



**DRAFT Moderate-
Income Housing Policy**

A moderate-income housing policy encourages new Developments to make a certain percentage of housing units affordable. The goal of this policy is to promote high quality housing located throughout the community for a variety of income levels, ages, and household sizes in order to meet the City's goal of preserving and promoting economically diverse housing options within the community.

The City recognizes the need to provide affordable housing for a broad range of income levels to maintain a diverse population and attract residents to live or work in the City. This Policy has been created to ensure that a reasonable proportion of each new Development receiving City Financial Assistance include Units affordable to moderate income households and working families.

The requirements set forth in this Policy further the City's Housing Goals and the City's Comprehensive Plan to create and preserve affordable housing opportunities. These requirements are intended to provide a structure for participation by both the public and private sectors in the production of affordable housing.

I. Definitions

Financial Assistance means the use of public funds of, or administered by, the City or any related government entity for any housing Development, including but not limited to:

- A. City or HRA funds or fee waivers;
- B. Community Development Block Grant (CDBG);
- C. Housing Rehabilitation Fund;
- D. Revenue Bonds (private activity bonds are negotiable);
- E. Tax Increment Financing (TIF);
- F. Tax Abatement; and
- G. Land Write Downs

Development means any undertaking to provide housing Units to which Financial Assistance is being provided.

Unit means an apartment or a single-family dwelling.

II. Applicability and Minimum Development Size

This Moderate-Income Housing Policy applies to all new and renovated multifamily residential buildings or new for-sale housing receiving City financial assistance, with a minimum of 10 Units. This includes, but is not limited to:

- (1) new Developments that create at least 10 multi-family dwelling units; or
- (2) any mixed use Development that creates at least 10 multi-family dwelling units; or
- (3) renovation, reconstruction, remodeling, expansion, or other alteration of an existing building that will contain after completion of such alteration at least 10 multi-family dwelling Units; or
- (4) any change in use of all or part of an existing building from a non-residential use to a residential use that includes at least 10 dwelling Units.

III. Affordable Moderate Income Dwelling Units

General requirements

To ensure affordability, the City requires that (i) a certain percentage of Units of a Development (ii) is reserved for and leased to individuals or families of moderate-income, and (iii) that the rents for such Units remain affordable for such individuals and families, or, in the case of the sale of a Unit, that the sale price at the time of sale is affordable for such individuals and families.

(i) Number of Affordable Units

A Development that is subject to this Policy shall provide a number of affordable moderate-income dwelling Units equal to at least ten (10%) to twenty percent (20%) of the total number of Units in the Development.

The required number of affordable moderate-income dwelling Units is based on the total number of dwelling Units that are approved by the City.

To calculate the number of affordable moderate-income dwelling Units required in a development the total number of approved dwelling units shall be multiplied by ten percent (10%) or twenty percent (20%) depending on the affordability standard. If the final calculation includes a fraction, the fraction shall be rounded to the nearest whole number.

(ii) Moderate Income

The required number of affordable dwelling Units within a residential Development subject to this policy shall be reserved for and either leased to or sold to individuals or families who meet moderate-income eligibility as follows:

- (1) Rental Developments:
 - A. At least twenty percent (20%) of the Units shall be reserved for an leased to individuals or families whose household income does not exceed at sixty percent (60%) of the Area Median Income (AMI), or
 - B. At least ten percent (10%) of the Units shall be reserved for and leased to individuals and families whose household income does not exceed fifty percent (50%) of the Area Median Income.

(2) For-Sale Developments:

- A. At least fifteen percent (15%) of the Units shall be reserved for and sold to individuals or families whose household income does not exceed eighty percent (80%) of the Area Median Income (AMI).

(iii) Rent and Sale Price Level

Rental Unit: The monthly rental price for affordable dwelling Units shall include rent and utility costs and shall be based on fifty percent (50%) and/or sixty percent (60%) for the Twin Cities metropolitan area that includes Plymouth adjusted for bedroom size and calculated annually by Minnesota Housing for establishing rent limits for the Housing Tax Credit Program.

For-Sale Developments: The qualifying sale price for an owner-occupied affordable dwelling Unit shall include property taxes, homeowner's insurance, principal payment and interest, private mortgage insurance, monthly ground lease, and shall be based on eighty percent (80%) AMI for the metropolitan area and calculated annually by Minnesota Housing for the Impact Fund program.

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Period of Affordability

For rental Developments subject to this Policy, the period of affordability for the affordable dwelling Units shall be at least twenty-five (25) years. Units of for sale Developments shall be subject to this policy until sold to the moderate-income owner(s).

Location of Affordable Dwelling Units

Except as otherwise specifically authorized by this Policy, the affordable dwelling units shall be located within the Development.

IV. Standards for Moderate-Income Rental Units

Size and Design of Affordable Moderate-Income Units

The size and design of the affordable moderate-income dwelling Units should be consistent and comparable with the market rate Units in the project and are subject to the approval of the City.

Exterior/Interior appearance.

The exterior materials and design of the affordable moderate-income dwelling Units in any Development subject to these regulations shall be indistinguishable in style and quality with the market rate Units in the Development. The interior finish and quality of construction of the affordable moderate-income dwelling units shall at a minimum be comparable to entry level rental or ownership housing in the City. Construction of the affordable moderate-income dwelling Units shall be concurrent with construction of market rate dwelling Units.

V. Integration of Affordable Moderate-Income Dwelling Units

Distribution of affordable moderate-income housing Units.

The affordable moderate-income dwelling Units shall be incorporated into the overall Development unless expressly allowed to be located in a separate building or a different location approved by the City Council. Affordable moderate-income dwelling Units shall be distributed

equally by bedroom size and throughout the building.

Number of bedrooms in the affordable moderate-income Units.

The affordable moderate-income dwelling Units shall have a number of bedrooms in the approximate proportion as the market rate Units. The mix of Unit types, both bedroom and accessible Units, of the affordable moderate-income dwelling Units shall be approved by the City.

Tenants Change of Income

Moderate-income rental dwelling Units shall be rented only to income eligible families during the period of affordability. An income eligible family may remain in the affordable moderate-income dwelling Unit for additional rental periods as long as the income of the family does not exceed one-hundred forty percent (140%) of the applicable AMI. If the family income exceeds this amount they must be moved to the first available non-moderate-income affordable Unit.

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VI. Alternatives to On-Site Development of Affordable Moderate-Income Dwelling Units

This section provides alternatives to the construction of onsite affordable moderate-income dwelling Units as a way to comply with this Policy. The alternatives are listed in subsection (3), below.

- (1) The alternatives must be:
 - A. Approved by the City Council, and
 - B. Agreed to by the applicant in an Affordable Housing Performance Agreement.
 - C. Applicant must show the City acceptable documentation that a formal commitment to the proposed alternative is in place.
- (2) This Section does not apply unless the applicant demonstrates:
 - A. The alternative provides an amount of affordable moderate-income dwelling Units equivalent or greater to onsite Units in a way that the City determines better achieves the goals, objectives and policies stated in the Housing Goals and Comprehensive Plan; and
 - B. Will not cause the City to incur any net cost as a result of the alternative compliance mechanism.
- (3) If the conditions in (2) are met, the City may approve one or more of the following options to providing affordable moderate-income dwelling Units that are required by this Policy.
 - A. The dedication of existing market rate Units to permanently affordable moderate-income dwelling Units that are of equivalent quality and size. Existing dwelling Units are approved as suitable affordable housing dwelling units through covenants, contractual arrangements, or resale restrictions.

- B. Offsite construction of affordable dwelling Units within the City. Offsite construction of units should be located in proximity to public transit service at a site approved by the City.
- C. Participation in the construction of affordable dwelling Units by another developer on a different site within the City.
- D. An alternative proposed by the applicant that directly provides or enables the provision of affordable housing Units within the City. The alternative must be approved by the City and made a condition of approval of the Affordable Housing Performance Agreement.

VII. NON-DISCRIMINATION BASED ON RENT SUBSIDIES:

Developments covered by the policy must not discriminate against tenants paying rent with federal, state or local public assistance, including, but not limited to rental assistance, rent supplements, and Housing Choice Vouchers.

VIII. Public Financial Assistance Application and Agreement

(1) *Applicability*

Developments that are subject to this Policy shall submit an Application for Public Financial Assistance, available at the City, and enter into a Public Assistance Agreement as described below, which documents how the developer complies with each of the applicable requirements of this Policy.

(2) *Approval*

The Public Assistance Agreement shall be approved by the City.

(3) *Contents.*

The Public Assistance Agreement shall include at least the following:

- A. General information about the nature and scope of the development subject to these regulations.
- B. For requests to an alternative to on-site provision of affordable housing, evidence that the proposed alternative will further affordable housing opportunities in the City to an equivalent or greater extent than compliance with the otherwise applicable on-site requirements of this Policy.
- C. The total number of market rate Units and affordable dwelling Units in the development by bedroom size and income threshold.
- D. The pricing for each affordable ownership dwelling Unit. The pricing of each

unit shall be determined at time of approval. At time of sale this price may be adjusted if there has been a change in the median income or a change in the formulas used in this ordinance.

- E. Proposed schedule of individual Unit development (market rate vs. affordable units).
- F. Documentation and specifications regarding the exterior appearance, materials and finishes of the development for each of the affordable dwelling units illustrating that the appearance of affordable Units are comparable to the appearance of the market-rate Units.
- G. Any and all other information that City staff may request to achieve the Council's affordable housing goals.

IX. Recorded Agreements, Conditions and Restrictions

- (1) A Public Assistance Agreement shall be executed between the City and Developer, in a form approved by the City Attorney, which formally sets forth Development approval and requirements to achieve affordable housing in accordance with this Policy and location criteria. The Public Assistance Agreement shall identify:
 - a. the location, number, type, and size of affordable housing Units to be constructed; and
 - b. income limitations for the affordable Units; and
 - c. sales and/or rental terms; occupancy requirements; and
 - d. a timetable for completion of the Units; and
 - e. restrictions that will be placed on the Units to ensure affordability; and
 - f. any terms contained in the approval resolution by the City as applicable.
- (2) The applicant or owner shall execute any and all documents deemed necessary by the City Manager, including, without limitation, a Declaration of Restrictive Covenants and other related instruments, to ensure the affordability of the affordable housing Units in accordance with this Policy.
- (3) The applicant or owner must record all documents, restrictions, easements, covenants, and/or agreements that are specified by the City as conditions of approval of the application prior to issuance of a building Permit for any Development subject to this Policy.
- (4) Documents described above shall be recorded in the Hennepin County Registry of Deeds as appropriate.

X. State and Federal Law

This Policy is not to be interpreted, nor intended to be in conflict with state or federal law. If any portion of this Policy is determined to be in conflict, state or federal law will control. Many state and federal law programs provide for similar regulations regarding affordability to Project/Developments. In such instances where participation in state or federal law programs providing financial assistance to a Development results in more strict regulations regarding affordability, such Development will be deemed to have met the requirements of this Policy.

Commented [DP3]: Section is moved to II. Applicability and Minimum Project Development Size