

Meeting: Build Small Coalition
Date/time: March 24, 2022, 10:00 a.m. – 11:30 a.m.

Attendees

Staci McIntire, Tim McCormick, Robin Scholetsky, Sean Edging, Ryan McKinster, Alexis Biddle, Ethan Stuckmayer, Scott Seigal, Dirk Knudsen, Scott Goodman, Eric Thompson, Doug McLeod, Madeline Kovacs, Michael Anderson, Preston Korst, Neil Hellor

Speakers

Kevin Knase, City of Minneapolis

Jamie Radel, City of Minneapolis

Metro staff

Valeria McWilliams, Clint Chiaverini, Laura Dawson Bodner

I. Introductions and announcements

Valeria welcomed all to the meeting and invited introductions and brief updates. Updates included that Staci McIntire is now HBA Assistant Director.

II. Presentation – City of Minneapolis’ middle housing pilot program

Valeria welcomed guests Kevin Knase of City of Minneapolis Community Planning and Economic Development and Jamie Radel, City of Minneapolis Senior Project Coordinator to present on the middle housing pilot program.

Kevin began, saying they would talk about takeaways of two years of the pilot. The City of Minneapolis did a 2040 comprehensive plan update which was the impetus for looking at a missing middle housing program with the goal of incentivizing missing middle housing. They define missing middle as 3-20 units of housing. He said that 70% of lots are single family lots but they make up 45% of the housing units. Missing middle are about 28% of homes in Minneapolis.

Program goals are to eliminate disparities, ensure all have affordable and accessible housing and increase residents and jobs. Affordable and accessible housing for all means decreasing the disparity of home ownership between white and BIPOC households, which is among the highest in the nation.

They want to provide housing rental and ownership opportunities, plus create more diverse housing options. The 2040 policy update got rid of single family housing districts, thus allowing up to three units of housing on any lot. In addition, they want to increase the number of residents, increase the tax base and help local businesses thrive.

Goals are:

- Increase the supply of affordable housing units and diversity of location and types.

Each proposal could get up to \$70,000 per affordable unit unless there is a compelling basis for more subsidy such as:

- Threshold is 50% AMI for rentals, 80% AMI on ownership side – if developer proposed lower, they could request additional subsidy

- Willingness to do a longer term loan
- Include a sustainability priority in the design, such as passive, net zero or solar

Funding:

- Rental – long term deferred loan – equity to support affordable rent
- Ownership: funds cover the gap between total development cost and the fair market price

Properties:

- Any parcel in the city, individual or contiguous, city owned or privately owned
- Demolition could not result in net loss of units on the site

Funding priorities: equitable work opportunities, cost effective, meet affordable local housing needs and certain design features

Source of funding: The City allocated \$500,000 for a first year pilot which came from local city funds.

Kevin shared a slide listing the 2020 and 2021 projects that were awarded, stating that not all moved forward. Of the 2021 projects that are moving forward, the smaller scale projects are moving forward more quickly. They have been able to partner with developers who previously have not participated.

Jamie, who worked on the program implementation, talked about takeaways from the first two years of this pilot.

- There was significant interest in the program. About 70-100 people contacted them initially, many of whom were first time applicants with the city, including new Americans and BIPOC companies.
- Quality of applications received were not the quality that were expected. Make sure forms and directions are clear. Make sure application process is very explicit.
- Ran up against existing requirements – standard contracting language is framed around federal contracting language, for example prevailing wage requirements for greater than seven units. Once prevailing wage was applied, some projects did not pencil out.
- Growing construction costs in 2021 has proved to be an issue.
- Second round awards went to projects of seven units or less. Lesson: understand city and organization requirements.
- When working with emerging and new developers, set clear performance deadlines and tie them to release of funds. First set of approvals was too vague.
- There is interest in the program because of opportunity to purchase city lots and gain site control.
- Clear timeline expectations are important.
- Figure out developer readiness and be able to provide them with resources to prevent expenditures of funds/costs that can be avoided. They are building in developer training and referral to other resources. It is unique that the City is offering trainings to help new diverse developers get started, including BIPOC and women.

III. Q and A

Q: Source of funding? Do you have urban renewal districts?

A. In Minneapolis they can pool tax increment financing. They can pool funds from some districts (5-10%) to expend in another part of the district.

Q: Retention of existing structures: how did you view it? Making use of, carbon footprint, inflation.

A: Did not close the door on demolition and did not want to incentivize it. It did not become an issue in the pilot.

Q. Scope of problem there - is there a housing deficit? Do you have a breakdown by income distribution?

A. Do not have that information available. Goal is to build 10,000 owner units per year; we are well below that. There is a deficit of affordable rentals as well.

Comment: In Oregon Administrative Rules, there is a requirement to incentivize a conversion or retention of the existing structure. DLCD wanted to avoid incentives to demolish in its administrative rules. On housing deficit, need to have a methodology to figure out how many units there should be.

Q. California is allowing lots to be divided into two, then duplex built on each smaller lot. Where else in the country are these sorts of changes occurring?

A. Minneapolis has reduced the allowable square footage of lots in certain zoning districts, provided incentives in zoning code that allow for density bonuses, floor area ratio bonuses if meeting affordability restrictions. Majority of changes to zoning code won't be completed until 2023.

Q. Do ideological ambitions get in the way of what you are trying to accomplish?

A. Many things mentioned in this presentation are priorities but are not requirements. There are competing goals and values.

Valeria thanked the guests for presenting.

IV. RIP 2 Policy advocacy opportunities

Madeline Kovaks gave an update on RIP 2. She said there are two main packages - one applies to RIP 1 and the other is amendments to all single family housing zones. She said they weighed in on RIP 2 on February 8. Among other changes, wildfire hazard was removed except for lots in zones R10 and R20. They asked to review when state wildfire maps are released. More flexibility in accessibility structures, reductions in minimum lot sizes for missing middle. Two other proposed amendments were not adopted/voted upon. They are trying to find a path for 4-6 units if half or more units are deeply affordable.

The first hearing will be April 21, 2:00 p.m., there will be a hearing/work session May 19 and a vote on June 1. Madeline offered to draft and circulate a letter to Coalition members for review and signing.

V. Adjourn, optional further discussion

Valeria adjourned the meeting at 11:15 a.m. letting people know they were welcome to stay for optional discussion in the Zoom room.