tax levy dollars and has a budget of \$5 million in 2020.
- Minneapolis – Gap Financing
 - The Minneapolis Affordable Housing Trust Fund Program assists in financing the production and preservation/stabilization of affordable and mixed-income rental housing projects in Minneapolis. Program funds are available on a competitive basis to projects that need gap financing to cover the difference between total development costs and the amount that can be secured from other sources. The funding

sources for the AHTF Program are primarily federal Community Development Block Grant (CDBG) funds, federal HOME Investment Partnership funds, and local funds. The program budget in 2020 was approximately \$15 million.

- Minneapolis – TIF
 - City policy allows use of TIF to support affordable housing development; applications considered on a case by case basis

In summary, as cities and Hennepin County continue to prepare for light rail transit in the Bottineau Corridor, housing will be a significant issue. Building on the strong work already completed and underway and utilizing the findings and strategies outlined in this investment framework, Corridor communities can continue working toward a full range of housing choice

Contact information

Spencer Agnew

Phone: 612-348-2205

Email: spencer.agnew@hennepin.us

Hennepin County Housing Development & Finance

701 4th Avenue S, Suite 400

Minneapolis, MN 55415

hennepin.us

