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**EDINA**

# Proposed Revisions to Affordable Housing Policy

December 8, 2022



# Today's Request

1. Increase Buy-In Fee to \$175,000.
2. In lieu of a density bonus, require the inclusion of affordable units when maximum density is being requested.
3. Require cooperation with third party compliance officer.



# Background Information

- 2015 Policy initially approved
- 2018 (winter) Buy-In option was added
- 2018 (Autumn) Affirmative Fair Marketing and Non-discrimination of Housing Choice Vouchers added
- 2019 Affordable Housing Trust Fund Created
- Rents and incomes adjusted annually



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# Change #1: Buy-In Fee

Current: \$125,000

- Increased March 2021
- Based on other Communities

Proposed: \$175,000

- Construction costs have increased
- Development costs range from \$300,000 to \$515,000 per unit (affordable to luxury).
- Increase fee to incentivize including units



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It is much more Cost Efficient for the Developer to Buy-In rather than to include an affordable unit:

Over a 20-year period a developer's revenue is significantly greater than \$125,000 per unit in a 100% Market Rate Development.



# Basic Analysis

- 200 unit building with a mix of 1 and 2 bedroom units
- Income escalator of 2%
- 20-year affordability Period
- Comparing all market rate apartments to one that includes 10% of units at 50% AMI rents.
- Market rate rents based on recent proposals.

## **Conclusion:**

Over a 20-year period a 100% Market Rate development has revenues \$6,500,000 greater than an inclusionary development. This equates to \$327,000 per unit that was not affordable (10% or 20 units).

**\$125,000 is only 38% of the difference.**

# Inclusion vs. Buy-in Comparison



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## Inclusion:

- 4917 Eden – 20 units
- 4977 77<sup>th</sup> Street – 20 units
- Lorient – 3 units
- Avidor – 18 units
- Aria – 8 units (4.3%)
- Millenium – 11 units (4.8%)
- Nolan Mains – 10 units
- Fred II – 28 units

**TOTAL: 118 units**

## Buy-In:

- Fred I – in lieu of 41 units
- Bower – in lieu of 19 units
- 7001 France – In lieu 27 units
- Lorient – In lieu of 2 units
- 4425 Valley View – In lieu of 3 units
- The Loden – in lieu of 25 units
- The Onyx – 25 units

**TOTAL: In lieu of 142 units**

# Affordable Housing Goals



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	Affordable Housing Goal	Affordable Housing Units Approved	%	Remaining
Total Units	1804	341	18.9%	1463
<30% AMI	751	22	2.9%	729
31-50% AMI	480	178	37.1%	302
51-80% AMI	573	141	24.6%	432

# Keep Buy-In Option – But increase



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- Edina has goal of creating 994 to 1804 new units of affordable housing.
- Increases disincentive to Buy-In.
- Construction costs are increasing
  - Buy-In fee does not go as far;
  - Increasingly less expensive to Buy-In than to include units.
- In 2018 Race & Equity Task Force proposed to Eliminate Buy-in option
- No evidence that Buy-In fee is thwarting Developers from wanting to build in Edina





# Importance of Buy-In: Flexibility



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Affordable Housing Trust Fund	Estimated Balance	Requests
Beginning Balance*	\$ 8,460,000	
Market Street (2019)		(\$750,000)
4d Pilot Program 2018 - NO TAKERS		(\$160,000)
4d Pilot Program -2019		(\$50,000)
Single Family Ownership Program (2020)		(\$840,000)
Home Rehabilitation Program (Pilot)		(\$250,000)
425 Jefferson		(\$152,717)
Single Family Ownership Program (2021)		(\$1,500,000)
Home Rehabilitation Program (Aug. 2021)		(\$750,000)
LISC Single Family Partnership Program		(\$1,260,000)
Home Rehabilitation Program (2022)		(\$500,000)
First Generation Grant		(\$150,000)
Ending Balance	\$ 2,402,717	

# Affordable Housing Trust Fund



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- Making loans at interest rates below or at market rates.
- Guaranteeing of loans.
- Providing gap financing for affordable housing developments.
- Financing the acquisition, demolition, and disposition of property for affordable housing projects.
- Financing the rehabilitation, remodeling, or new construction of affordable housing.
- Funding to facilitate affordable homeownership opportunities including down payment assistance, second mortgages, closing costs, etc.
- Interim financing of public costs for affordable housing projects in anticipation of a permanent financing source (i.e. construction financing, bond sale, etc.)
- Other uses as permitted by law and approved by the city council.

# Change #2: Regarding Density “Bonuses”



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**Table 3.8: Residential Expected Density Ranges**

Type	Units/Acre (Min)	Units/Acre (Max)
Low Density Residential	1	5
Low Density Attached Residential	4	8
Medium Density Residential	5	12
High Density Residential	12	60
Greater Southdale District Residential	50	100
Neighborhood Node**	10	60
Office Residential*	20	75
Mixed-use Center* **	12	100
Community Activity Center*	90	150
Regional Medical Center*	50	100

\*mixed-use

## Policy Language:

Recognizing that affordable housing is created through a partnership between the City and developers, the City and/or Housing and Redevelopment Authority will consider the following incentives for developments that provide affordable housing:

- Density bonuses
- Parking requirement reductions

Etc.

# Inclusion Required



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> 50% Max

> 75% Max

Type of Zoning	Density Range	Mixed Use	Residential Only
High Density Residential	12-60	>= 36 units	>= 48 units
Greater Southdale Residential	50-100	>= 75 units	>= 88 units
Neighborhood Node	10-60	>= 35 units	>= 48 units
Office Residential	20-75	>= 48 units	>= 61 units
Mixed Use Center	12-100	>= 56 units	>= 78 units
Community Activity Center	90-150	>= 120 units	>= 135 units
Regional Medical Center	50-100	>=75 units	>= 88 units

# Density Level May Require Inclusion



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## Example 1:

- Density range 50-100 units per acre
- Proposal is 95 units/acre (90% of Max)

Requirement: Development must include affordable units.

## Example 2:

- Density range 50-100 units/acre
- Proposal is 70 units/acre (40% of max)

Requirement: Either Buy-In, inclusion or blend.



# Approved Density: Mixed Use



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<u>Project</u>	<u>Project Density</u>	<u>Comp. Plan</u>	<u>% of Density</u>
Onyx– 240 units (0 affordable)	53 units/acre	75 units/acre	71%
Lorient – 46 units (3 affordable)	50 units/acre	60 units/acre	83%
Nolan Mains – 100 units (10 aff.)	74 units/acre	75 units/acre	99%
The Loden – 246 units (0 affordable)	10 units/acre	30 units/acre	33%
Pentagon Village– 200 units (20 aff.)	16 units/acre	75 units/acre	21%
70 <sup>th</sup> and France – 267 units	46 units/acre	150 units/acre	31%

# Approved Density: Residential



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Project	Project Density	Comp. Plan	% of Density
Aria – 185 units (8 affordable)	93 units/acre	100 units/acre	93%
★ Millennium – 375 units (11 aff.)	66 units/acre	105 units/acre	63%
Avidor – 166 units (16 aff.)	95 units/acre	100 units/acre	95%
Sound on 76 <sup>th</sup> – 70 units (all aff.)	35 units/acre	40 units/acre	75%
★ Edina Flats– 18 units (0 aff.)	14 units/acre	30 units/acre	47%
Amundson Flats– 62 units (all aff.)	50 units/acre	50 units/acre	100%
Hazelton Road Apts. – 186 units	149 units/acre	150 units/acre	99%
4040 70 <sup>th</sup> Street – 118 aff.	75 units/acre	75 units/acre	100%
Perkins Site – 196 units (20 aff.)	94 units/acre	100 units/acre	94%

# Change #3: Cooperation



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Add:

- The owners and their agents of multi-family rental and ownership properties subject to this policy must cooperate with the City's compliance officer during the affordability period. Non-compliance may be grounds for suspension of the rental license.
- Amend rent, sales price, and income limits





# City Comparisons



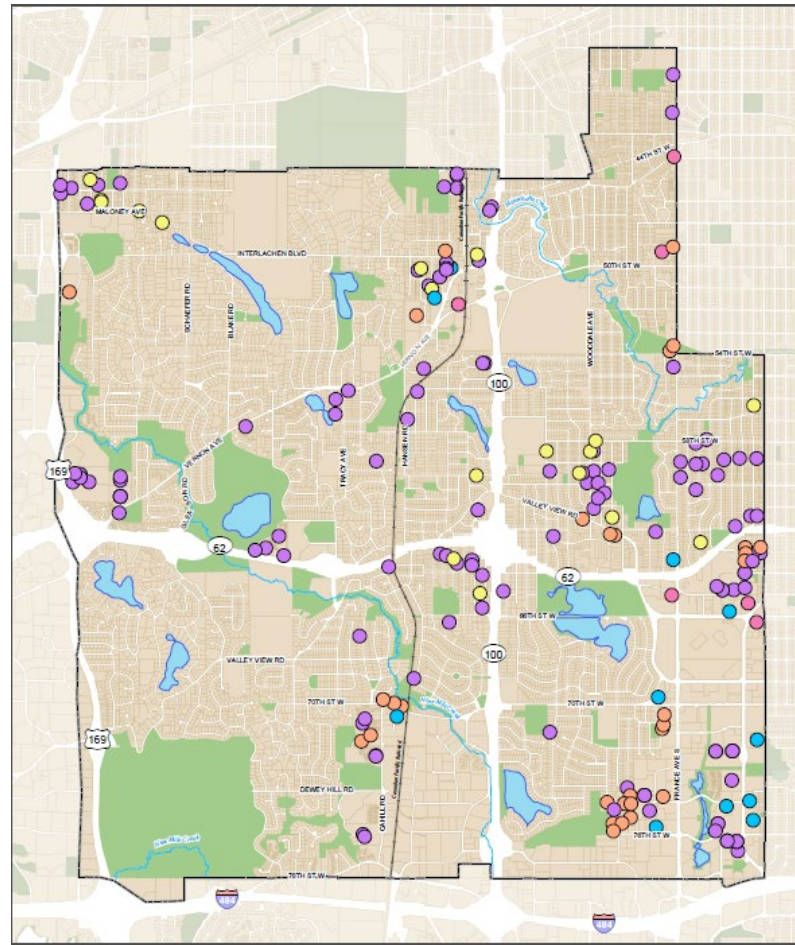
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City	# Units to Trigger	Affordability Requirements	Term of Affordability	Buy-In
Edina	20	10% @ 50% AMI or 20% @ 60% AMI	20-years	\$125,000*10%
Minnetonka	10	10% @60% with Minimum of 5% @ 50% AMI. If City \$: 20% @ 50% AMI or 40% @ 60% AMI.	30-years	NA
St. Louis Park	10	5% @ 30% AMI; 10% @ 50% AMI; 20% @ 60% AMI	25-years	Ownership Only
Eden Prairie	15	5% @30% AMI, or 10% at 50% AMI, or 15% @ 60% AMI	in perpetuity	NA
Richfield	5	20% @ 60% AMI	10-years	15% NPV of Tax increment pledged for 10-years
Golden Valley	10	10% @50% AMI or 15% @60% AMI	20-years	NA

# Location of Affordable Housing



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- 100% Affordable
- Mixed Market and Affordable
- NOAH Properties (include <60% of AMI rents)
- Come Home 2 Edina
- Land Trust Homes

September 2021

0 Feet  
2 100





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# Questions?



Maintain physical  
assets and  
infrastructure



Maintain service  
levels that best meet  
community needs



Plan for connected  
and sustainable  
development



Foster an inclusive  
and engaged  
community