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# HOUSING POLICY PLAN

Thrive MSP 2040

2040

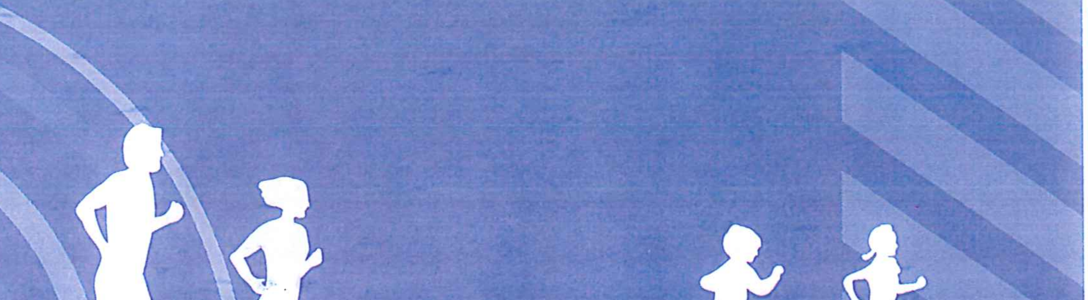
*Creating options for safe, affordable homes*

2040

# Thrive MSP

ONE VISION, ONE METROPOLITAN REGION

2040



# HOUSING POLICY PLAN

Thrive MSP 2040

*The 2040 Housing Policy Plan presents multiple strategies that advance the Metropolitan Council's overall housing policy priority: Create housing options that give people in all stages of life and of all economic means viable choices for safe, stable and affordable homes. The plan carries forward the vision of Thrive MSP 2040 for growth and development of the Twin Cities region toward economic success and vibrancy in the decades to come.*

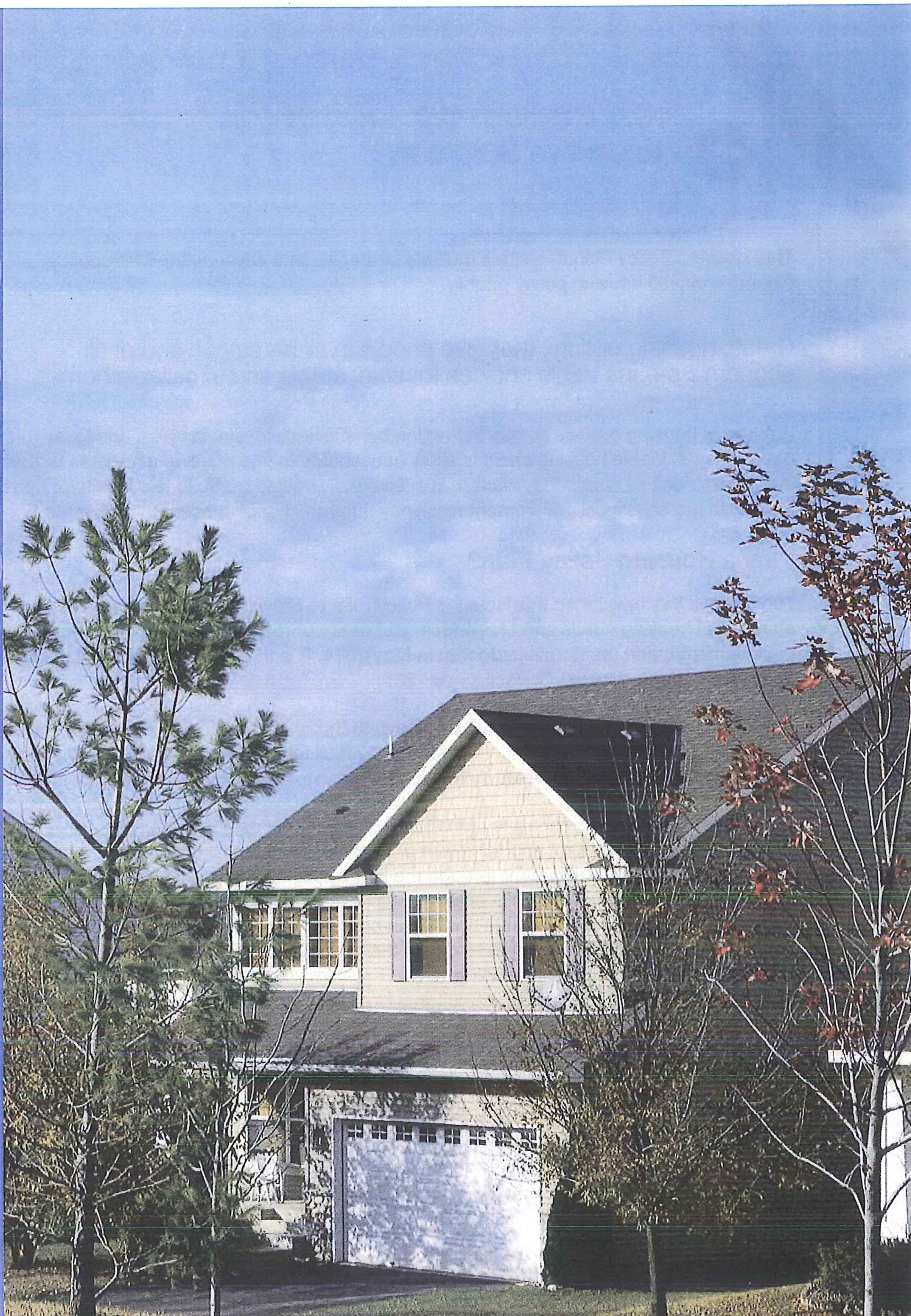
Adopted December 10, 2014
Amended July 22, 2015


A THRIVING REGION

# CONTENTS



2040



# Executive Summary

This Housing Policy Plan describes multiple strategies that advance the Metropolitan Council's overall housing policy priority:

Create housing options that give people in all life stages and of all economic means viable choices for safe, stable and affordable homes.

A range of housing options across the region benefits individuals, families, and local governments. Viable housing choices allow households to find housing affordable to them in the communities where they want to live. Like a diversified portfolio, a diversity of housing types can increase local government resiliency through changing economic climates.

## Why a Housing Policy Plan?

The Council has developed this Housing Policy Plan to provide leadership and guidance on regional housing needs and challenges, and to support *Thrive MSP 2040*, the regional development guide the Council adopted in May 2014. It is the first freestanding housing policy plan adopted by the Council since 1985.

This plan provides an integrated policy framework that unifies the Council's existing roles in housing. It also identifies opportunities for the Council to play an expanded role to support housing in the region. These roles include:

- Reviewing local comprehensive plans for the housing element, the housing implementation program, and minimum or maximum residential densities.
- Funding housing development through the Metropolitan Livable Communities Act (LCA) grant programs. Since the Act's enactment in 1995, the Council's LCA grants have helped create 18,660 units of affordable housing in communities across the region.
- Working with local governments to define their share of the metropolitan area need for low- and moderate-income housing.
- Administering the state's largest Section 8 Housing Choice Voucher program and providing rental assistance to 6,200 low-income households throughout Anoka, Carver, and most of suburban Hennepin and Ramsey Counties.
- Providing technical assistance to local governments to support orderly and economical development.
- Collaborating with and convening partners and stakeholders to elevate and expand the regional housing dialogue.

This plan addresses housing challenges greater than any one city or county can tackle alone. It recognizes that the future's increasingly complex housing issues demand more innovative strategies and greater collaboration. With both statutory responsibilities and local opportunities, local governments play a key role in translating regional policy and priorities into effective implementation within local housing markets; one size does not fit all.

## Does the metropolitan region need more affordable housing?

- **Needs are growing:** Between 2010 and 2040, the region will add 367,000 households; roughly 40% will earn less than 80% of Area Median Income ($65,800 for a family of four).
- **People are paying too much for housing:** At present, one-third of the region's households pay more than 30% of their income on rent—they are "housing cost burdened." Even with the existing supply of affordable housing, more than 265,000 low- and moderate-income households in the region are paying more than 30% of their household income on housing costs, and nearly 140,000 of those are paying more than half their income on housing.
- **More people will need affordable housing options:** The Council forecasts that between 2020 and 2030, our region will add 37,400 low- and moderate-income households that will need additional affordable housing. For comparison, in the first three years of this decade, the region added just under 3,000 new affordable units, far under the need.

## What are the priorities of this Housing Policy Plan?

Housing plays a key role in advancing all five of the outcomes the Council identified with the adoption of *Thrive MSP 2040*:

Stewardship | Prosperity | Equity | Livability | Sustainability

The Housing Policy Plan outlines housing strategies that advance the Thrive outcomes and identifies Council roles, local responsibilities, and local opportunities to implement these strategies. Many of our region's local governments—including counties, cities, and townships—are already putting many of these opportunities into practice. By identifying these strategies, the Council's goal is to catalyze the conversations and regional partnerships needed to advance housing policy in the Twin Cities region. Key priorities include:

- Managing, maintaining, and preserving the existing housing stock.
- Creating or preserving a mix of housing affordability around emerging transit investments, helping low-income households benefit from transit investments and expanding opportunities to reduce the combined costs of housing and transportation.
- Expanding housing options for people in all life stages and of all economic means through a balanced approach of expanding housing choices for low- and

moderate-income households in higher-income areas and enhancing the livability of low-income neighborhoods.
- Providing housing choices for the region's changing demographics.
- Promoting environmentally sustainable and healthy buildings, construction techniques, and development patterns.
- Reducing barriers to the development of mixed-income housing to create vibrant, diverse communities that offer choices to a range of households.
- Using housing investments to build a more equitable region so that every Twin Cities resident can live in a community rich with opportunity.

## How does the Metropolitan Council support the policies of this Housing Policy Plan?

The Metropolitan Land Planning Act and the Council's review authority give the Council a unique role with local governments. Dimensions of this role include:

- Developing the Allocation of Affordable Housing Need to inform local governments of their share of the region's need for low- and moderate-income housing. This tool assists communities to address the Need in their local comprehensive plans.
- Expanding technical assistance to local governments to improve the consistency and quality of the housing elements and implementation programs of local comprehensive plans.
- Providing technical support to cities with little experience in working with affordable housing developers.
- Sharing best practices developed by others.

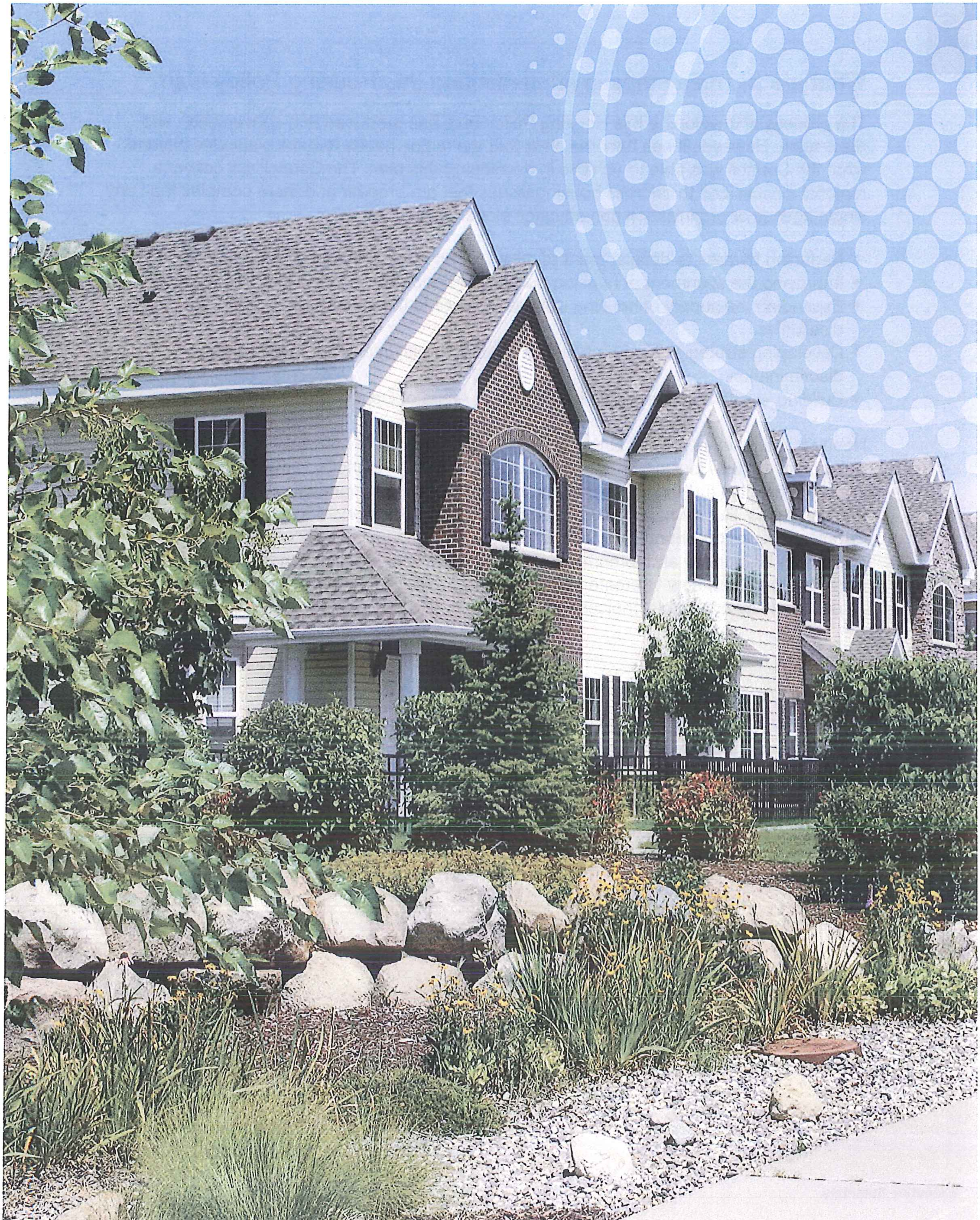
The Council also supports affordable housing development through its funding. The Council uses its resources—including Livable Communities Act grants, investments in infrastructure, and other funding streams—to expand housing choices across the region and create and preserve mixed-income neighborhoods and communities. To advance housing choice, the Council uses Housing Performance Scores to give priority for funding to communities that are maintaining or expanding their supply of affordable housing and using fiscal, planning, and regulatory tools to promote affordable housing.

## What are the next steps in implementing this Housing Policy Plan?

The process of developing this Housing Policy Plan has produced rich conversation and discussion. However, it has become clear that the region needs to have dialogues beyond what the Council was able to achieve in developing this plan. The Council will convene regional discussions to address housing issues that are broader and more complex than any single agency or organization can advance alone. These include:

- Reducing barriers to development of mixed-income housing and neighborhoods.
- Improving the alignment of housing policies and decisions made by school districts.
- Expanding the supply of housing options accessible to seniors and people with disabilities.
- Developing strategies to affirmatively further fair housing and address housing discrimination.
- Building wealth and expanding investment in Areas of Concentrated Poverty.

Nearly 30 years have passed since the Council last adopted a housing-focused policy document, 1985's *Housing Development Guide.* With the Council's various roles that affect housing, this plan furthers the alignment, consistency, and integration of the Council's own housing policy. But we cannot do this work alone. We look forward to present and future opportunities for collaboration to improve how the region collectively addresses housing challenges both today and tomorrow. We hope that this plan will advance the region's conversation about how to create housing options that give people in all life stages and of all economic means viable choices for safe, stable, and affordable homes.



2040

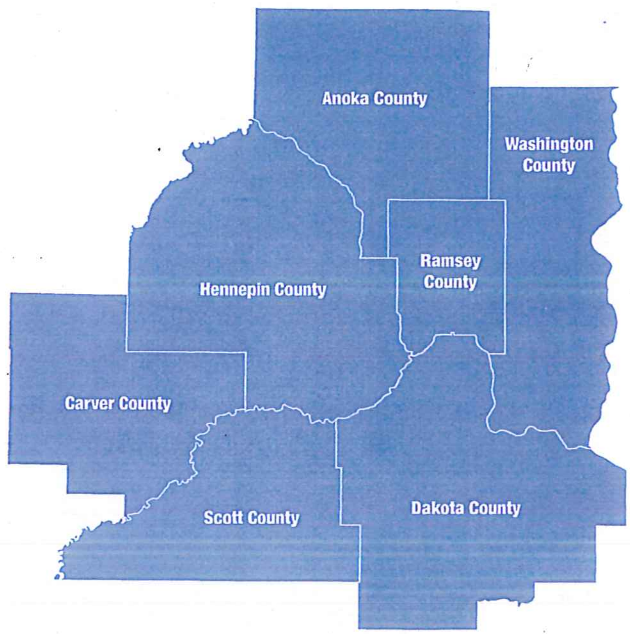
# Part I: Housing for a Growing, Thriving Region

Our Twin Cities region, anchored by three great rivers and dotted by hundreds of lakes, has emerged as one of the nation's top metropolitan areas: a great place to live, work, and do business. Over the last 150 years, our region has grown and prospered, and is now well known for its high quality of life, strong economy, and many assets that attract and retain residents.

Today, the Twin Cities region—the jurisdiction of the Metropolitan Council—is a thriving region of nearly three million people living in 186 communities across the seven counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

The region offers residents a wide range of communities to call home—active downtowns, vibrant urban and suburban neighborhoods, healthy small towns, and protected rural areas. Housing here is more affordable than in comparable metropolitan areas. More than three in four of the homes sold in the region are affordable to households earning the median family income, more than in peer cities such as Atlanta, Denver, Houston, or Seattle.[1] When housing and transportation costs are combined, the Twin Cities remains one of the most affordable of the nation's largest metropolitan areas.[2]

**Figure 1:** The Twin Cities Region




Compact, connected regions like ours offer residents economic mobility and the opportunity for longer, safer, healthier lives. *Sperling's BestPlaces* has ranked the Twin Cities as "the most playful metro in America" for the health, happiness, and low stress of its residents. In survey after survey, residents have declared our metropolitan area better or much better than other regions around the country. The strengths that have made our region a success today will help us meet the challenges of tomorrow.

This Housing Policy Plan will describe multiple strategies that advance this overall policy priority:

Create housing options that give people in all life stages and of all economic means viable choices for safe, stable and affordable homes.

A range of housing options across the region benefits individuals, families, and local governments. Viable housing choices allow households to find housing affordable to them in the communities where they want to live. Housing choices let people stay in or move to their preferred neighborhood as their economic or life circumstances change. Like a diversified portfolio, a diversity of housing types can increase local government resiliency through changing economic climates. Housing choices that include a mix of homeownership and rental opportunities across sizes and price points can improve the economic diversity of a local community, providing local governments with a broader and therefore more stable tax base. Providing the full range of housing choices in a community offers many benefits, such as economic development, effective use of public dollars, improved property values, and stable families and communities.

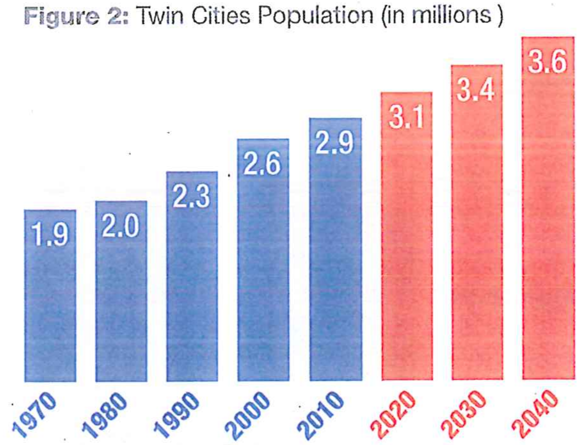
Housing is a critical part of health for residents across the region. Recent research has found that social and economic factors, health behaviors, and the physical environment together determine as much as 80% of health outcomes (genes, biology, and clinical care determine the remaining 20%).[3] Safe, stable, and affordable housing contributes to these health determinants by improving educational outcomes, allowing households to direct their budgets to other critical needs, minimizing exposure to environmental toxins, and encouraging residents to lead more active lives.

Housing affordable to low- and moderate-income households, including workforce housing, is a strong community asset. Safe, decent, and affordable housing often requires public subsidy to fill finance gaps and allow both nonprofit and for-profit housing developers to earn a competitive return on investment. However, the alternative—not enough housing to stabilize households—can require significantly higher public costs in terms of health care, education, and law enforcement. Spending public money to ensure that affordable housing is available across the region will stabilize households, create opportunities to generate wealth, and build healthy communities.

## Demographic trends: Continued population and housing growth through 2040

**More people.** Over the next 30 years, our region is projected to grow by 783,000 residents, a gain of 27% from 2010. More births than deaths and longer life expectancies will account for three-quarters of this population growth. People moving here from other parts of the nation and world—attracted by our region's economic opportunities—will account for the remaining one-quarter of this growth. (For more information, see the Metropolitan Council's *MetroStats: Steady growth and big changes ahead: The Regional Forecast to 2040.)*

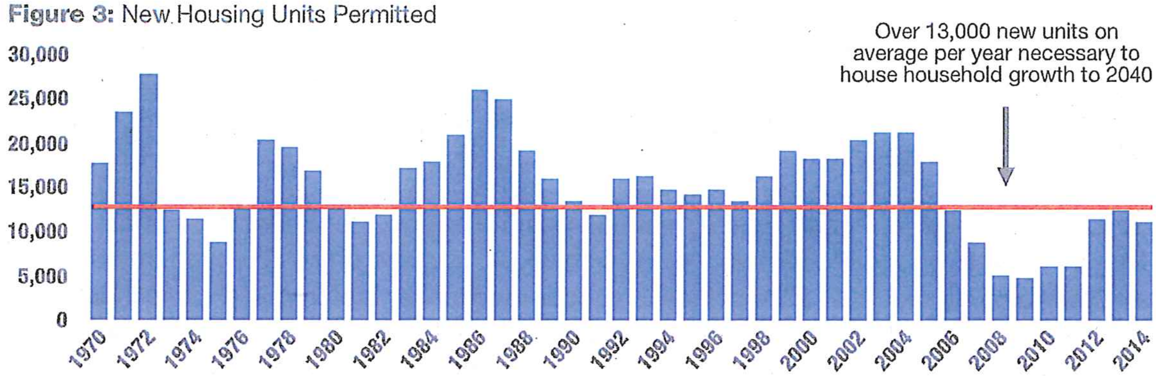
**Figure 2:** Twin Cities Population (in millions )




*Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts*

**More housing needed.** The region will gain 367,000 new households by 2040. Housing these new households will require nearly 13,000 new housing units a year on average between today and 2040. While this level of housing production is less than the annual average of the last 40 years, it is more than the region produced in the eight years following the housing boom years of the early 2000s.

**Figure 3:** New Housing Units Permitted

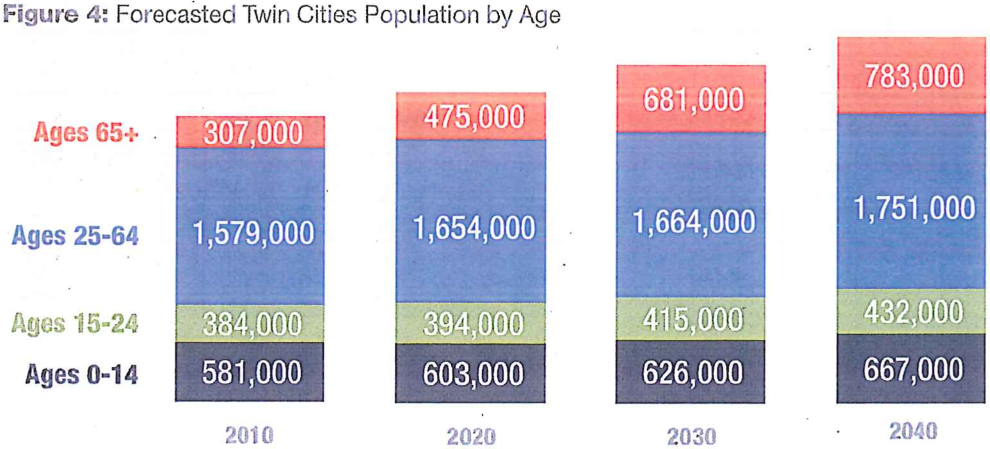



*Source: Metropolitan Council Residential Construction Survey*

**Demographic shifts in age.** Our region is aging rapidly. More than one in five residents will be age 65 and older in 2040, compared to one in nine in 2010. Furthermore, four-fifths of household growth between 2010 and 2040 will be among older households (those headed by individuals age 65 and older). Nearly half of net new households will be individuals living alone. These demographic changes will shape the location and type of real estate needed over the next three decades..

Older households and single-person households are more likely to prefer attached housing in walkable, amenity-rich neighborhoods. While many senior households want to age in place, the massive increase in the senior population will magnify the impact of those seniors who choose to move. Senior households are likely to want smaller, low-maintenance housing products, and easy access to services and amenities. Most senior households live on fixed incomes and have a greater interest in or need for rental housing; this preference for renting increases as seniors age.

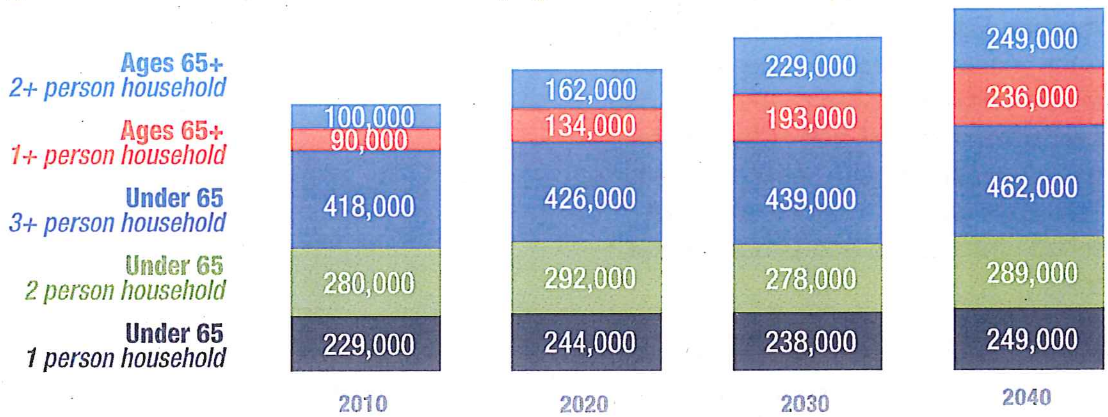
**Figure 4:** Forecasted Twin Cities Population by Age




*Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts*

Over the 20 years from 1990 to 2010, 91% of net household growth was among households in the peak home-buying years of age 35 to 65. In contrast, from 2010 to 2040, 80% of net household growth will be among households in the home-downsizing years of age 65 and above. Today, most baby boomers are still in the peak home-buying years. However, by the end of the next decade, the number of baby boomers likely to downsize their homes will be greater than the number of younger buyers looking to move into larger housing. Demand will likely remain high for attached and small-lot housing in walkable and amenity-rich neighborhoods.[4]

**Figure 5:** Forecasted Twin Cities Households by Age and Size




*Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts*

**Demographic shifts in race and ethnicity.** By 2040, 41% of the Twin Cities population will be people of color, compared to 24% in 2010. Significant disparities along racial and ethnic lines—in income, poverty, health, and homeownership—persist just as our region is becoming more racially and ethnically diverse. Concentrations of poverty magnify these disparities and seriously hinder access to opportunities for people of color, who are disproportionately represented in these impoverished areas. If today's disparities by race and ethnicity were to continue, our region would likely have 186,000 fewer homeowners and 274,000 more people living in poverty in 2040 when compared to the outcomes if residents of color had the same socioeconomic characteristics as today's white residents. Unchallenged, these disparities jeopardize the future economic vitality of our region. Expanding opportunity in more of our region's neighborhoods will improve outcomes for individuals, families, the economy, and the region as a whole.

**Demographic shifts and land use.** Looking ahead to 2040, the Council forecasts robust growth across a range of communities in various stages of development. Following World War II, the construction of the modern highway network surrounding the developed core of the Twin Cities region revolutionized accessibility and opened up a supply of new land for development. Historically, the region's urbanized footprint has grown as the highways expanded. However, the trend appears to have limits, and a new balance of regional growth is emerging with substantial redevelopment in the Urban Center (Urban Center is an example of a community designation; a map of community designations appears on pg. 42 and a definition of community designations is in the Glossary).

The maps at right highlight the communities that have seen the most household growth by decade since the 1970s. Eden Prairie, Maple Grove, and Plymouth have remained among the 10 highest-growth communities in all four decades.

The Council's forecasts to 2040 anticipate that significant growth in households will continue in the Suburban Edge and Emerging Suburban Edge. Communities in these two designations have relatively ample supplies of undeveloped land and will attract almost half of the region's forecasted household growth. At the same time, Council forecasts project a significant pivot of growth back into Urban and Urban Center communities.

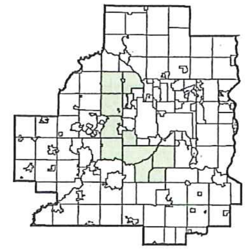
While these demographic shifts affect real estate demand, the region's available land supply is also changing and adjusting to limits. Land costs are lower in Emerging Suburban Edge communities than more centrally located sites. However, the minimal future growth in regional highways will limit the expansion of the region's urbanized area. As households weigh the tradeoffs between cost and location, the cost advantages of the suburban edge will diminish. Demand for central locations and accessibility will create opportunities that exceed the costs and challenges of redevelopment, and more growth will be in areas with higher levels of urban services, including neighborhoods along transitway corridors. Redevelopment, infill development, and higher densities in the older, urbanized, and most accessible parts of the region use existing regional infrastructure more efficiently, but can also be complex and costly for developers and local governments.

## Housing challenges facing our region today and tomorrow

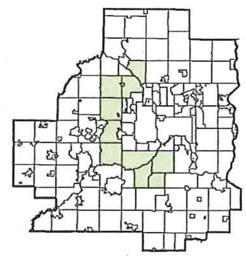
As we plan for the next 30 years, key challenges lie ahead—housing preservation, rising housing

**Figure 6:** Top 10 growing cities by decade

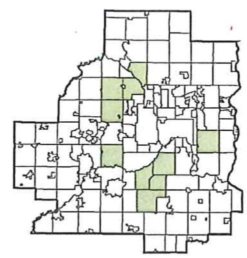
**in the 1970s:**



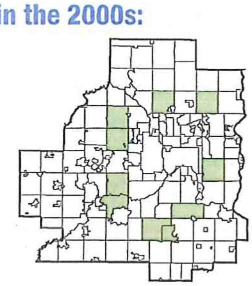
**in the 1980s:**



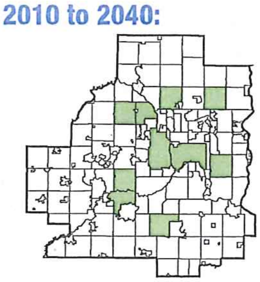
**in the 1990s:**



**in the 2000s:**



**2010 to 2040:**



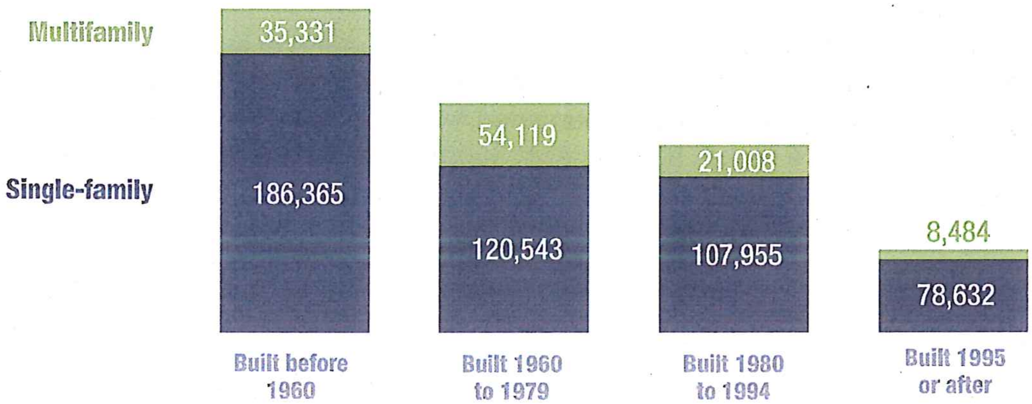
*Source: U.S. Census Bureau; Metropolitan Council Regional Forecasts*

cost burden, a lack of affordable housing, and housing segregation—all in the face of limited public financial resources.

## Growing need to preserve our existing housing stock

As the region's housing ages, more and more of it is ready for reinvestment. Roughly half of our total housing stock is 40 years old or more. An aging multifamily housing stock, including a large number of rental apartments built in the 1960s and 1970s, is ready for reinvestment. This is needed both to ensure structural integrity and to meet the housing preferences of households today and in years to come. Single-family homes may have greater longevity than multifamily buildings in general, but they also require additional investment to remain stable and desirable. Many of these aging units have become more affordable but may not be viable.

**Figure 7:** Units with Serious Maintenance Problems




*Source: U.S. Census Bureau, American Housing Survey 2013 Metropolitan Public Use File*[5]

Over 490,000 single-family units and nearly 119,000 multifamily units have a serious maintenance problem, such as water leaks or holes in the floors. Of particular concern are roughly 186,000 single-family units and roughly 35,000 multifamily units built before 1960; many of these units have aged into affordability but are at risk of functional obsolescence. While multifamily units are less likely to have a serious maintenance problem than single-family units, they are important to maintain given the expected preferences of future households.

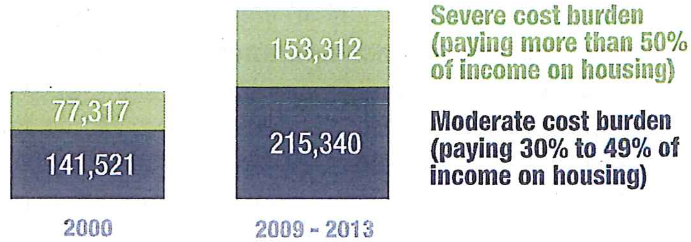
Additionally, there are over 87,000 newer units (those built in 1995 or afterward) with a serious maintenance problem. Preventing these units from further deterioration will help preserve the housing as it becomes more affordable with age.

## Rising housing cost burden

Housing cost burden is an indicator of housing costs as a percentage of household income. Households that spend 30% or more of their household income on housing costs are considered "housing cost-burdened." Households paying more than 50% of their household income on housing are considered to be facing "severe housing cost burden." Since 1980, housing costs have increased faster than incomes for both owners and renters in the Twin Cities region.[6] As a result, rates of housing cost burden have increased across the region,[7] particularly between 2000 and the 2009-2013 period:

- The number of households experiencing severe housing cost burden doubled between 2000 and 2009-2013.
- The number of households experiencing any housing cost burden grew by 68% over the same time period.
- By the most recent data period, nearly one-third of households in our region were paying at least 30% of their income for housing, and almost one in seven was paying at least 50% of their income for housing. This includes 126,000 metro households earning 50% of Area Median Income or less who are severely cost-burdened.[8]
- Households of color experience severe housing cost burden at twice the rate, and Black households at nearly 2.5 times the rate, of white, non-Latino households.[9]

**Figure 8:** Rising Housing Cost Burden




*Source: U.S. Census Bureau, Decennial Census and American Community Survey*

## Housing Cost Burden Example

The 30% rule of thumb that describes housing as "affordable" when a household pays no more than 30% of income on housing is pertinent across the full array of households. But it neglects to account for the remaining differences in income available for other life needs, as illustrated below.

| HOUSEHOLD A (LOW INCOME) | HOUSEHOLD B (HIGH INCOME) |
|---|---|
| Family of four | Family of four |
| Monthly gross income: $3,500 | Monthly gross income: $15,000 |
| 30% of income (housing costs): $1,050 | 30% of income (housing costs): $4,500 |
| Income for other life expenses (transportation, food, clothing, child care, insurance, etc.) $2,450 | Income for other life expenses (transportation, food, clothing, child care, insurance, etc.) $10,500 |

Presuming both households succeed in locating a unit at or below the 30% rule of thumb, we can reasonably say they are both affordably housed. Presuming their spending on other life essentials is on par—let's say other life necessities cost both households an average of $1,800 per month—it becomes clear that not only does Household B enjoy much more discretionary income ($8,250 to Household A's $650), it could theoretically spend an additional $7,600 per month on housing alone and still have the same amount of money left over as Household A for college funds, retirement savings, or an occasional vacation.

## More people living in Areas of Concentrated Poverty

More than one in eight residents of the Twin Cities region lives in an Area of Concentrated Poverty, defined as census tracts where 40% or more of the residents have individual or family incomes that are less than 185% of the federal poverty level.[10] Living in Areas of Concentrated Poverty hurts people in many ways. Areas of Concentrated Poverty can suffer from high crime and tend to have schools with lower test scores and graduation rates.[11] Living in Areas of Concentrated Poverty can undermine physical and mental health.[12] It reduces the cognitive abilities of children,[13] making them more likely to struggle in school and have lower incomes as adults than their parents. Together these characteristics lower the economic mobility of residents who live in Areas of Concentrated Poverty, making them more likely to stay poor across generations.[14]

**Table 1:** Share of the Twin Cities population living in Areas of Concentrated Poverty, 1990 to 2009-2013

| Year | Share of the population |
|---|---|
| 1990 | 9.5% |
| 2000 | 8.3% |
| 2009-2013 | 12.8% |

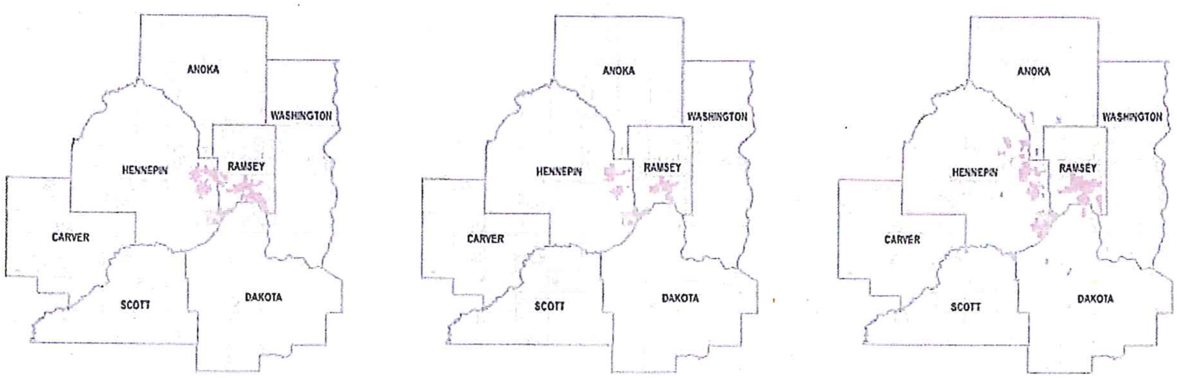
*Source: U.S. Census Bureau, Decennial Census, 1990 and 2000; 2009-2013 American Community Survey*

**Figure 9:** Areas of Concentrated Poverty in 1990, 2000, and 2009-2013

In **1990, 81** census tracts were considered Areas of Concentrated Poverty.

In **2000, 61** census tracts were considered Areas of Concentrated Poverty.

In **2009-2013, 112** census tracts were considered Areas of Concentrated Poverty.

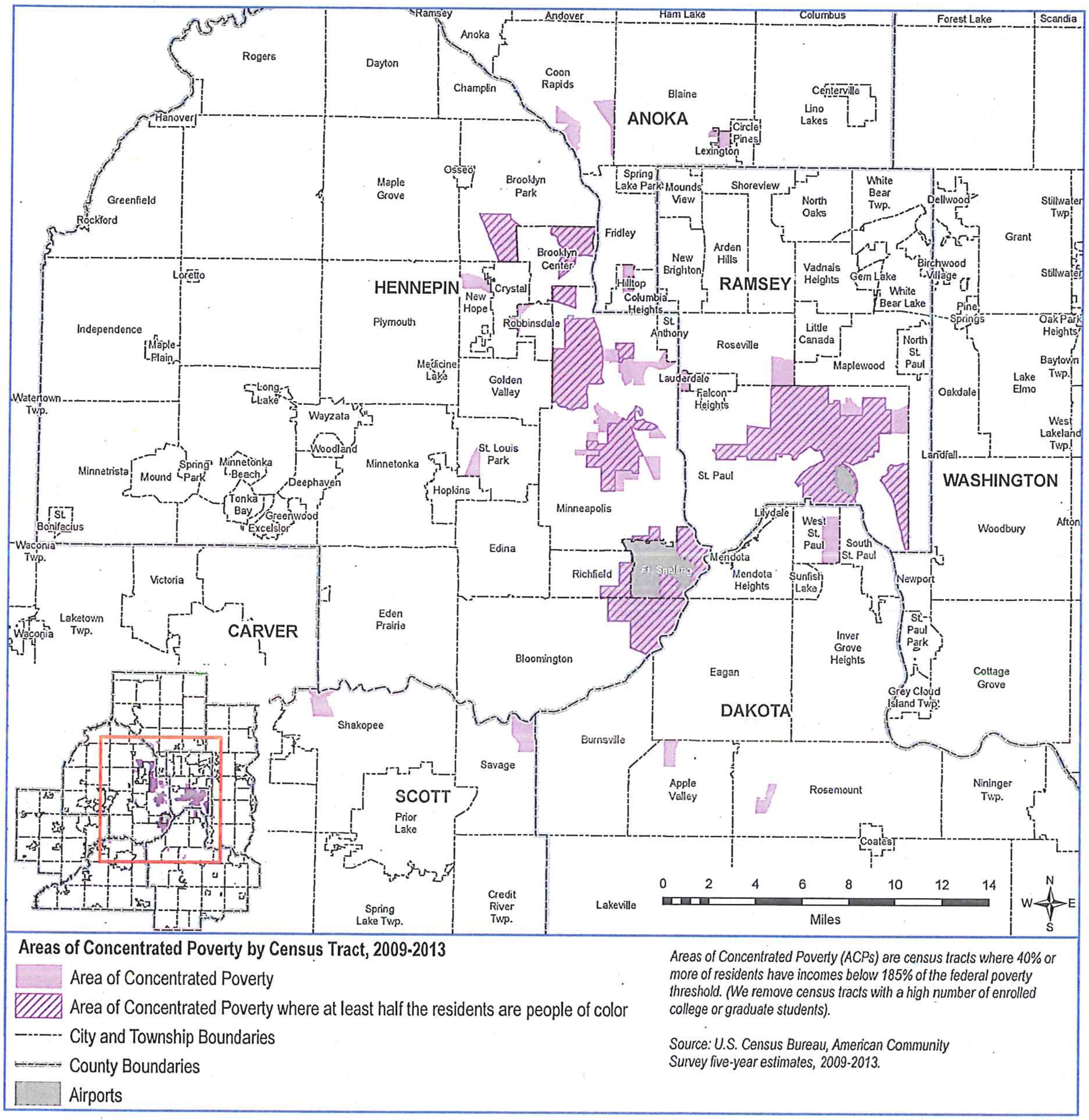



*Source: U.S. Census Bureau, Decennial Census, 1990 and 2000; 2009-2013 American Community Survey*

In the Twin Cities region, people of color are disproportionately harmed by Areas of Concentrated Poverty. Nearly two-thirds of residents living in Areas of Concentrated Poverty are people of color, and this cannot be explained by income alone. For instance, 45% of the region's low-income households of color live in concentrated poverty compared to only 12% of low-income white households. This pattern exists even among high-income households: 9% of the high-income households of color reside in these areas compared to only 3% of white households of the same income level.[15]

Limits on residential choice—such as discrimination by race or a lack of affordable housing in a variety of locations—hinder the ability of residents to move out of Areas of Concentrated Poverty. Moreover, systemic barriers challenge neighborhoods in attracting the resources and investment that would allow them to lift themselves out of poverty. These barriers contribute to the creation of Areas of Concentrated Poverty where at least half the residents are people of color—also known as Racially Concentrated Areas of Poverty (see Figure 10). In 1990, all of the region's Areas of Concentrated Poverty where at least half the residents are people of color were in Minneapolis and St. Paul. By the end of the 2000s, Areas of Concentrated Poverty where more than half the residents are people of color included both the original census tracts from 1990 and additional tracts in Brooklyn Center, Brooklyn Park, Richfield, and the federal lands constituting Fort Snelling. Since 1990, the share of the region's residents living in Areas of Concentrated Poverty where at least half the residents are people of color rose from 3% to 9%.

**Figure 10:** Areas of Concentrated Poverty



## An inadequate supply of affordable housing

To address housing cost burden, the public sector invests in affordable housing development and provides rental assistance to low-income households. The seven-county region has 57,900 publicly subsidized affordable rental units, including public housing and units built with capital generated by Low-Income Housing Tax Credits.

In addition to the publicly subsidized affordable housing stock, there are also many units of unsubsidized affordable housing—housing whose rents or sale prices make them affordable to low- and moderate-income households. Using an affordability threshold of 80% of area median income, the region has 493,000 affordable owner-occupied units and 338,000 affordable rental units, including both subsidized and unsubsidized.[16] (There are also approximately 14,000 manufactured homes that are likely to be affordable.) However, many of these housing units are occupied by households earning more than 80% of area median income, increasing the gap in the supply of units affordable and available to lower-income households.

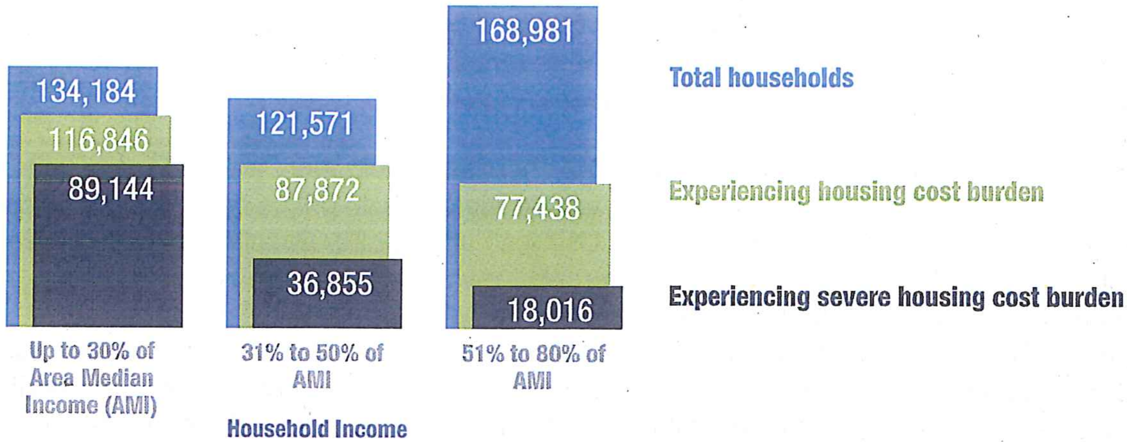
**Table 2:** 2014 Area Median Income (AMI) by household size, Minneapolis-St. Paul-Bloomington metropolitan statistical area

| Household Size: | Extremely Low Income (at or below 30% AMI) | Very Low Income (at or below 50% AMI) | Low Income (at or below 80% AMI) |
|---|---|---|---|
| One-person | $18,200 | $30,350 | $46,100 |
| Two-person | $20,800 | $34,650 | $52,650 |
| Three-person | $23,400 | $39,000 | $59,250 |
| Four-person | $26,000 | $43,300 | $65,800 |
| Five-person | $28,410 | $46,800 | $71,100 |
| Six-person | $32,570 | $50,250 | $76,350 |
| Seven-person | $36,730 | $53,700 | $81,600 |
| Eight-person | $40,890 | $57,200 | $86,900 |

*Source: U.S. Department of Housing and Urban Development, FY 2015 Income Limits*[17]

Even with the existing supply of affordable housing, more than 282,000 low- and moderate-income households in the region are paying more than 30% of their household income on housing costs, and nearly 144,000 of those are paying more than half their income on housing.

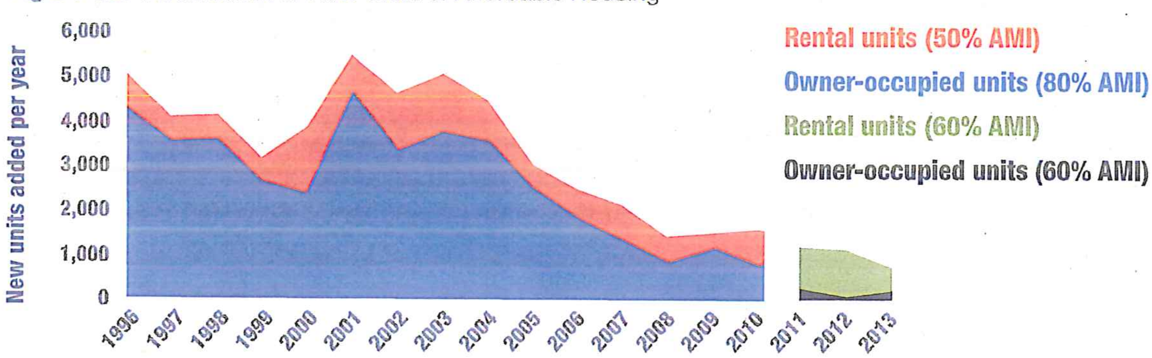
**Figure 11:** Housing Cost Burden by Income Level




*Source: U.S. Department of Housing and Urban Development, 2009-2013 American Community Survey Public Use Microdata Sample*

Furthermore, construction of new affordable housing has been dropping significantly. In 2006, the Metropolitan Council projected that the region should add 51,000 new units of affordable housing between 2011 and 2020 to accommodate the forecasted growth in low- and moderate-income households. (Note that this ignores the need for affordable housing that existed in 2010, that is, the 144,000 households paying more than half of their income on housing—much less the additional 138,000 who are paying between 30% and 50% of their income on housing. These are the low- and moderate-income households that currently experience housing cost burden.) Over the first three years of the decade the region added 2,993 new affordable units, meeting just over 5% of the decade-long need. At this pace, it will take the region more than four decades to meet only one decade's need for affordable housing.

**Figure 12:** Construction of New Units of Affordable Housing




Note: The Council changed its definition of affordability between 2010 and 2011. From 1996 to 2010, the Council considered owner-occupied units affordable if a household earning 80% of AMI could afford the housing costs and rental housing affordable if a household earning 50% of AMI could afford the rent. After 2011, the Council used a standard threshold of affordability to households earning 60% of AMI.

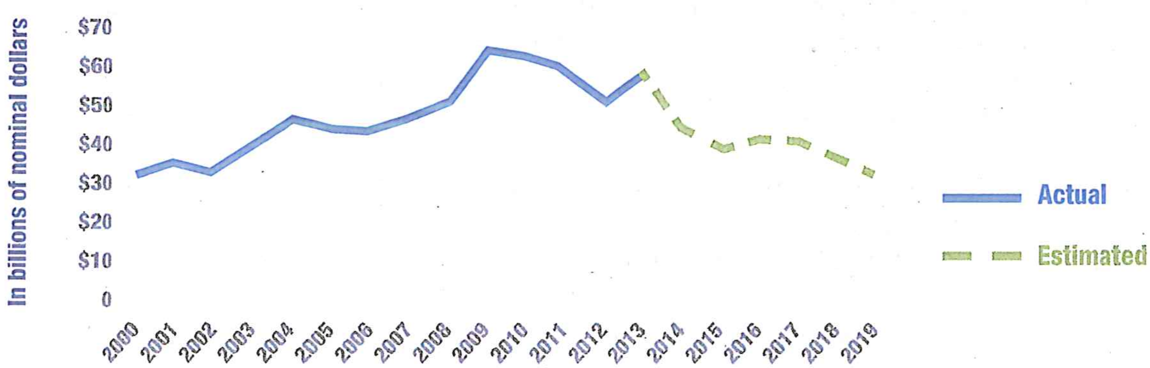
*Source: Affordable Housing Production Survey, Metropolitan Council*

Looking ahead, the Council forecasts that between 2020 and 2030, our region will add 37,400 low- and moderate-income households who will need new affordable housing.[18] Even if we are successful at addressing today's housing cost burden, the challenges will continue to increase with the region's ongoing population growth.

## Scarce financial resources to address housing challenges

The funding available for existing housing programs and related services is inadequate to address the region's growing housing challenges. Future budget estimates for the U.S. Department of Housing and Urban Development (HUD) paint a bleak picture. Federal funding for core HUD housing programs such as Section 8, the HOME Investment Partnerships Program, the Community Development Block Grant (CDBG), and the Public Housing Program is waning. Although the Minnesota Legislature has tried to soften the loss of federal funding, the need for housing resources continues to grow. Moreover, the Low Income Housing Tax Credit Program (LIHTC)—the primary funding source nationwide for new construction and rehabilitation of affordable multifamily housing—is a target for reform that could seriously diminish its reach and impact.

**Figure 13:** Budget for the U.S. Department of Housing and Urban Development




*Source: U.S. Office of Management and Budget*[19]

The Consolidated Request for Proposals (also known as the Super RFP) is the state's largest single source for financing housing for low-income households. It includes contributions from federal, state, and nonprofit funding partners including Minnesota Housing, the Metropolitan Council, Department of Employment and Economic Development (DEED), Family Housing Fund, and Greater Minnesota Housing Fund. From 2011 to 2014, the Super RFP deployed all available resources to fund construction of less than 5,000 new affordable rental units in the seven-county region, far below the need. Many of these units received capital through LIHTC public-private partnerships. Nationwide, the LIHTC program has leveraged almost $100 billion in private investment capital since 1986 toward the development of more than 2.6 million affordable units. However, the long-term future of these significant LIHTC resources is at risk as the tax credit, one of the largest corporate tax expenditures, is vulnerable to elimination or substantial cuts under various proposals to lower corporate tax rates. (For more detailed descriptions of the Super RFP and the LIHTC program, see the Glossary in the Appendices.)

Counties and cities use federal and state funding, local funding collected through property taxes, and tax tools (such as tax abatement or tax increment financing) to support affordable housing development. Some local governments issue Multifamily Housing Bonds to raise capital for affordable housing projects. To use these bonds, projects must include at least 40% of units affordable to households with incomes at or below 60% of area median income, or 20% of units affordable to households with incomes of 50% of Area Median Income or less. Philanthropic sources, foundations, private banks, Community Development Financial Institutions (CDFIs, or financial intermediaries such as the Local Initiatives Support Corporation (LISC), the Family Housing Fund, and Enterprise Community Partners) supplement public sources, yet large funding gaps remain.

## Affordable housing helps build communities

The quality and image of affordable housing has improved greatly in recent years. Many community leaders in both the private and public sector recognize the importance of more housing options for residents of all income levels and backgrounds. Housing affordable to low- and moderate-income households can stabilize neighborhoods and improve property values. Many working households have incomes that qualify them for "affordable" housing (see Figure 14). Having a variety of housing types, including housing affordable to very-low-income households or those with special support needs, is part of a well-balanced, economically resilient community and an economically competitive region.

Finding housing that is affordable and appropriate to an individual's or household's needs can be problematic for households across an array of incomes. As noted above, housing is generally regarded as affordable when a household pays no more than 30% of monthly gross income on housing, whether a mortgage payment and related costs of ownership or rent and utilities. Quality housing affordable to low- and moderate-income households can be even more difficult to secure in certain locations due to many factors, not the least of which is resistance in some communities to welcome and promote affordable housing development.

**Figure 14:** What does low- and moderate-income really mean?

| **$24,850** annual income for a family of four — **30%** of AMI | **$41,450** annual income for a family of four — **50%** of AMI | **$63,900** annual income for a family of four — **80%** of AMI |
|---|---|---|
| • **$621** is an affordable rent | • **$1,036** is an affordable rent | • **$1,596** is an affordable rent |
| • Jobs at this wage include home health aides and funeral attendants | • Jobs at this wage include interior designer and bus driver | • Jobs at this wage include accountants and police officers |

*Source: U.S. Bureau of Labor Statistics*

While there is little argument over the need for housing affordable for lower-income households, there is less agreement about how to create affordable housing, where to locate it, what it should look like, and what populations it should serve. Proposed housing developments may meet strong resistance from neighbors who fear the unknown. Proposers and supporters can be forced to try to disprove or contextualize negative aspects of affordable housing, regardless of whether they are real or perceived.

## Common concerns about affordable housing

### Concern: Affordable housing lowers nearby property values.

**Reality:** Research has found that affordable housing has no long-term negative impact on surrounding property values.[20] A recent study on the relationship between affordable developments located in Dakota, Hennepin, Scott, and Washington counties and single-family home sales revealed: average sales prices rose by nearly 5%, demand remained stable, affordable developments did not make it more difficult for owners to sell, and market performance of homes near affordable development was at least as strong as that of more distant homes in 96% of cases.[21] Conversely, properly designed and managed affordable housing can have a positive impact on surrounding property values. The design, management, and maintenance of any residential property determine whether or not it is a detriment or asset to its neighbors, regardless of the income of its inhabitants.

### Concern: Affordable housing leads to higher crime rates.

**Reality:** The relationship between crime rates and subsidized housing has been studied in many ways and in many parts of the country. It can be difficult to say exactly what impact a new affordable housing development might have on neighborhood crime. However, most available research finds no conclusive evidence that an increase in affordable housing (whether residents or units) leads to an increase in crime. For example, a study of three federally subsidized housing developments in Milwaukee and Washington D.C. found no increase in crime, in either the project's neighborhood or adjacent neighborhoods. The study, in fact, found decreases in crime a year after the affordable housing projects were constructed.[22] Another study looked at the impact of Section 8 Housing Choice Vouchers in 10 cities across the U.S. and found no association between the arrival of voucher holders in a neighborhood and the incidence of crime one year later.[23]

These are just two examples of research on various types of affordable housing and crime in various cities, but they illustrate a common conclusion: there is little evidence that affordable housing causes increased crime. While factors such as the quality of property management and the existing stability of a neighborhood prior to new affordable housing are more likely to impact crime rates, these conclusions are more qualitative.

### Concern: Affordable housing does not belong here.

**Reality:** Some communities believe that affordable housing proposals would bring "new poor" to their neighborhood. However, people paying more than 30% of their income on housing (and making less than 80% of the Area Median Income) most likely live in the area. In our region, nearly every community has such residents. Additional affordable housing of all kinds is needed everywhere, from rural centers to emerging suburban subdivisions to older suburbs and the urban center.

This concern can also manifest itself in the sentiment that high-income neighborhoods do not have the social or public amenities that are often needed for low-income families to thrive. While not all types of affordable housing may be appropriate in all locations, every community in our region has people with disabilities, cost-burdened residents, and/or seniors with fixed incomes.[24] And many wealthy communities need services and amenities that employ workers who need affordable housing options near their jobs.

Concerns about density also can serve as a public proxy for apprehension about affordable housing development when neighbors express anxiety about height, traffic, and neighborhood character. Careful attention to design elements and proactive community engagement can help address this concern.

## The opportunity of a regional approach and a regional Housing Policy Plan

As a region, we can react to these challenges, or we can plan for them. The coordinated regional planning approach underlying the Metropolitan Council and institutionalized in the Metropolitan Land Planning Act uniquely equips our region to transform challenges into opportunities to thrive.

In the late 1960s when the Metropolitan Council was created, community leaders saw value in collaborating to solve regional issues. At that time, the Minneapolis-St. Paul region was facing tough challenges resulting from rapid population growth and unimpeded urban sprawl. In 1967, the Minnesota Legislature created the Metropolitan Council and gave it responsibilities for coordinating the planning and development of the region's growth and setting policies to deal with regional issues. Upon signing the bill, then Governor Harold LeVander observed that the Council "was conceived with the idea that we will be faced with more and more problems that will pay no heed to the boundary lines which mark the end of one community and the beginning of another." A region-wide perspective provides the opportunity to address issues that:

- Are bigger than any one community can address alone.
- Cross community boundaries to affect multiple communities.
- Could benefit from an opportunity to share best practices.
- Require resources that are most effectively used at a regional scale.

For nearly 50 years the Metropolitan Council has played a key role in coordinating regional growth and planning, and convening partners to accomplish ambitious goals unrealistic for a single community but possible as a region. Thinking ahead—and working together with local governments, residents, businesses, philanthropy, and the nonprofit sector—helps us maintain a quality of life that other metropolitan areas envy.

Under the Metropolitan Land Planning Act, the Council is responsible for preparing a comprehensive development guide for the orderly and economical development of the seven-county region (Minn. Stat. 473.145). *Thrive MSP 2040* provides a framework for a shared vision for the future of our region over the next 30 years. This Housing Policy Plan serves as a chapter in the overall comprehensive development guide alongside *Thrive MSP 2040* and three metropolitan systems plans, the Regional Parks Policy Plan (Minn. Stat. 473.147), the Transportation Policy Plan (Minn. Stat. 473.146), and the Water Resources Policy Plan (Minn. Stat. 473.146 and 473.157). This Housing Policy Plan is the Council's first freestanding housing policy in nearly 30 years. The Council's *Housing Development Guide* was adopted in 1985, but Council actions in 1998 and 1999 eliminated those policies from the metropolitan development guide. To that end, this policy document supersedes and replaces any previous housing policy adopted by the Council (including comprehensive development guides).

Under the Metropolitan Land Planning Act, local governments must review and update their local comprehensive plans every 10 years. Housing, although not a metropolitan system under state statute, is already embedded in the local comprehensive plan requirements. For example, the Council reviews local comprehensive plans based on the requirements of the Metropolitan Land Planning Act to ensure that they include:

- "...a housing element containing standards, plans and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs, including but not limited to the use of official controls and land use planning to promote the availability of land for the development of low and moderate income housing." (Minn. Stat. 473.859, subd. 2) and
- "An implementation program shall describe public programs, fiscal devices and other specific actions to be undertaken in stated sequence to implement the comprehensive plan and ensure conformity with metropolitan system plans. An implementation program must be in at least such detail as may be necessary to establish existing or potential effects on or departures from metropolitan system plans and to protect metropolitan system plans. An implementation program shall contain at least the following parts:

  (1) a description of official controls, addressing at least the matters of zoning, subdivision, water supply, and private sewer systems, and a schedule for the preparation, adoption, and administration of such controls;

  (2) a capital improvement program for transportation, sewers, parks, water supply, and open space facilities; and

  (3) a housing implementation program, including official controls to implement the housing element of the land use plan, which will provide sufficient existing and new

housing to meet the local unit's share of the metropolitan area need for low and moderate income housing." (Minn. Stat. 473.859, subd. 4)

Through the policy direction in *Thrive MSP 2040* and this Housing Policy Plan, the Council assists local governments to create local comprehensive plans that advance local visions and help ensure efficient and cost-effective regional infrastructure. This plan addresses housing challenges greater than any one neighborhood, city, or county can tackle alone. It recognizes that the future's increasingly complex housing issues demand more innovative strategies and greater collaboration. With both statutory responsibilities and local opportunities, local governments play a key role in translating regional policy and priorities into effective implementation within local housing markets; one size does not fit all.

Unlike the three metropolitan systems which are built, owned, and operated by the public sector, housing is primarily built by the private sector working within a web of zoning, financial incentives, and public policy. Acknowledging this interdependence, this plan recognizes the primacy of the private market in building our region's housing stock.

This Housing Policy Plan provides an integrated policy framework that unifies the Council's existing roles in housing and opportunities for the Council to play an expanded role to support housing in the region. These roles include:

- Reviewing local comprehensive plans for the housing element, the housing implementation program, and minimum or maximum residential densities.
- Funding housing development through the Metropolitan Livable Communities Act (LCA) grant programs. Since the Act's enactment in 1995, the Council's LCA grants have helped create 18,660 units of affordable housing in communities across the region.
- Working with local governments to define their share of the metropolitan area need for low- and moderate-income housing.
- Administering the state's largest Section 8 Housing Choice Voucher program and providing rental assistance to 6,200 low-income households throughout Anoka, Carver, and most of suburban Hennepin and Ramsey Counties.
- Providing technical assistance to local governments to support orderly and economical development.
- Identifying opportunities to integrate housing effectively with the Council's work in regional parks, transportation, and water resources.
- Collaborating with and convening partners and stakeholders to elevate and expand the regional housing dialogue.

Adequately housing a region's population requires ongoing coordination among public and private plans, investments, and decisions. This plan outlines regional goals and aspirations to better align infrastructure investments, funder and investor priorities, and local planning.

This plan has five parts:

- Part I introduces the plan and outlines the demographic and socioeconomic challenges defining the region's housing future.
- Part II outlines Council roles, local responsibilities, and local opportunities to use housing to advance the five Thrive outcomes—stewardship, prosperity, equity, livability, and sustainability—within the framework of the three Thrive principles—integration, collaboration, and accountability. Part II includes the indicators that the Council will use to monitor the success of this plan.
- Part III delves more deeply into the core Council housing policies and functions.
- Part IV describes several opportunities for collaboration, that is, housing issues that are broader and more complex than any single agency or organization can advance alone.
- Part V identifies the next steps for the Council in implementing this plan.

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[5] Data are from the 2013 American Housing Survey Public Use File (available from http://www.census.gov/programs-surveys/ahs/data/2013/2013-ahs-metropolitan-puf-microdata.html) and cover the 13-county Minneapolis-St. Paul-Bloomington metropolitan statistical area. Units were classified as having a "serious maintenance problem" if they showed any of the 35 characteristics included in the "Poor Quality Index" developed in Frederick J. Eggers and Fouad Moumen, "American Housing Survey: A Measure of (Poor) Housing Quality" (2013), retrieved from http://www.huduser.org/portal//publications/pdf/AHS_hsg.pdf.

[6] Metropolitan Council, "MetroStats: Housing Cost Burden in the Twin Cities Region" (2014). Retrieved from http://metrocouncil.org/METC/files/a6/a6216685-af2c-405c-a300-06f2f1f4dcea.pdf.

[7] U.S. Census Bureau, 2000 Census and 2009-2013 American Community Survey.

[8] U.S. Census Bureau, 2009-2013 American Community Survey Public Use Microdata Sample.

[9] Ibid.

[10] Metropolitan Council, "MetroStats: Areas of Concentrated Poverty in the Twin Cities Region" (2015). Retrieved from http://metrocouncil.org/getattachment/59e72e05-559f-4541-9162-7b7bf27fdebf/.aspx.

[11] Metropolitan Council, *Choice, Place and Opportunity: An Equity Analysis of the Twin Cities Region* (2014), Section 6. Available from http://www.metrocouncil.org/Planning/Projects/Thrive-2040/Choice-Place-and-Opportunity.aspx.

[12] Jens Ludwig, Greg J. Duncan, Lisa A. Gennetian, Lawrence F. Katz, Ronald C. Kessler, Jeffrey R. Kling, and Lisa Sanbonmatsu, "Long-Term Neighborhood Effects on Low-Income Families: Evidence from Moving to Opportunity," *American Economic Review Papers and Proceedings* 103, no. 3 (May 2013): 226-231.

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[15] Metropolitan Council, *Choice, Place and Opportunity: An Equity Analysis of the Twin Cities Region* (2014), Section 4, pp. 1-3. Available from http://www.metrocouncil.org/Planning/Projects/Thrive-2040/Choice-Place-and-Opportunity.aspx.

[16] U.S. Department of Housing and Urban Development, FY 2014 Income Limits (effective July 1, 2014). Retrieved from http://www.huduser.org/portal/datasets/il/il14/mn_RevSec8.pdf.

[17] This estimate of unsubsidized affordable owner-occupied units was calculated using 2013 and 2014 MetroGIS Regional Parcel Datasets to identify units whose assessed value would produce monthly mortgage payments (including principal, interest, property taxes, and insurance) at or below 29% of the monthly household income of a household earning 80% of the area median income. This estimate of unsubsidized affordable rental units was calculated using the 2008-2012 Comprehensive Housing Affordability Strategy (CHAS) data. The resulting counts were adjusted for consistency with the Council's annual estimates of housing units, tenure distributions from the 2013 American Community Survey, and the affordability distribution of rental units from the 2013 American Community Survey Public Use Microdata Sample.

[18] This forecast looks at new households earning less than 80% of AMI and excludes seniors who own their home free and clear and are not cost-burdened. Including those, the number is 56,400.

[19] United States Office of Management and Budget. Historical Tables, Table 4.1—Outlays by Agency: 1962-2019 (2014). Retrieved from http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/hist04z1.xls.

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[24] U.S. Census Bureau, 2009-2013 American Community Survey.

## Special Supplement: The process of affordable housing production

Residential real estate development is a complex, interdisciplinary process. It involves various activities ranging from the rehabilitation of an existing home or multifamily property to the purchase of raw land and development of new housing. Owners/developers typically lead the process and act as the overall coordinator of a wide range of processes involving specialized firms and contractual arrangements.

In most cases, developers do not actually construct the project but have the responsibility to:

- Purchase land;
- Assemble adequate financing;
- Secure local approvals;
- Ensure compliance with funding sources;
- Develop affirmative fair housing marketing and lease-up plans;
- Execute contracts with a general contractor; and
- Oversee successful completion of the project, including project close-out and lease-up.

Some development projects are undertaken by a developer who intends to own and manage the project (asset management) after construction, while others coordinate and develop projects that will be sold immediately upon completion or at a targeted future date.

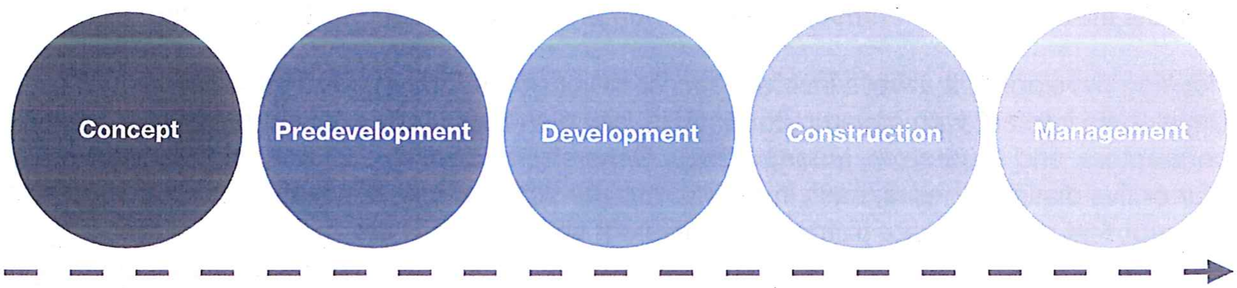
Housing development always involves similar major procedural and technical steps. Developers interact with government entities, city planners, architects, surveyors, engineers, contractors, and inspectors, among others. Generally, a development project will involve four or five distinct phases, each involving multiple action steps. But it all starts with a basic concept that may originate from several different sources, such as:

- A city interested in developing a particular parcel or within a certain zoning district, where the city owns the property or can help facilitate its purchase. Through a competitive process, the city awards development rights to the "best" proposal.
- A property owner seeking to exit the market or sell a property, where there is an opportunity for interested developers to purchase and redevelop or rehab the property.
- A state entity awarding funds through a competitive process to projects brought in by developers, but where neither the location nor project details are known when funding is advertised as available (competition for funding).
- A developer searching for a site, who then selects the most ideal location based on market and other research, and markets the opportunity to potential partners.

The particular circumstances and complexity of each project will influence the degree of time, energy, and money necessary to complete all tasks. Typically, however, these will fall into the following phases. It is important to note also that these phases are not always mutually exclusive. Rather, they can be somewhat fluid, where multiple activities are occurring simultaneously.

**Figure 15:** Development Timelines

**Total Time to Completion: 24 to 60 Months***
*Highly dependent on project scale, financial complexity, construction activity type, and other factors




Generally speaking, activities for these various stages of development include:

CONCEPT/INITIAL PLANNING PHASE
- Determine target population(s)
- Locate a possible development site (and at times several alternatives)
- Assess local market conditions
- Analyze the local regulatory environment
- Contemplate funding sources
- Develop a strong project concept

PREDEVELOPMENT PHASE
- Assemble development team reflecting all needed disciplines
- Due diligence on the site (e.g., performing an environmental review, ensuring clean title)
- Conduct outreach to local governments, housing advocates, community groups, and neighborhood residents, among others
- Develop a site plan schematic
- Develop a project pro-forma and perform a cash flow analysis

- Obtain site control/enter into a sales contract or purchase agreement
- Conduct a detailed financial feasibility analysis
- Identify funding sources and prepare alternative financing strategies if necessary
- Obtain conditional financing commitments
- Modify development concept if necessary

DEVELOPMENT PHASE
- Complete working architectural drawings and cost estimates
- Submit applications for funding sources
- Secure construction and bridge (if necessary) loans, and permanent financing
- Purchase the property
- Obtain all required planning and zoning approvals and environmental clearance
- Assemble bid package for hiring of a general contractor or master builder

CONSTRUCTION
- Award construction and other contracts
- Hire construction manager/general contractor
- Oversee completion of construction (including inspections and construction draws)
- Develop a lease-up and marketing plan (if not already in place), including affirmative fair housing marketing plans
- Manage construction close-out
- Begin marketing to prospective tenants

MANAGEMENT AND OPERATION
- Identify qualified, experienced management firm if necessary
- Lease out units
- Complete any required compliance reports

## The importance of relationships to the production of housing

Developers must assemble their development teams carefully, ensuring that their experience, qualifications, and capacity are adequate to the developer's expectations and the job's complexity. The developer also needs to be a careful nurturer of relationships, particularly if the development team intends to develop additional future projects.

Developers need to invest time and human capital into partnering and negotiating with a range of differently motivated actors at different moments in the process. They need to vet and enter into contracts with firms from fields such as architecture, engineering, title, insurance, legal, construction, and underwriting and finance. Primary finance firms such as banks, corporate investors, and government funders all need to be engaged to contemplate the cost, timing, and availability of pre-development, construction, or permanent loan financing, and all compliance obligations originating from receipt of funds.

The developer also needs to establish positive working relationships and build trust with local officials and staff, community groups, and citizens. A keen developer must understand federal rules pertaining to taxes and program restrictions, and find key equity investors that will bridge the gap between total development costs and what the first and any secondary or tertiary lenders will lend against the project.

Not surprisingly, because of the diversity of tasks that need to be well managed, each of which carries its own potential challenges, obstacles, and risks, developers (both for-profit and nonprofit) expect a competitive return on their investment. To achieve this, they must develop on budget and on schedule. For example, if the developer miscalculates or underestimates regulatory, political, or environmental hurdles, the result is time and money lost. When this occurs the viability and feasibility of the project suffer, and if the impact is too great, the developer may be forced to turn to another project, possibly in another community entirely.

### Differences between market-rate and affordable housing development

On the surface, there is little difference between "market-rate" and "subsidized" development, as all projects involving construction or rehabilitation involve capital, workforce, guarantees, insurance, and local acceptance and approval. Beneath the surface, however, developers of affordable housing often need to be more creative, persistent, budget-conscious, and relationship-focused. For example, when compared with market-rate development, affordable projects:


- Typically require more financing sources (nonprofit or capital-poor private firms typically must rely on multiple finance sources, including government and private debt, deferred loans, intermediary financing, bridge loans, grants, etc.).
- May face more local political or community opposition than market-rate projects (costing time and money).
- May have limitations on return imposed by one or more funders or lenders.
- May be subject to conflicting public policy objectives and compliance requirements.
- Are subject to strict rent limits that affect cash flow, reserves, debt service capacity, and profit.
- May trigger mandated capital needs assessments or environmental or feasibility studies.
- Incur higher costs in developing master servicing agreements, negotiating subordinations, scheduling multi-party inspections, et al.
- Require more financial sophistication and specialized industries and niches such as low-income housing tax credit syndicators.

## Development constraints and issues

With such a complex financial, technical, relational, and programmatic undertaking, any number of unexpected hurdles can arise. The challenge for developers, whether public, private, or nonprofit, is to ensure that they have not failed to anticipate issues such as:

- Funding gaps
- Construction cost overruns
- Inability to honor timeline
- Unanticipated holding costs
- Interest rate fluctuation
- Aligning funding commitments
- Unexpected environmental conditions
- NIMBY-ism (Not In My Back Yard)
- Excessive or exclusionary regulation
- Urban growth boundaries or infrastructure limitations
- Issues with local zoning
- Lot size and density potential
- Noncompliance with funding rules

## Complexity of housing finance

As mentioned, housing development typically entails at least three financing sources: a first mortgage, a second mortgage, and an equity investment. For a large affordable housing project, however, there may be as many as 8, 10, or 12 sources. How the debt is structured (who injects capital into the project at what point and who gets repaid how and when) is critical to the project's success.

## The government role

When federal, state, regional or local governments provide public benefits to develop housing, they engage with the private market, nonprofit organizations, and individuals in a public/private partnership in which the public commitment of tax dollars or tax benefits is exchanged for returned benefit per mutually agreeable terms and conditions, as shown below.

### Government provides one or more of the following:

- Grants for housing construction, maintenance, rehabilitation, counseling, technical assistance, or support services.
- Low-interest (below market) loans for predevelopment, construction, bridge, or long-term financing, which may be amortizing or forgivable.
- Technical assistance to owners, developers, or sponsors of affordable housing pertaining to design, deal structure, application for funding, scope of work, rent and lease-up, management, and compliance with program requirements and with federal, state, or local ordinance and law.

### Government expects all three of these in return:

- A guarantee of a specified level of physical condition and suitability for a predetermined amount of time that may be pegged to a mortgage term, term of outstanding bonds issued for the project, or other project characteristics.
- A guarantee that program-specific or priority-oriented income targets will be honored initially and ongoing per financing terms and project underwriting.
- A guarantee that rents will remain affordable to income-targeted households, such that households pay no more than 30% of income for housing.