Inclusionary Housing Policy in the Twin Cities

Inclusionary housing, also known as inclusionary zoning, or IZ, is a policy that requires developers to build a percentage of housing units within market-rate developments that are affordable to low- and middle-income households. In recent years, mandatory inclusionary housing policies have been adopted by some metro area cities as one tool for increasing the supply of affordable housing units in their communities. This document offers a comparison of known existing policies for planners, policymakers, developers, and advocates who want to understand how different IZ policies have been structured to date.

For more information on inclusionary housing, visit our Expert Insights on Inclusionary Zoning workshop page at www.minneapolisfed.org/community/community-development-events/expert-insights-on-inclusionary-zoning.

POLICY FEATURE	CITY				
	BLOOMINGTON	EDINA	MINNEAPOLIS	RICHFIELD	ST. LOUIS PARK
Effective date (MOST RECENT)	September 2019	March 2019	January 2019—interim policy in effect, permanent policy expected to be up for review and passage by the end of 2019	October 2018	May 2019
Revisions since first passage	No	Yes	Yes	Yes	Yes
Where applied	City-wide with emphasis on designated transit areas	City-wide	City-wide	City-wide	City-wide
Mandatory requirement	YES if public financing is involved OR YES if new construction	YES if public financing is involved or the site is rezoned to a PUD (planned unit development)	YES if public financing is involved OR YES if developed on land purchased from city OR YES if project requires a zoning amendment to a district that allows high-density residential and/or a combination of a floor area ratio, variance, or density bonus that increases the floor area by 60% or more compared to what is already permitted as right	YES if public financing is involved	YES if public financing is involved or request for land use changes through a PUD or request for a comprehensive plan amendment
Development size	20 units or more	20 units or more	10 units or more for projects receiving financial assistance or on city-owned land (Ownership exempt from interim ordinance)	5 units or more	10 units or more

OF NOTE

- Inclusionary housing programs are intended for a "hot" housing market, and are just one tool in the affordable housing tool box.
- Education programs for developers and property owners can help to reach those who have not traditionally provided affordable units.

EDINA employs a dedicated affordable housing administrator who also is affiliated with the Edina Housing Foundation. Cities might want to consider whether there exists an opportunity to partner with a community foundation to help meet their inclusionary housing program needs.

POLICY FEATURE	CITY				
	BLOOMINGTON	EDINA	MINNEAPOLIS	RICHFIELD	ST. LOUIS PARK
Housing type	Rental—new construction and rehab and single family	Rental—new construction Ownership—new construction NOAH (naturally occurring affordable housing)—rehab	Rental—new construction and rehab Ownership—new construction for projects 10 units or more receiving financial assistance or on city-owned land	Rental—new construction Ownership—new construction	Rental—new construction and rehab Ownership—new construction
Rental affordability term	20 years	At least 20 years	30 years if city financing or city land is involved 20 years otherwise	26 years if housing TIF dollars are involved 10 years otherwise	25 years
Ownership affordability term	Deed restriction for single-family affordable units in perpetuity	At least 20 years	30 years if city financing or city land is involved (Ownership exempt from interim ordinance)	Time of sale	Time of sale
Number of units/affordability target	Rental: 9% of total project size at 60% AMI (area median income) Ownership: 9% of total project size at 110% AMI	Rental: 20% of total project units at 60% AMI OR 10% of total project units at 50% AMI Ownership: 10% of total project units at affordable sale price NOAH rehab: 40% of total project units at 60% AMI	**For City Financing and Land Sales**: Rental: 20% of total project units at 60% AMI or below Ownership: 10% of total project units at 80% AMI or below **For Interim IZ Ordinance**: 10% of total project units at 60% AMI—NOT eligible for city financing OR 20% of total project units at 50% AMI—THEN eligible for city financing	Rental: 20% of total project units at 60% AMI Ownership: 20% of total project units at 115% AMI	Rental: 20% of total project units at 60% AMI OR 10% of total project units at 50% AMI OR 5% of total project units at 30% AMI OR One for one replacement: The number of NOAH dwelling units that are being demolished or converted to a use other than lower-income dwelling units in connection with construction of the development, whichever is greater Ownership: Payment in-lieu required

BLOOMINGTON offers IZ unit occupants gap assistance for up to 3 years if their income decreases. Recognizing that the earnings of lower-income households often fluctuate, cities might want to consider options for providing temporary subsidy if the goal is to address housing stability.

RICHFIELD offers developers the option to do a combination of unit development and in-lieu payments. If the goal is to maximize flexibility for developers, cities might want to consider a policy that offers unit development, in-lieu payment, or unit development plus in-lieu payment.

ST. LOUIS PARK recently adopted a revision that reduces the requirement to just 5% of total units for developers who make the units affordable at 30% AMI. If the goal is to target very low-income households, cities might want to consider a policy that reduces the number of units required for developers who provide deep affordability.

POLICY FEATURE	CITY				
	BLOOMINGTON	EDINA	MINNEAPOLIS	RICHFIELD	ST. LOUIS PARK
Income ceiling	Once occupied, renter income can increase up to 140% AMI	60% AMI for rental and 120% AMI for ownership. Once occupied, renter income can increase up to 140% AMI	Not addressed	Not addressed	Once occupied, renter income can increase up to 140% AMI
In-lieu fee	$9.60 per leasable square foot	TBI (total buy in) fee equal to $100,000 per affordable unit	Not offered	Equal to 15% of total city financing provided May seek approval for combination of units and in-lieu fees	Ownership: Equal to DIFFERENCE between market-rate sale price and affordability at 80% AMI MULTIPLIED BY 15% of total project units Rental: Not offered
Compliance alternatives	• Set aside units built off-site • Dedication of land for affordable housing • Rehabilitation and deed restriction of NOAH units	• Set aside units built off-site • Dedication of land for affordable housing • Rehabilitation and deed restriction of NOAH units • Absorption of financial risk or construction of affordable units by another project developer	City approval required May include: large multi-phase projects with total affordability requirement spread across multiple buildings, projects receiving city financing for environmental remediation, projects in neighborhoods involving city land where no new market rate development has occurred in more than 3 years, projects participating in city programs with deeper affordability requirements	• Set aside units built off-site • Rehabilitation and deed restriction of NOAH units	• Set aside units built off-site • Rehabilitation and deed restriction of NOAH units
Exemptions	None—applies to all housing types of 20 or more units	Projects by owner occupant	Student housing, ownership projects (interim ordinance)	None—applies to all housing types of 5 or more units	None—applies to all housing types of 10 or more units
Cost offsets offered to developers (granted on a case-by-case basis)	Density bonus, FAR bonus, height bonus, parking reduction, enclosed parking space conversion allowance, unit size reduction, alternative exterior materials allowance, storage space reduction, development fee waivers or deferment, landscape fee in-lieu reduction, expedited plan review, land write down on city-owned land, housing TIF, project-based vouchers	Density bonus, reduced development requirements, housing TIF, property tax abatement, deferred low interest loans from Edina HRA or Edina Housing Foundation	TIF subsidy or other city subsidies (depending on size of project)	Density bonus, reduced development requirements, property tax abatement, partial waiver of building permit fee at a rate of 5% for new construction and 10% for rehab	Density bonus, reduced development requirements, other requests approved by city

POLICY FEATURE	CITY				
	BLOOMINGTON	EDINA	MINNEAPOLIS	RICHFIELD	ST. LOUIS PARK
Program staffing	Assigned to 2 existing staff members, presently seeking housing redevelopment analysts for this purpose	Assigned to 1 existing staff member who also works for Edina Housing Foundation	Assigned to 5–7 existing staff members	Assigned to 4 existing staff members	Assigned to 4 existing staff members
Program metrics	To be determined—expected in Q3 2019	Number and location of projects with IZ units; number and location of IZ units; size and square footage of IZ units; proportion of projects subject to IZ requirement that opted for in-lieu fee option; school district in which IZ units are located; whether or not the IZ units are age-restricted, e.g., senior housing	To be determined—expected in Q4 2019	Number of projects with IZ requirements, location of projects with IZ requirements, number of affordable units produced by IZ policy, location of affordable units produced by IZ policy, bedroom size and/or square footage of affordable units produced by IZ policy, amount of in-lieu fees collected, proportion of projects subject to requirement that opted for in-lieu fees instead of affordable units	Number of projects with IZ requirements, location of projects with IZ requirements, number of affordable units produced by IZ policy, bedroom size of affordable units produced by IZ policy, mix of bedrooms (must be comparable to the bedroom mix of the overall development), amount of in-lieu fees collected, number of projects that received cost off-sets as a result of IZ, proportion of projects subject to requirement that opted for in-lieu fees instead of affordable units (not an option for rental)
Policy contact	Eric Anthony Johnson, Community Development Director, ejohnson@bloomingtonmn.gov	Cary Teague, Community Development Director, cteague@edinamn.gov	Angie Skildum, Manager, Residential Finance, Community Planning and Economic Development, angie.skildum@minneapolismn.gov	Julie Urban, Housing Manager, JUrban@richfieldmn.gov	Michele Schnitker, Community Development Deputy Director, mschnitker@stlouispark.org