



The Alliance

ADVANCING REGIONAL EQUITY

Thursday, July 19, 2018

Mayor Frey and Minneapolis City Councilmembers
Minneapolis City Hall
350 South 5th Street
Minneapolis, MN 55415

Dear Mayor Frey and Members of the Minneapolis City Council,

The Alliance for Metropolitan Stability, a coalition of 30 nonprofit advocacy organizations that focus on urban growth and equitable development issues, would like to provide the following comments regarding the City of Minneapolis' 2040 Comprehensive Plan and offer proactive policy suggestions for the improvement of our City, specifically related to housing needs and tenant protections.

The 2040 Comprehensive Plan's analysis of housing needs misses critically important issues

The Housing Topic and Goal and Policy 1 describe in only very general terms three important problems. In addition, the analysis misses a critically important fourth challenge related to goal setting. We will focus on the following items:

- Loss of 15,000 affordable units since 2000 and the resultant displacement
- Extensive housing cost burdens born by current residents, disproportionately affecting renters, people of color, and low wealth communities
- Problems experienced by low income renters such as poor maintenance, exploitive practices, and the consequences of eviction, and finally
- The Comprehensive Plan's analysis of housing needs wholly fails to address a fourth concern, which the Metropolitan Land Use Act and the Metropolitan Council's Thrive 2040 make central: the need for the city to produce 3,499 affordable housing units over the coming decade, 34.3% of the total new housing produced. In order to serve our full community, **at least 1,551 units (44.3%) must be affordable to households at or below 30% of Area Median Income (AMI).**

Loss of affordable housing and displacement

While the plan notes displacement as a problem, it provides no analysis of the magnitude, causes, or barriers to remedies and thus offers no effective action steps. Minnesota Housing Partnership's "Sold Out" documentary, for instance, demonstrates a rapid increase in apartment sales since 2010, dramatic increases in purchase prices, a disproportionate number of units sold in racially diverse neighborhoods, and rent increases and new screening policies causing displacement. Preservation buyers often lack the ability to compete on price while still preserving affordability, ultimately leading to further displacement.

Disproportionate cost burdens on extremely low income renters

HUD data indicate about 30,000 severely cost-burdened households in the city. These households are paying more than half their incomes for housing. Of these, about 23,000 or 76% have incomes at or below 30% of AMI. The few sentences addressing cost burden in the draft are wholly inadequate because they say nothing about the most seriously cost-burdened households.

They also fail to note the income levels of cost-burdened households, leaving out vital information about households with extremely low incomes (at or below 30% of AMI) that require rent or operating subsidies. Federal subsidies available in the city have little room for growth, and state and local programs focus almost exclusively on capital subsidies for new and rehabilitated housing. Thus, the City must develop and deploy wholly new policies and tools to addressing our most desperate housing needs. Without an analysis of the city's most desperate housing problem and of the barriers to addressing it, the City cannot meet the Land Use Planning Act's required policy responses.

Regional affordable housing need

The Metropolitan Council has determined that in order to serve our full community, the City must produce 4,499 affordable units in the coming decade, of which 1,551 must be affordable to extremely low-income households (at or below 30% of the AMI). This is the most significant need in the city, from seniors on fixed incomes to families desperately seeking Section 8 certificates to persons with disabilities to individuals working part-time, low wage paying jobs. As described above, housing for extremely low income families requires rent or operating subsidies, and thus an entirely new set of policies, programs, and tools.

Exploitation and mistreatment of renters

Far too many people of color, indigenous, immigrant, and low-income renters are subject to eviction actions each year. In Minneapolis, over 3,000 evictions are filed each year in the 4th District Housing Court alone. These cases are disproportionately concentrated in just a few ZIP codes, affecting nearly half of renter households in North Minneapolis with similar numbers in other neighborhoods that are home to people of color, indigenous, immigrant, and low-income renters. Finding suitable housing becomes substantially more difficult following an eviction because of widespread tenant screening practices.

The Frenz and Kahn cases have starkly demonstrated problems with poorly maintained housing affordable to low income households. These cases have also demonstrated the inadequacy of the City's current rental housing licensing ordinance, which would have required mass evictions of the hundreds of households renting from landlords Frenz and Kahn.

This mass displacement raises obvious fair housing issues with the City's rental licensing ordinance. The analysis wholly fails to discuss problems imposed on low income renters by excessive tenant screening practices and oppressive deposit requirements. Without an analysis of these problems, no effective policy or action step responses are possible.

Housing for households at or below 30% of AMI

As described above, addressing extremely low-income housing, the city's largest and most pressing housing need, requires operating and rent subsidies. To address this, the City needs a new policy, prioritizing assistance for extremely low-income households and providing actions steps to implement it.

Recommended Policy Action Steps

The following policies and investment commitments should be woven into the City's comp plan, passed in ordinance form and/or added into strategic departmental priorities:

- **Grow the City's Affordable Housing Trust Fund.** A substantial increase in annual housing trust fund payments. We support the Make Homes Happen campaign's goal of creating *a dedicated, locally sourced Affordable Housing Trust Fund of \$50 Million per year, for the next ten years*. The Trust Fund should draw from funding sources that are not captive to the whims of annual city budgets, but instead represent a stable, predictable stream of funding for at least ten years.

- The Trust Fund should be a flexible source of funding that can support housing preservation, production and tenant protection needs (the 3 P's).
 - A Community Advisory Committee should be appointed to provide input and guidance to the City as it makes decisions on how to invest the Trust Fund dollars each year.
 - The City should consider multiple local sources of funding to endow the fund and look to the innovative strategies utilized by our peer cities across the U.S. TIF dollars and other forms of value capture will not be enough to reach our goals, the City must consider funding sources such as developer impact fees, HRA levies, transient occupancy taxes and other linkage fees. Everyone has a role to play in solving our affordable housing crisis, including direct contributions from private developers.
- **Tenant Protections.** The City can take several steps to stop the unconscionable mistreatment and abuse of Minneapolis renters, including:
 - Financially supporting organizations that proactively help tenants understand and enforce their rights.
 - Amending licensing ordinance so loss of a rental license does not require residents to move and prohibits rent collections, but continues to impose maintenance duties on owner.
 - Expanding City use of Tenant Remedies actions, cooperating with residents bringing such actions, and providing City funds to correct code violations.
 - Adopting just cause only eviction ordinance.
 - Adopting ordinances limiting excessive tenant screening for credit scores, minimum incomes, criminal histories, and occupancy restrictions.
- **Leveraging Private Sector Activity.** The City has failed to take advantage of the massive development of new market rate housing over the last 10-15 years. The City should designate areas where this housing is developing as housing TIF districts, with TIF dollars available to be used city-wide for up to 25 years.
- **Implementation of a robust, city-wide Inclusionary Zoning Program.** The City should pass a strong Inclusionary Housing policy in conjunction with adoption of the 2040 Comprehensive Plan. The City's Inclusionary Zoning requirements should be tied to all development applications with a residential component submitted to the City, and affordability provisions would be enforced in the site plan review and approval processes.
 - The City should adopt inclusionary housing policies, permitted by Minn. Stat. §462.358 Subd. 11 and encouraged by the implementation plan provisions of

the Act. The City should require at least 25% of new units to be affordable at or below 50% and 30% of AMI.

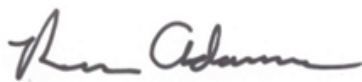
- Linking TIF districts with an Inclusionary Zoning program could be mutually supportive. – allowing such districts to generate increment for affordable housing city-wide for 25 years, and allowing the city to exceed the statutory 20 year income limits on the units.
 - Inclusionary Housing developments that receive any form of public assistance or site plan approval should be required to accept Section 8 vouchers.
 - Inclusionary Zoning should be distributed, to the extent possible, among all unit sizes. The City will need to wisely balance considerations related to whether a development contains more units with higher “affordable” rents permitted, or fewer units with lower rents.
- **Upzoning.** The City of Minneapolis must stop giving away “upzoning” with no expectations of public benefit. Yes, we want to grow the city’s population, but it is also a crucial time for the City to leverage its most powerful bargaining chip: its willingness and ability to increase density. Tie this to an intentional policy to produce or preserve affordable housing opportunities. To paraphrase one local advocate who was quoted in a national magazine article focused on our local housing crisis: ***we should not support a project merely because it’s dense, rather, we should support a dense project because it’s affordable.***
 - **Fourplex Policy.** One example of this would be to give fast track approval of applications for development of new fourplexes or triplexes if the developer agrees to ensure that at least one unit will be available for Section 8 certificate holders for a period of 30 years.
 - **Publicly Owned Land.** Another example is the City’s substantial land holdings. It is estimated that there are 380 City-owned lots in north Minneapolis alone. The City owns the 48 acre parcel known as the Upper Harbor Terminal, along with parcels by the Farmer’s Market and a large parcel at the future SWLRT Bassett’s Creek Valley Station. These represent unique and unprecedented opportunities to place long term, stable affordable homes that local citizens, struggling under the cloud of gentrification and involuntary economic displacement, could access and thrive in.
- **Preservation of Naturally Occurring Affordable Housing (NOAH).** Devote a portion of expanded housing trust funds to provide funding for preservation purchases. Impose rent restrictions on assisted preservation buyers to assure long term affordability.

- Require advance notice, prior to closing on any purchase agreement, to City and residents of sale of such properties. Such advance notice requirements have been instrumental in preserving federally subsidized properties locally and nationally.
 - Impose a right of first refusal for preservation buyers.
 - Require relocation assistance provided by the developer, at Uniform Relocation Act levels, for low income (80% of AMI or less) households displaced through loss of NOAH housing.
 - Prohibit additional screening of tenants in place when NOAH properties are purchased.
 - Require 1:1 replacement by developer of NOAH units lost through redevelopment.
 - Implement a program of modest City loans, coupled with 4(d) property tax treatment in return for extended affordability commitments from rental owners.
 - Take steps necessary to adopt a rent stabilization ordinance.
 - Develop a strategy allowing preservation purchases of smaller buildings.
 - The City must develop a policy for monitoring all projects with City funding to prepare for possible opt out situations like that which occurred with The Adams and cause displacement of all residents.
- **Long Term Affordability Standards.** The City's QAP and related policies for financing affordable housing should be amended to require long term affordability of any assisted project – in excess of the LIHTC 30 year requirement. This includes project financed with tax exempt bonds.

The Alliance for Metropolitan Stability strongly believes the inclusion of these policy action steps in the 2040 Comprehensive Plan is necessary to the development and maintenance of a prosperous, equitable Minneapolis.

Sincerely,

Russ Adams



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