



Southwest LRT Community Works Steering Committee

Thursday, November 19, 2015

1:30 – 3:00 PM

Council Chambers, St. Louis Park City Hall

Agenda

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| I. Welcome and Announcements
<i>Hennepin County Commissioner Linda Higgins</i> | 1:30 to 1:45 PM |
| II. Approval of the August 2015 Meeting Minutes*
<i>Hennepin County Commissioner Linda Higgins</i> | 1:45 to 1:50 PM
(Action) |
| III. Committee Updates
<i>Technical Implementation Committee (TIC)</i>
<i>Business & Community Advisory Committees (BAC/CAC)</i> | 1:50 to 2:10 PM
(Information) |
| IV. Fair Housing Act & U.S. Supreme Court Fair Housing Decision
<i>Phil Steger, Dorsey & Whitney LLC)</i> | 2:10 to 2:30 PM
(Presentation) |
| V. Corridor Wide Housing Strategy
<i>Michele Schnitker, City of St. Louis Park staff</i>
<i>Kerri Pearce Ruch, Hennepin County staff</i> | 2:30 to 2:50 PM
(Presentation) |
| VI. Resolution: Corridor Wide Housing Strategy | 2:50 to 3:00 PM
(Action) |
| VII. Adjournment | 3:00 PM |

*enclosed

The next Southwest Community Works Steering Committee meeting will be held on Thursday, **January 21, 2015** at the St. Louis Park City Hall at 1:30 PM.

**Southwest LRT Community Works Steering Committee
Roster (November 2015)**

Representing	Name	Member	Email Address
Hennepin County	Jan Callison (Chair)	Member	jan.callison@hennepin.us
	Linda Higgins	Member	Linda.higgins@hennepin.us
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	Cathy Bennett	Alternate	Cathy.bennett@uli.org
Community Advisory Committee	Russ Adams	Ex-officio	russ@metrostability.org
Business Advisory Council	Will Roach	Ex-officio	Will.Roach@bakertilly.com



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Southwest LRT Community Works
Steering Committee

2016 Meeting Schedule

Meetings are held on the third Thursday of the month at 1:30 PM at the St. Louis Park City Hall, Council Chambers.

January 21st

March 17th

May 19th

July 15th

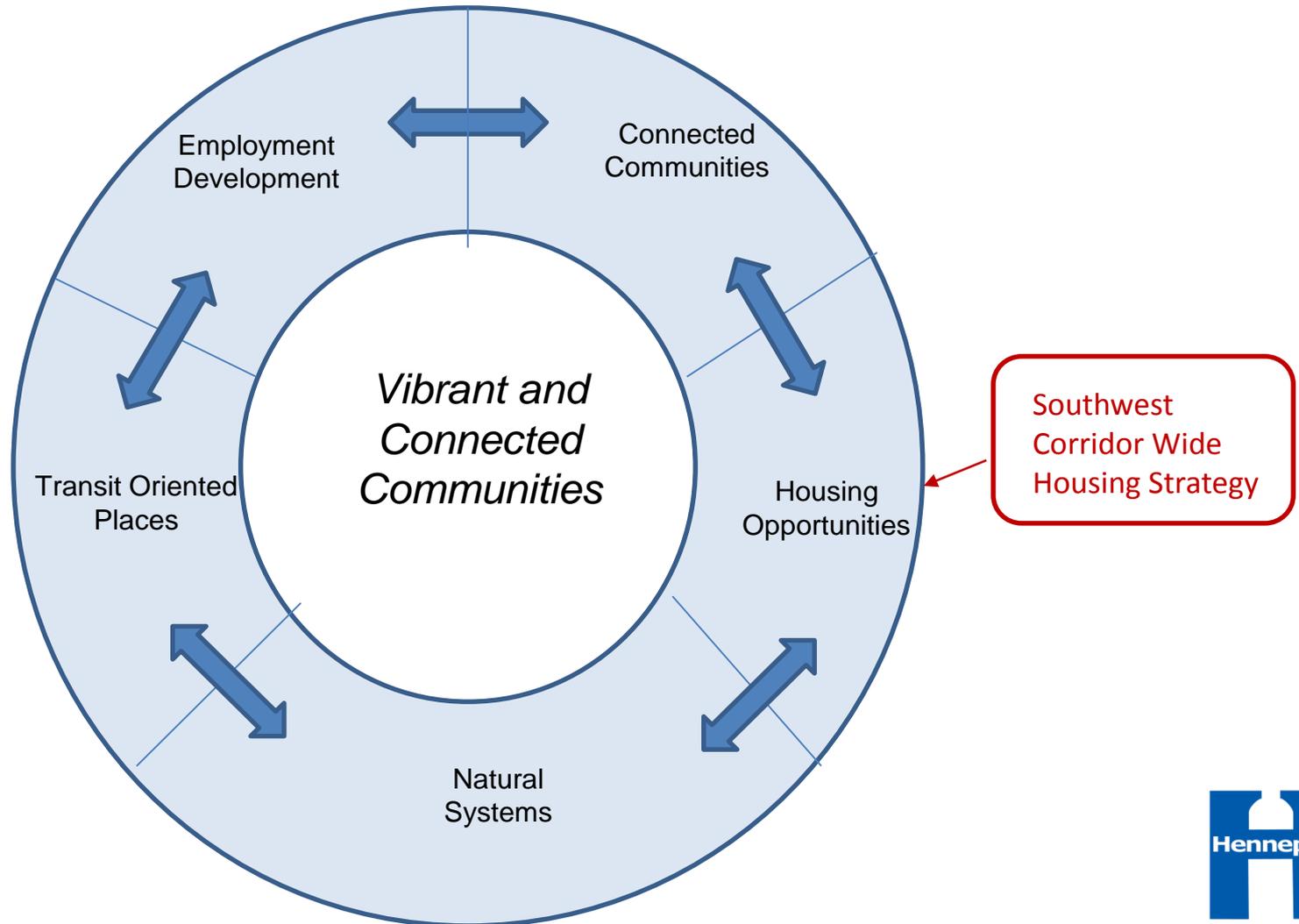
September 15th

November 17th



Southwest Community Works Vision

“connecting people to jobs, housing, shopping and fun”





Southwest LRT Community Works Steering Committee

Meeting Minutes

Thursday, August 20, 2015

1:30 – 3:00 pm

St. Louis Park City Hall

Meeting Attendees

Steering Committee Members & Alternates

Chair Jan Callison, Hennepin County Member
Linnea Palmisano, City of Minneapolis Member
Nancy Tyra-Lukens, SouthWest Transit Member
Kathy Nelson, City of Eden Prairie Member
Tony Wagner, City of Minnetonka Member
Kristi Halverson, City of Hopkins Member
Anita Tabb, Minneapolis Park and Recreation Board Member
Marion Greene, Hennepin County Regional Railroad Authority Member
Dick Miller, Minnehaha Creek Watershed District Member
Caren Dewar, Urban Land Institute (ULI) - MN Member
Anne Mavity, City of St. Louis Park Member
Will Roach, Business Advisory Committee co-chair, Member

Other attendees

Katie Walker (Hennepin County), Chuck Darnell (Hennepin County), Janet Jeremiah (City of Eden Prairie), Meg McMonigal (City of St. Louis Park), Kersten Elverum (City of Hopkins), Kerri Pearce Ruch (Hennepin County), Vita Ditter (Bryn Mawr), Elise Durbin (City of Minnetonka), Hannah Pritchard (Toole Design Group), Kevin Locke (City of St. Louis Park), Barry Schade (Bryn Mawr), Kathryn Hansen (Southwest LRT Project Office), Larry Blackstad (Minnehaha Creek Watershed District), James Wisker (Minnehaha Creek Watershed District), Meg Beekman (City of Hopkins), Amy Morgan (City of Hopkins), Mark Fuhrmann, (Southwest LRT Project Office)

I. Welcome and Announcements

Chair Jan Callison called the meeting to order and welcomed members and guests.

II. Approval of the May 2015 Meeting Minutes

Chair Callison requested approval of the May 2015 Minutes. Minutes were approved on a voice vote.

III. Committee Updates

Will Roach, Business Advisory Committee (BAC) co-chair, reported that the BAC met on June 17th. The BAC meeting topics included a review of the Southwest Corridor Management Committee's discussion of potential scope and cost reductions; a presentation on construction cost estimating; and a review of the transit options report. The next meeting of the BAC is scheduled for July 29th.



No member of the Southwest Community Advisory Committee (CAC) was present to provide an update on the CAC activities.

Katie Walker, Hennepin County, provided an update on the Southwest Technical Implementation Committee (TIC) activities which have included the Southwest Bike Facilities Assessment, the Southwest Corridor-wide Housing Strategy, and transit oriented development updates.

IV. Southwest LRT Project Status Update

Mark Fuhrmann, Southwest LRT Project Office (SPO) provided a status update on the LRT project. Mr. Fuhrmann walked the group through the process by which the scope and budget for the Southwest LRT project were reduced. He also covered the revised project schedule which anticipates opening day for the project in 2020. Committee members had questions regarding what items were removed from the current scope and how those items might be restored either through the use of unneeded contingency or outside funding sources.

V. Southwest Corridor Bike Facilities Assessment

Hannah Pritchard, Toole Design Group, provided a presentation on the Southwest Corridor Bike Facilities Assessment. The assessment was conducted to further define and prioritize bike investments identified in the Southwest Corridor Investment Framework. The assessment included creation of bikesheds and prioritization of bicycle facilities (parking, storage, rental and sharing systems) for each station. The document will be finalized by the end of 2016, after which staff will pursue funding to implement the identified projects.

VI. Southwest Community Works Funding Commitment

Katie Walker, Hennepin County, provided an update on the Southwest Community Works funding pledge to the LRT project. In July 2015, the Hennepin County Board took action to pledge up to a total of \$3 million in Southwest Community Works funding to assist in closing the funding gap subject to certain criteria including, but not limited to, securing the Full Funding Grant Agreement (FFGA) from the Federal Transit Administration (FTA). Staff will work to identify candidate projects which will be shared with the Steering Committee prior to official Hennepin County Board action. The group discussed focusing on financing tools and strategies in 2016 and requested that staff provide an overview and recommendations in 2016 for consideration.

VII. Hopkins Station Area Development Update

Kersten Elverum, City of Hopkins, provided an overview of development around the Blake, Downtown Hopkins, and Shady Oak stations. For the Blake Station, she discussed the Cottageville Park improvements which created a neighborhood amenity and a catalyst for development; the PPL affordable housing development on Blake Road; and work that has begun to analyze the development potential, timing and phasing of the Cold Storage, 43 Hoops, and other sites in close proximity to the future LRT station. For the Downtown Hopkins Station, she reported that redevelopment of the Johnson building by Doran Companies is underway and will include underground park/ride with housing above. She also mentioned the ARTery experiment held in July which provided a great venue for community feedback on the future of the 8th Avenue ARTery. For the Shady Oak Station, she discussed the collaboration that is occurring between Hopkins and Minnetonka to facilitate and expedite redevelopment through station area analysis and consideration of joint policies/procedures for the station area which lies in both cities.



Agenda Item III – Committee Updates

Steering Committee Action Requested:

Information

Background:

The Business and Community Advisory Committees held a joint meeting on October 27, 2015. Meeting information can be found at <http://metro council.org/Transportation/Projects/Current-Projects/Southwest-LRT/SWLRT-Committees.aspx>

The November meetings for both committees will be cancelled.

Previous Action on Request:

Recommendation:

Attachments:

Comments:





Agenda Item IV – Fair Housing Act & U.S. Supreme Court Fair Housing Decision

Steering Committee Action Requested:

Information

Background/Justification:

Phil Steger from Dorsey & Whitney LLP will present an overview of the U.S. Supreme Court case, *Texas Department of Housing and Community Affairs v. Inclusive Communities Project*, and its potential impact on Fair Housing.

Previous Action on Request:

Recommendation:

Financial Implications?

None

Attachments:

Are These Funds Budgeted?

Comments: At the March 2015 Southwest Community Works Steering Committee members asked for a presentation on the U.S. Supreme Court case once the ruling was issued.



A summary of

TX DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS v. INCLUSIVE COMMUNITIES PROJECT
Decided June 25, 2015 by the United States Supreme Court.

- The big headline is that city governments and developers can be sued if their housing policies cause “disparate impacts” on the members of a protected class, e.g., race.
 - But statistical disparities alone are not the same thing as “disparate impacts”.
 - Have to show a *policy* “arbitrarily, artificially, and unnecessarily” caused them.
- 5-4, J. Kennedy wrote the opinion. J. Alito’s dissent says the Court misread the FHA and made up “disparate impacts”. J. Thomas joined in the dissent to say “disparate impacts” itself is made up (rather interesting dissent that rests in part on the existence of Chinese in Malaysia, Lebanese in West Africa, Greeks in the Ottoman Empire, Jews in Poland, Spaniards in Chile, and African-Americans in the NBA).
- The case: At issue was the Texas allocation of federal low-income housing credits.
 - Under the state program criteria, 93% of low-income housing credits were assigned to developers for projects in predominantly nonwhite, inner city neighborhoods.
 - Just 7% allocated to developers for projects in predominantly white, suburban neighborhoods.

One of the cities involved was McKinley, TX.

- Community pool dispute that started when a white adult told African-American teenagers to “go back to Section 8” and ended with a police officer kneeling on the back of an African-American girl in a bikini.
- ICP sued on disparate impacts theory.
- The District Court found the plaintiffs established a *prima facie* case of disparate impact—the first step in establishing liability under the FHA.
- The Department appealed, arguing the “disparate impact” theory is invalid under the FHA.

- HUD promulgated regulations for asserting FHA “disparate impacts” claims after the appeal was filed:
 - If a plaintiff shows a prima facie case of disparate impacts
 - The government has to show a legitimate purpose
 - Which can be overcome if the plaintiffs show there was a less discriminatory alternative to achieve it.
 - The Fifth Circuit affirmed.
 - The Supreme Court granted cert and affirmed “disparate impacts” theory, modifying the rule for how a prima facie case of disparate impacts is established and sending the case back to district court for reconsideration in light of the new rule.
- The Court articulated a GENERAL RULE applicable to any antidiscrimination statute:
 - If the text refers to the consequences of actions, and not merely intent,
 - Then the statute must be construed to encompass disparate impact claims,
 - As long as doing so is consistent with the statutory purpose.
- The Court decided that Section 804(a) of the FHA refers to the consequences of actions.
 - It states that it is “unlawful to refuse to sell or rent or refuse to negotiate for the sale or rental of or otherwise make unavailable a dwelling because of race, color, religion, sex, familial status, or national origin.”
 - “Otherwise make unavailable” is “results-oriented language that counsels in favor of recognizing disparate-impact liability.”
 - It is similar to language in the Civil Rights Act of 1964 and the Age Discrimination in Employment Act of 1968 that the Supreme Court has found encompasses “disparate impacts” liability.
 - “Otherwise adversely affect”
- It also decided that disparate impact liability was consistent with the purpose of the FHA.
 - Purpose: eradicate discriminatory practices in a sector of the economy
 - Also allows developers to stop municipalities from enforcing discriminatory ordinances that would bar construction of certain housing
 - History:
 - FHA first recommended by Johnson’s 1968 Kerner Commission, which found:
 - housing discrimination was a driver of the social unrest of that decade.

- 2/3 of nonwhite city residents in the US lived in substandard housing in blighted neighborhoods.
 - FHA passed shortly after King was assassinated.
 - Great honor and opportunity of working at Dorsey has been working with VP Mondale on Voting Rights Act commemorations.
 - The VRA was the first bill he co-sponsored and the FHA the first he co-wrote. Quite a record.
- The Court noted “heartland” claims (i.e., classic, well-established claims) under the FHA:
 - Zoning laws and other restrictions unfairly excluding minority communities from certain neighborhoods.
 - Restrictive covenants prohibiting conveyance of property to black people
 - Real estate agents steering clients to neighborhoods of “their own kind”
 - Redlining by banks: denying mortgages to qualifying black people seeking to buy homes in affluent, white neighborhoods.
 - A parish near New Orleans passed an ordinance after Hurricane Katrina restricting housing rentals to blood relatives.
 - The affected area was 88% white.
- **So you can be sued under the FHA if your housing policies cause disparate impacts.**
- **BUT there are limits:**
 - **Statistical disparities not enough to establish a prima facie showing of disparate impact.**
 - **You have to show the policy caused the disparity.**
 - Otherwise, you end up with a quota system that the Supreme Court has decided is unconstitutional.
 - **The mere existence of policy barriers is not enough.**
 - **The barriers must be “arbitrary, artificial, and unnecessary.”**
 - Unlike the “heartland” of FHA disparate impact claims, the Court found the IPC’s claims advanced in the *Texas* case to be “novel.” So it remanded to the district court to reconsider the prima facie finding in light of the Court’s holding.
- That’s the end of the Court’s holding. The rest of the opinion is just that, opinion and possible guidance about how the Court would decide. Here’s what Justice Kennedy has to say:

- The FHA doesn't "decree a particular vision of urban development."
- It does, however, allow race neutral efforts to encourage revitalization of communities that have suffered harsh consequences of segregated housing patterns.
 - The goal of the FHA is to "reduce the salience of race in our social and economic system."
 - So the mere awareness of race in solving inner city problems "does not doom" efforts to foster diversity and combat racial isolation with race neutral tools.
- An example of a legitimate government interest is enforcing compliance with health and safety codes.
 - Cites the *Gallagher v. Magner* case involving my home city, the wonderful livable City of St. Paul.
 - Landlords sued the city for enforcing housing codes on grounds the resulting rent increases would have a disparate impact on African-Americans.
 - 8th Circuit agreed – I clerked for the 8th Circuit and find the composition of the panel interesting: a Carter liberal judge (Bye), a George HW Bush moderate (Melloy), and a Reagan conservative (Wollman).
 - SCOTUS granted cert, but St. Paul withdrew the appeal before the case was heard, possibly because of fears that the Court would strike down "disparate impact".
 - J. Kennedy clearly signaling how he would have voted on that case—he would have voted to keep "disparate impact" and reverse the 8th Circuit.
 - J. Alito mentions *Magner* too as an example of how "disparate impact" theory will go wrong and punish cities for enforcing livable housing. But I'm not sure how he gets there given Kennedy's clear signal.
- About the Texas case:
 - FHA does not put government and developers into a "double bind" of choosing whether to be sued for rejuvenating the city core rather than suburbs.
 - Disparate impact theories based on where developers locate housing are going to be uphill battles because a) it will be difficult to establish a *policy* unless a particular developer establishes a pattern of locating certain housing in certain areas, and b) even if such a policy is established, there are so many factors going into the location decision.
- RECAP:
 - You can be sued under the FHA for housing policies that cause disparate impacts on people belonging to protected classes.
 - Statistical disparity alone is not disparate impact.

- Plaintiffs have to show:
 - A housing *policy*
 - Arbitrarily, artificially and unnecessarily caused the impact
 - No legitimate government interest, such as compliance with health and safety codes.
 - The more factors considered in a policy, the harder to show that statistical disparities are arbitrary, artificial and unnecessary.
- This is a pretty high bar which, practically speaking, nudges up toward “intent” to discriminate.
- Takeaway for policymakers and developers:
 - Best defense to an FHA claim = good policy
 - Identify the goals and criteria of the policy
 - Develop a record showing your consideration of legitimate issues and pursuit of legitimate purpose(s).
 - Courts expect policymakers to consider factors and balance interests.
 - Ask yourself (informally):
 - Does/will this policy cause statistical disparities?
 - Are the disparities:
 - Arbitrary or reasonable in light of the policy goal?
 - Artificial or a natural, unintended consequence of the policy?
 - Unnecessary or unavoidable given the other interests and goals of the policy?



A New Landscape of Housing Access and Opportunity

September 24, 2015

Share

by Stockton Williams and Maya Brennan

The summer of 2015 saw the most significant legal and regulatory developments to break down residential segregation since the days immediately after the assassination of Dr. Martin Luther King Jr. on April 4, 1968—with potentially profound impacts for communities across the country. At the heart of separate but related actions by the U.S. Supreme Court and the U.S. Department of Housing and Urban Development is the Fair Housing Act (FHA), enacted one week after King's death as the capstone of the civil rights political and legislative campaigns of the 1960s.

The FHA banned racial and other discrimination in the sale or rental of housing and prohibited egregious tactics widely used in the real estate industry at the time that had the same effect, such as “block busting” and racial steering. The FHA also required state and local agencies that receive federal housing funds to “affirmatively further” fair housing, by assessing barriers and acting to overcome them in their jurisdictions.

Nearly 50 years later, overt and covert forms of discrimination persist in the housing market; and while residential segregation has dropped substantially, it remains high in many larger metropolitan areas. Part of the reason has been the poorly defined and unenforced “affirmatively furthering” requirement. With

research increasingly showing that children have better educational and economic outcomes when they move from high-poverty to low-poverty areas, the FHA's failure to achieve its full purpose is magnified.

Two Changes for Fair Housing

The Disparate Impact Decision

In the Supreme Court case (*Texas Department of Housing and Community Affairs v. the Inclusive Communities Project Inc.*), the Court affirmed that the FHA applies to acts of discrimination in housing, even if they are unintentional, under the principle of "disparate impact." This decision will affect developers, property owners, financial institutions, and others involved in either selling or renting housing. Note that a disparate impact finding requires that the housing practice has been proven to have a disproportionately adverse effect on a protected class; research shows that the connection is causal; the barrier to equal outcomes is "artificial, arbitrary, and unnecessary"; and the action does not fulfill a legitimate business purpose. In response to the Court's opinion, HUD Secretary Julián Castro said, "The Supreme Court has made it clear that HUD can continue to use this critical tool to eliminate the unfair barriers that have deferred and derailed too many dreams."

The ruling has closed some loopholes that perpetuate racial segregation, in keeping with the apparent intent of the Fair Housing Act. Just as the act prohibited common practices at the time, such as "block busting" in which real estate workers would persuade white families to sell quickly out of fear of racial change in the area, the disparate impact decision may be interpreted to prohibit common causes of racial segregation today and in the future. Test of illegality is primarily whether statistical data indicate that an action causes a disproportionately adverse effect on minorities or another protected group.

The Court's majority opinion clearly states that the decision does not prohibit targeted revitalization of neighborhoods, which presumably would not be classified as arbitrary or falls within one of the other exceptions.

The Affirmatively Furthering Fair Housing Rule

The Affirmatively Furthering Fair Housing rule pertains to HUD grantees, a smaller but vital portion of the land use community. The rule provides much-needed guidance on the Fair Housing Act provision, which "requires jurisdictions to take actions that can undo historic patterns of segregation and other types of discrimination, as well as to take actions to promote fair housing choice and foster inclusive communities." The rule, which will be accompanied by a data tool, mandates HUD grantees to use their funds to address current patterns of segregation and inequality.

HUD grantees, which include states, housing authorities, and other jurisdictions or agencies, will be required to analyze and report on indicators and causes of residential segregation, racially or ethnically concentrated areas of poverty, significant disparities in access to opportunity, and disproportionate housing needs. They will also be required to develop and report to HUD on their strategies and actions for addressing those issues with federal funds. Jurisdictions that fail to comply may lose federal funds.

Potential Impacts for Planning and Development

The Supreme Court opinion and HUD regulation each elicited strong responses from proponents and detractors. Housing experts and legal analysts are still weighing their potential impacts, with most agreeing they will be wide ranging and evolve over time. While the HUD regulation does not take full effect for most jurisdictions until 2020 at the earliest, states and cities are expected to start planning and accounting for them much sooner.

Among the potential impacts that can be forecast at present are the following:

A volatile political environment at the local level. While many conservative elected officials and commentators have harshly condemned the actions, the fact that some of the most segregated communities in the country are in largely liberal metropolitan areas suggests that the local political dynamics could play out in unexpected ways. As the political scientist Thomas Edsall observed: "The Supreme Court and HUD have together set in motion a major test of middle- and upper-middle-class white America, which will determine whether support for racial equality goes beyond calls to lower the Confederate flag, beyond demands for stricter oversight of the police in minority neighborhoods, and on to a willingness to tolerate racial change in the house next door."

A higher standard for community development. The federal government and other supporters of the Supreme Court's and HUD's actions are clear that their principal purpose, and benefit, is to enhance efforts to enable more minorities to live in less segregated, more opportunity-rich neighborhoods. While both the Court and HUD indicated that investments in more segregated, distressed communities may be appropriate and necessary, it is highly likely that developers and advocates of traditional community development will need to meet much higher standards for showing how current and future minority residents would benefit from revitalization. Community developers may face more concerted legal opposition to their housing activities as well.

A greater need for metropolitan housing approaches. In some of the nation's most segregated areas, zoning, land use, and development decisions that reflect the aims of the Court opinion and HUD regulation will cross city and county lines. Only a few parts of the country have implemented regional housing strategies with federal funds, but initially encouraging results in some suggest opportunities for others. The Chicago Regional Housing Choice Initiative and the Metropolitan Council (serving Minneapolis and St. Paul) are two examples of entities coordinating the use of rental housing vouchers on a regional basis.

Regionally focused funds for affordable housing development and preservation are operating in Denver, the San Francisco Bay area, and Seattle. California and New Jersey have developed regional "fair share" housing plans.

Increasing the Value of Evidence

The changes by both the Court and HUD direct the development community to let evidence guide the way in breaking down segregation. Extensive research documents the connection between certain types of housing policies and programs and disparate impacts by race or ethnicity. But not all connections are causal. To stay on the right side of the disparate impact decision and to be effective in using HUD funds to remedy segregation, developers, planners, policy makers, and advocates need to know whether a practice is shown to cause differential outcomes and opportunities.

For example, research by Jonathan Rothwell and Douglas Massey, published in *Urban Affairs Review*, found that metropolitan areas with greater allowable density have less racial segregation. Their analysis further shows that the connection is causal: antidensity zoning increases racial segregation. This evidence, along with other research findings, may lead to quite heated legal battles over whether density restrictions are arbitrary and unnecessary.

Massey's subsequent research in Mount Laurel, New Jersey, published in *Climbing Mount Laurel*, shows that the fears of increased density did not pan out. Mount Laurel is a bucolic town in the Philadelphia suburbs with single-family homes on large lots and sprawling town parks with ample parking and recreational opportunities. It was also the site of a landmark lawsuit over the use of antidensity zoning to bar the development of clustered townhouses in the community. The town remains largely an affluent single-family-home community, yet the housing stock now includes multifamily developments, some of which are designated as affordable. Massey examined the impact of an affordable development in Mount Laurel, the Ethel Lawrence Homes. There has been no spike in crime rates, no reduction in property values, and no increase in tax burdens in the surrounding area.

Evidence about what causes segregation and whether the remedies lead to spillover harms is essential as the field strives to navigate a new fair housing landscape. However, Mount Laurel also provides a lesson in how long it can take for a court decision to lead to change. While the New Jersey Supreme Court decided the case in 1975 and affirmed it in 1983, the development in question, the Ethel Lawrence Homes, was only opened in 2000.

The loopholes are closing, but change will not happen overnight. Exclusion by race, ethnicity, gender, age, disability, family status, and other protected classes is no longer permitted. But will it take 25 years of legal battles and delays before the door to opportunity is open in reality? Perhaps. In the meantime, all of the land use community should not just wait and see how the changes play out. Instead, we should fight to

remedy residential segregation through our daily work—increasing the housing supply, building homes targeted to the local workforce, and strengthening communities where homes are already affordable.

All families should be able to live in a modest home in a neighborhood that meets their needs. The need is great. Let's bring down the barriers that are restricting supply.

TAGS: AFFH, Density Zoning, Disparate Impact, Fair Housing, Mount Laurel, Segregation

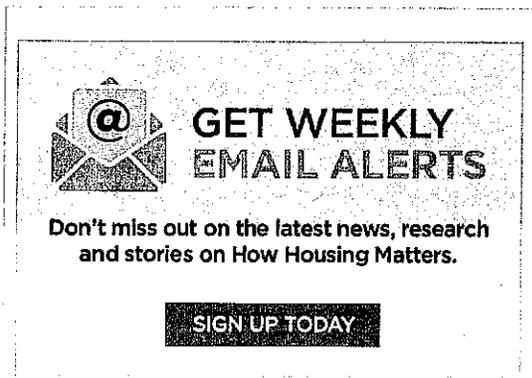
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Agenda Item V – Southwest Corridor Wide Housing Strategy

Steering Committee Action Requested:

Information and Discussion

Background:

In March 2015, a draft of the Southwest Corridor-wide Housing Strategy was presented to the Southwest Community Works Steering Committee. The Committee accepted the draft and directed staff to share the draft with key stakeholders to receive feedback and then bring the final version of the Southwest Corridor-wide Housing Strategy back for consideration.

The Southwest Community Works Housing Workgroup composed of staff from Hennepin County; the cities of Eden Prairie, Minnetonka, Edina, Hopkins, St. Louis Park, and Minneapolis; Twin Cities LISC, the Family Housing Fund, and ULI-MN gathered feedback from a variety of stakeholders, including developers, funders, housing advocates, city councils and planning commissions. The feedback received has been documented and modifications to the draft document have been made.

Michele Schnitker, Housing Supervisor, City of St. Louis Park, and Kerri Pearce Ruch, Principal Planning Analyst, Hennepin County, will present an overview of the Southwest Corridor-wide Housing Strategy, including stakeholder outreach and changes made between the draft and final document.

Previous Action on Request: In March 2015 the Committee accepted the draft Southwest Corridor-wide Housing Strategy and directed staff to share the document with key stakeholders to receive feedback for incorporation into the final document.

Recommendation:

Attachments:

- Southwest Corridor-wide Housing Strategy, 2015
- Memorandum: Stakeholder Feedback
- Letter from the Housing Justice Center (HJC)

Comments:



HENNEPIN COUNTY

SOUTHWEST LRT COMMUNITY WORKS



Corridor Housing Strategy

A plan to support and encourage a full range of housing choices in METRO Green Line Extension station areas

www.hennepin.us/southwestlrt



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ACKNOWLEDGEMENTS

About the strategy

In May 2012, the Southwest LRT Community Works Steering Committee endorsed the creation of a housing strategy for the Southwest Corridor and directed the program's Housing Workgroup to carry out the development process. The purpose of this strategy is to help fulfill the Southwest Community Work's vision, goals and investment guiding principles to position corridor communities as places for all to live, providing a full range of housing choices, especially within a half-mile of the METRO Green Line Extension.

Southwest LRT Community Works Vision

Collaborate and partner so that Southwest Corridor becomes a premier destination that is accessible, livable and vibrant

About the Housing Workgroup

The Housing Workgroup for Southwest LRT Community Works comprises staff from all six corridor cities, Hennepin County, Family Housing Fund, Twin Cities LISC, Minnesota Housing, Metropolitan Council, the Southwest Corridor Project Office and ULI-Minnesota.

Workgroup members have collaborated on background research and funding to support development of a corridor-wide housing strategy for the Southwest Corridor (METRO Green Line Extension). It is acknowledged that there may be many ways for communities to meet local and regional housing goals and that each community, through its elected and appointed leaders, will have its own legitimate priorities, funding and policy choices and may seek different balances at different points in time.

We present this document to identify options for strategies and goals and to provide considered staff input on a coordinated approach. There is no single or particular vision of urban development, and corridor communities have leeway to adopt various policies necessary to achieve their valid interests. It is also recognized that multiple factors go into investment decisions and locations for constructing or renovating housing units.

Southwest LRT Community Works Adopted Goals

Economic competitiveness and job growth

promote opportunities for business and employment growth

Housing choices

position the Southwest LRT communities as a place for all to live

Quality neighborhoods

create unique, vibrant, safe, beautiful, and walkable station areas

Critical connections

improve affordable regional mobility for all users.

Housing Workgroup members

Tara Beard, Metropolitan Council

Cathy Bennett, ULI-Minnesota

Theresa Cunningham, City of Minneapolis

Margo Geffen, Hennepin County

Elise Durbin, City of Minnetonka

Kathryn Hansen, Southwest Project Office

Margaret Kaplan, Minnesota Housing

Molly Koivumaki, City of Eden Prairie

Tania Mahtani, City of Eden Prairie

Alysen Nesse, City of Eden Prairie

Gretchen Nicholls, Twin Cities LISC

Kerri Pearce Ruch, Hennepin County

Joyce Repya, City of Edina

Elizabeth Ryan, Family Housing Fund

Brian Schaffer, City of Minneapolis

Michele Schnitker, City of St. Louis Park

Libby Starling, Metropolitan Council

Stacy Unowsky, City of Hopkins

Katie Walker, Hennepin County

For additional information on Southwest LRT Community Works, its members, partners and initiatives, as well as contact information, please visit www.swlrtcommunityworks.org.

BACKGROUND

Southwest LRT Community Works Guiding Principle for investment — Housing

*Providing a full range
of housing choices —
positioning the
Southwest LRT
communities
as a place for all to live*

Southwest LRT Community Works and its funding partners have been working together since 2012 to inventory existing housing options in the corridor, understand what the future housing demand may be and the likely demographics of people interested in living along the corridor. In addition, the work includes developing a deep understanding of the current and potential local, county, state and federal technical and financial resources to support a full range of housing choices. Informing this work was a series of stakeholder engagement activities in 2015 to gather feedback from groups including funders, developers, housing advocates, city councils and commissions, along with Southwest Corridor-specific studies listed in the box below.

Additionally, individual cities have undertaken housing studies, outlined tools and strategies in their comprehensive plans and set individual housing goals. These efforts, along with other resources and technical assistance, have been compiled and taken into consideration to inform a Southwest Corridor-wide Housing Strategy along the Green Line Extension. Southwest LRT Community Works envisions this corridor-wide strategy as a complement to other housing planning and policy work. It provides objectives, suggested housing targets and potential implementation strategies that are options to help Corridor stakeholders work towards a full range of housing choices in LRT station areas.

Recent Southwest Corridor housing studies

Southwest Corridor-wide Housing Inventory (2013)

a chronicle of existing housing and demographics along the corridor

Southwest LRT New Starts Affordable Housing Rating Evaluation Summary, MZ Strategies (2013)

an outline of existing SW Corridor Cities plans and programs that support affordable and workforce housing that can be applied to the LRT Corridor

Southwest Corridor Investment Framework (2013)

Transitional Station Area Action Plans for each of the 17 station areas, including recommendations on likely sites for housing development

Southwest Corridor Housing Gaps Analysis (2014)

projects future housing demand, provides market analysis and outlines recommendations and tools to achieve a full range of housing choices.

Southwest LRT New Starts Submittal (2014)

updated information on costs, ridership and land use/ economic development both current and future, as part of the federal LRT funding process

Why a coordinated housing strategy?

The Southwest LRT Corridor is well known as job-rich, with over 270,000 jobs expected by 2030. Housing will play a key role in maximizing economic development and supporting job growth along the Southwest Corridor, as well as in helping the LRT line to be successful. Workers who can live close to their jobs save money in transportation costs; a full range of housing choices within station areas will help support a balanced employment base; and lifecycle housing in communities and increased housing density around transit stations will support the LRT line with consistent or increased ridership.

However, studies along Southwest Corridor point to the majority of new housing being high-end /luxury development. This leads to a concern that without a coordinated strategy, development in station areas may not produce a full range of housing choices, either by cost or unit size and type. Recent studies by the Dukakis Center for Urban and Regional Policy of 42 neighborhoods and 12 metropolitan areas revealed that when transit is added, housing stock becomes more expensive. These and other studies indicate that existing and future housing located strategically near light rail transit experiences a rise in value and rents at a more rapid pace than the general market. This increase helps to spur economic development and at the same time has a tendency to reduce the opportunities for lower-to-moderate income people and transit-dependent individuals who may desire and benefit most by living in station areas. Rising housing costs generally hit low-income working households the hardest, which elevates the risk of involuntary displacement for people already living in those areas, who may no longer be able to afford to own or rent due to the increase in values.

Why work together?

Creating a full range of housing choices is a difficult challenge, yet it will be one measure of the success of Southwest LRT (METRO Green Line Extension) and the communities it serves. Collaboration is key to adequately addressing the challenges, particularly in developing affordable housing.

A collaborative approach increases the corridor's ability to be competitive and adds leverage to secure public and philanthropic resources. It also sends a positive message to the development community that the corridor cities are "all-together" in supporting a mix of housing choices, and helps to create alignment to achieve regional housing goals.

"Ensuring that there is a full range of housing choices with access to transit in our cities builds economic prosperity and competitiveness by attracting and retaining residents to support key employers."

— Family Housing Fund

"... we must act now to ensure that the housing built in these locations provides for a mix of incomes or a once-in-a-lifetime opportunity will be lost."

— Center for Transit Oriented Development

Successful collaboration and shared benefits

A Housing Strategy for the Southwest Corridor may enable corridor cities, Hennepin County and other public and private partners to do more — better — together than they can do alone. For instance, it may help them to:

Create and sustain healthy communities

By providing a full range of housing choices all along the Southwest corridor, cities will be better able to create and sustain the livable, vibrant neighborhoods that contribute to overall city well-being. Housing that is affordable to a mix of incomes around all station areas increases choices for residents looking to live near work, family or educational opportunities. It also reduces transportation costs and creates equity in communities.

Provide lifecycle housing for existing residents

Whether it's housing for young people just out of college, move-up housing for growing families or housing options for seniors looking to age in place, the right mix of housing can help cities retain residents and build strong, stable communities. A Corridor-wide Housing Strategy will help cities respond to the needs of their existing residents and accommodate community needs.

Achieve individual city goals:

The Housing Strategy will assist cities in meeting their individually adopted housing goals and may allow them to increase their Housing Performance Score to qualify for resources from the Metropolitan Council including the Livable Communities Demonstration Account program (LCDA) and other sources.

Leverage resources

Southwest Corridor cities and Hennepin County can use the housing strategy to leverage additional public and private resources, compete better for limited grant funds and philanthropic dollars and attract greater private development than any entity may be able to do in acting alone.

Increase economic competitiveness

There is an economic case for providing the best opportunities for access to quality housing for those with modest incomes. If essential workers along the corridor cannot afford to live there anymore, it impacts not just individual cities but also the economic growth and competitiveness of the corridor and entire region.

Offer consistency of approach

Quality developers have a limited capacity to pursue projects. Project costs increase when inconsistent visions, goals and processes result in developers spending substantial time pursuing needed capital and regulatory approvals. By contrast, developers may be drawn to a redevelopment-ready area that has a collaborative housing approach and consistency of vision. This reduces the complexities of development, helps to solve problems and manages development risks. A corridor-wide Housing Strategy can provide clarity and consistency to the local and national development community, allowing cities and the County to take full advantage of unique transit-oriented development (TOD) opportunities and to be creative in development near transit that will grow the tax base now and into the future.

Sustain and improve the Southwest LRT New Starts Score

The Federal Transit Administration (FTA) considers policies, planning and programs that support development and retention of affordable housing along transit corridors. In its most recent New Starts ranking, the FTA spoke highly of the coordinated planning efforts and programs along Southwest Corridor, noting that “The region appears to have one of the most comprehensive sets of affordable housing initiatives in the country.” FTA ranked Southwest LRT “high” based on coordination and planning efforts around affordable housing, but ranked it only “medium-low” based on the formula for counting legally-binding affordable housing along the corridor. In order to make the LRT project as competitive as possible for federal funding, FTA will be looking for further action, such as adoption of a corridor-wide housing strategy, when it reviews Southwest LRT for the Full Funding Grant Agreement.

... The region appears to have one of the most comprehensive sets of affordable housing initiatives in the country.

— Capital Investment Program Project Profiles, Federal Transition Administration, 2016

How was the strategy created?

The Southwest LRT Community Works Steering Committee has adopted goals and guiding principles for investment that ground the work of this Housing Strategy. They provide the overarching strategy goal, as well as the basis for recommended targets for constructing and preserving housing and implementation strategies.

This document aims to provide one measure of what a “full range of housing choices” means within a specific time period. It also lays out a menu of implementation strategies and action steps as well as identifies key partner roles. While no one entity is likely to take on all of the implementation strategies, cities along the corridor can work together to share resources and information and use the strategies that best meet their community’s needs.

HOUSING GOAL AND AFFORDABILITY TARGETS

The Housing Gaps Analysis examined each station area and suggested development scenarios. These included potential numbers for new construction and also identified existing rental units in need of preservation. These scenarios form the baseline for unit targets along Southwest corridor by 2030, ten years after METRO Green Line Extension LRT service begins operations.

The Gaps Analysis suggests that if housing development is left solely to market forces, new development around station areas will be market-rate and luxury rental options — not the mix of housing types desired by corridor communities. Therefore, this housing strategy pays particular attention to tools and resources that support affordable housing development and preservation.

The Gaps Analysis also took a fiscally constrained approach to affordable housing recommendations in the corridor, which means that affordability targets may be lower than measures of affordability need. However, the implementation strategies include options to bring new resources to affordable housing development and preservation. Success with these strategies could allow additional units above the baseline targets to be created.

There is a need for a variety of options in terms of housing unit sizes, for-sale as well as rental opportunities and affordability levels. A key reason for this is the desire to retain community residents as their housing needs change and evolve over a lifetime. Larger housing sizes, especially three- and four-bedroom units, may be of particular need, as well as senior housing and entry-level home ownership opportunities. Additionally units for those earning 30% of area median income are particularly needed.

These baseline targets may be modified over time to respond to market conditions and new housing policy direction, including 2018 comprehensive planning. While cities are not expected to plan for all of their affordable housing need to be located in areas within a half-mile METRO Green Line Extension stations, this LRT transit investment provides unique opportunities to increase the likelihood that all income levels have access to TOD housing.

Southwest LRT Community Works Housing Goal:
Position the Southwest LRT communities as a place for all to live.

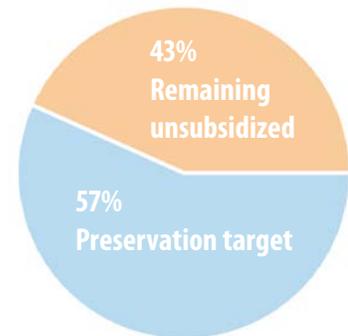
Southwest LRT Community Works guiding principle for investment: *Provide a full range of housing choices.*

New Construction: Add 11,200 new units within ½ mile of the Corridor, including 3,520 units affordable low to moderate income households (up to 100% AMI), with 2,265 of those units affordable to those at 80% AMI or below by 2030. This target also includes 1,314 new home ownership units, with 950 of those affordable to entry-level and mid-market owners.

Preservation: Preserve 3,800 unsubsidized affordable (<60% AMI) rental units by 2030, out of 6,700 unsubsidized affordable units within ½ mile of the Corridor.

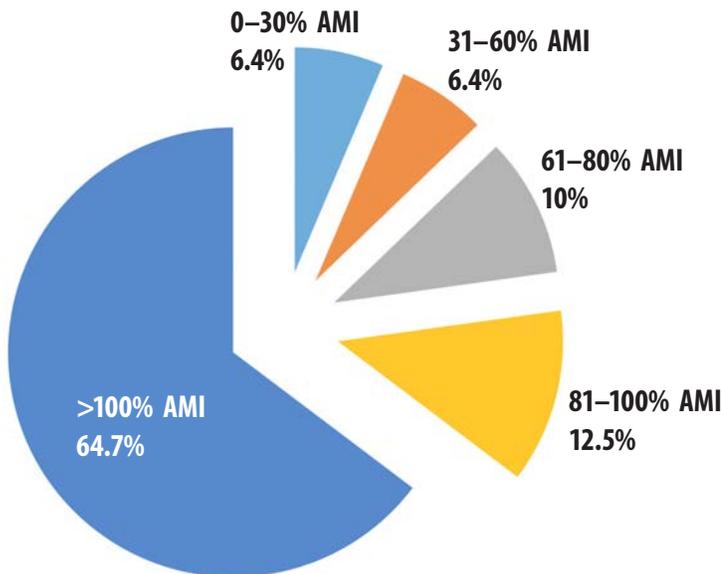
Corridor Preservation Target

Unsubsidized affordable rental = 6700 units

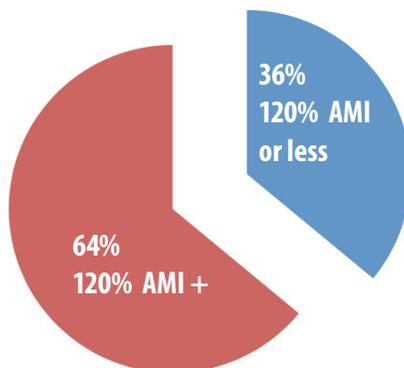


Affordability targets for new construction:

Rental



Homeownership



Defining affordable:

- *Area Median Income (AMI) is a calculation that funders and policymakers use to gauge affordability.*
- *Affordable housing is typically defined as housing that is affordable to low- or moderate- income families.*
- *Affordable housing costs should, in general, comprise no more than 30% of household income.*

Allocating housing along the Southwest Corridor

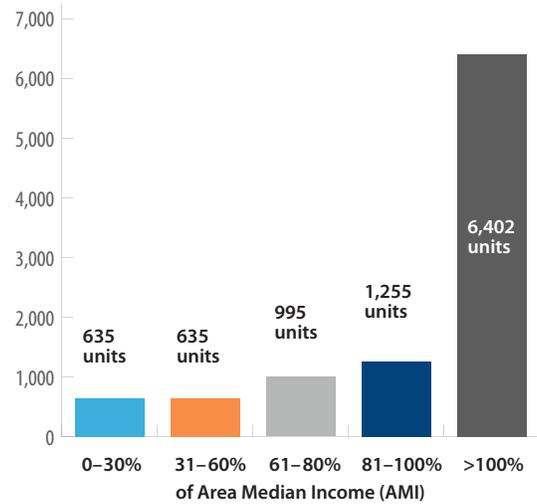
About allocation of need:

The Metropolitan Council developed a process of forecasting the region's need for housing units affordable to low- and moderate-income households. Local governments use these "need" numbers to aid them in fulfilling their affordable housing planning responsibilities.

The affordable housing strategy targets for Southwest LRT Corridor represent about about 35% of Metropolitan Council's Need Allocation for the five Corridor cities.

Southwest Corridor-wide Housing Strategy new development target rental housing: 2,265 units affordable at 80% AMI or below*

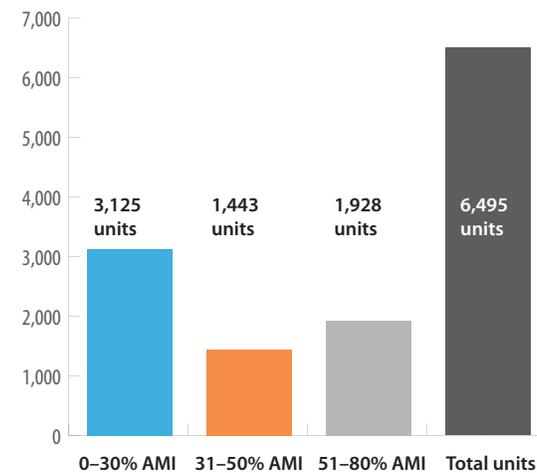
0 – 30% AMI: 635 units
 31 – 60% AMI: 635 units
 61 – 80% AMI: 995 units
 81 – 100% AMI: 1,255 units
 > 100% AMI: 6,402 units
Total units: 9,922



Metropolitan Council allocation of need for affordable housing within five of six corridor cities 2021–2030: 6,495*

City-wide allocation of need for affordable housing in five of six corridor cities, per Metropolitan Council

0 – 30% AMI: 3,124 units
 31 – 50% AMI: 1,443 units
 51 – 80% AMI: 1,928 units



*new development is allocated to the five corridor cities with METRO Green Line Extension LRT stations: Eden Prairie, Hopkins, Minneapolis, Minnetonka and St. Louis Park. Edina is a corridor city but does not have a LRT station within its boundaries.

Note on Edina: No Southwest LRT stations are located in the City of Edina. However, a small portion of Edina falls within 1/2 mile of the Blake and Downtown Hopkins stations. Portions of Edina also fall within 1 mile of the Shady Oak, City West and Golden Triangle stations. Affordable housing development in Edina can contribute to affordable housing availability in the larger Southwest LRT Corridor area.

Edina citywide allocation of need: 878 units

- 0 – 30% AMI: 365 units
- 31 – 50% AMI: 234 units
- 51 – 80% AMI: 279 units

How much do people pay for “affordable” housing?

\$82,833

Area median income (AMI) for a family of four in the Minneapolis/ St. Paul/Bloomington Metropolitan Statistical Area (MSA)

Based on area median income (AMI) for a four-person household*

Monthly rent	AMI	Annual income
\$0 – \$621	0 – 30%	up to \$24,850
\$622 – \$1244	31% – 60%	\$24,851 – \$49,740
\$1,245 – \$1,598	61% – 80%	\$49,741 – \$63,900
\$1,599 – \$2,071	81% – 100%	\$63,901 – \$82,833

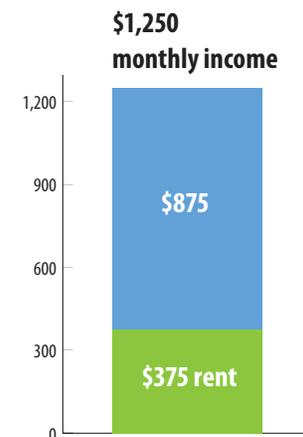
\$50,580 Corridor household median income**

Southwest Corridor median income for workers

Household income	Percent of corridor workers	Affordable monthly rent
\$1,250 and less	21%	\$375
\$622 – \$1244	27%	\$376–\$1,111
\$3,334 and greater	52%	> \$1,112

* United States Department of Housing and Urban Development 2014

** Southwest Corridor-wide Housing Inventory, 2013



Affordable rents, based on sample occupations and their average salaries

- \$776 assembly worker
- \$595 home health aide
- \$772 nursing assistant
- \$755 teacher assistant
- \$844 school bus driver
- \$571 restaurant cook
- \$640 bank teller

Source: Family Housing Fund, Southwest Housing Gaps Analysis, 2014

Why set corridor affordability targets?

The diverse cities along the corridor are each taking steps to plan for land uses; they also have housing strategies and goals outlined in their comprehensive plans. In addition, all of the corridor cities work toward housing goals that were negotiated with the Metropolitan Council. So what are the benefits of setting affordability targets together? There are many, including the following:

Respond to regional and federal funders

- **Federal Sustainable Communities Grant:** In 2011, Hennepin County was a sub-recipient of a federal Sustainable Communities Grant. Combined with Living Cities resources through Corridors of Opportunity, the Southwest Corridor was tasked with developing a set of measurable unit goals for housing along the corridor.
- **Corridors of Opportunity Transit Recipients need to address Fair and Affordable Housing:** In September 2011, the Corridors of Opportunity Policy Board adopted several recommendations for regional transit corridors to address Fair and Affordable Housing in their overall TOD strategies. The primary recommendation was for the adoption of measurable, corridor-wide goals and strategies to ensure sufficient housing, both new production and preservation, to serve a full range of incomes.

The Sustainable Communities grant and Corridors of Opportunity program have both ended. However, their guidance and best practices are still applicable for work in the Southwest Corridor. There are also important funding opportunities in the future, both for the LRT project and for competitive development resources.

Competitiveness for Federal Transit Administration (FTA) funding of infrastructure

In 2013, the FTA released new guidance for scoring transit projects that include existing and future plans for affordable housing. The FTA seeks to “ensure that as service is improved over time, there is a mix of housing options for existing and future residents.” In anticipation of the METRO Green Line Extension’s FTA application for the Full Funding Grant Agreement (FFGA), commitment and progress toward meeting affordable housing goals is essential, as this will be viewed competitively against other regions seeking the same limited funds.

Alignment with Metropolitan Council Housing Policies

A coordinated strategy along the corridor that aligns with Metropolitan Council’s housing policies, including the Housing Policy Plan (2014), will help cities in planning, tracking progress and addressing regional housing needs. Metropolitan Council has allocated new affordable housing need numbers, and will be negotiating affordable and life-cycle housing goals with participating cities in the future. A corridor-wide strategy that aligns with regional housing policies will help cities improve their competitiveness when seeking council resources.

The FTA seeks to “ensure that as service is improved over time, there is a mix of housing options for existing and future residents.”

— New and Small Starts Evaluation and Rating Process Final Policy Guidance, August 2013

Align development policies and resources throughout the corridor

Corridor-wide affordable housing targets, developed in collaboration and tied to existing city plans and Metropolitan Council allocation of need, will allow partners to focus efforts and public resources to identified gaps. Collaboration between partners will allow sharing of tools and information, while preserving each entity's unique identity and role in housing creation.

Track progress over time

Similar to the work being done along the METRO Green Line's Central Corridor, an affordable housing target in the Southwest Corridor will allow cities, Hennepin County and funders to track progress over time to help determine whether the corridor is moving towards its policy goals. Having specific numeric targets allows measurement against a baseline and can also help identify where targets may need adjustment due to market trends or development activity.

Promote fair housing

The Fair Housing Act of 1968 prohibits discrimination in housing and also requires recipients of federal funding to affirmatively further fair housing. A housing strategy can assist all Southwest Corridor communities in reducing barriers to and promoting fair housing and equal opportunity, while recognizing that each community will be balancing many policy options and may have multiple ways to meet its fair housing requirements.

ACHIEVING THE GOAL

Corridor-wide objectives

To promote the corridor-wide goal and housing unit targets, Southwest LRT Community Works supports four objectives. Each objective has related implementation strategies, which are offered as options among a range of tools, in support of the corridor-wide objectives. Through public/private partnerships, the implementation strategies detailed below may help achieve the objectives.

Objective 1 Develop new housing opportunities

Create new housing that includes a mix of unit types with values and rents affordable to people with a full range of incomes. Focus on creating mixed income neighborhoods as well as opportunities for mixed income projects. Support opportunities in home ownership as well as rental units.

Implementation strategies

Develop coordinated mixed-income (inclusionary housing) policies.

- These policies would apply to new housing development within corridor cities, particularly in areas targeted for new transit oriented development.
- Seek support for policy adoption by corridor cities.

Leverage private and philanthropic investments locally, regionally and nationally, along the corridor through a TOD Housing Fund.

- Link development prospects to Regional Pre-development Funders Roundtable to assist developments in navigating complex financing challenges.
- Participate in the development of private/public TOD Housing fund.
- Work with private lenders to evaluate underwriting criteria for TOD projects

Engage large corridor employers to strategically invest in the preservation and production of housing opportunities for low-to-moderate income employees.

- Engage employer groups in the corridor on workforce housing needs.
- Encourage employers to participate in private/public TOD Housing fund or other strategies to increase mixed income housing.

Develop and adopt a clear and consistent vision, goals and affordability targets for housing development within a half-mile of LRT stations.

- Increase developers' knowledge of city and county expectations in advance, rather than negotiating on every project.

Maintain and enhance policies around station areas to promote increased density and include a mix of uses consistent with federal and regional transportation policies.

- Provide flexibility to allow less parking around transit areas.

Implement infrastructure recommendations from the Southwest Corridor Investment Framework to provide connectivity in and around station areas and maximize development potential at station sites.

Utilize creative tools and resources to engage the public and policy leaders around key development opportunity sites.

Objective 2

Preserve existing housing opportunities

Preserve and enhance existing subsidized and unsubsidized housing stock to reduce the involuntary displacement of residents with low to moderate incomes. Develop preservation criteria for unsubsidized housing stock. Maintain opportunities to use Housing Choice vouchers in corridor units.

Implementation strategies

Review existing affordability agreements for subsidized properties.

- Determine length of contracts and assess conversion risk.
- Develop policies to preserve legally binding affordable housing units along the Corridor.
- Engage owners early in maintaining affordability and extending agreements.
- Pay particular attention to preserving units affordable to the lowest-income households: 30% AMI and below, up to 60% AMI. Prioritize preservation at lowest income levels.
- Track use of Housing Choice vouchers along the corridor and actively work to preserve units accepting vouchers.

Maintain and improve the quality of existing aging rental and ownership housing stock.

- Focus primarily on properties that are at values and rents affordable for low to moderate income people.
- Develop programs together with regional partners that provide for strategic acquisitions, low-interest loans and public-private partnerships.
- Work with owners to match lower income residents with unsubsidized affordable housing units and create a structure to maintain that affordability.

Objective 3 Expansion and Improvement of Technical, Financial and Regulatory tools

Utilize existing resources and develop new resources to achieve corridor housing targets by seeking funding sources and technical expertise to support the development and preservation of a full range of housing choices. Modify regulatory tools to support housing development and preservation. Actively seek opportunities for land-banking, land trusts, and use of public land for affordable housing development. Examine legislative changes to language that inhibits higher-density home ownership opportunities.

Implementation strategies

Evaluate corridor cities' interest in exploring the costs/benefits, mechanics and legislative authority for joint-financing mechanisms such as corridor-wide tax increment financing (TIF), fiscal disparities sharing, and other forms of value capture.

- Identify opportunity for large-scale TIF agreement rather than project-by-project TIF.
- Expand housing tax increment with a particular focus on TOD locations.
- Explore changes to fiscal disparities policy that would allow net payer cities to receive credit that could be used towards housing development.
- Explore creative financing tools for mixed income projects (e.g. 4% tax credits, mezzanine loans) in collaboration with Community Development Financial Institutions (CDFIs).

Objective 4

Market the corridor

Create a marketing plan to attract developers and new residents and draw existing residents and employees to TOD neighborhoods and a TOD lifestyle.

Implementation strategies

Provide marketing resources and expertise to promote the corridor and its housing vision to developers, employers, schools and future residents.

Develop metrics to track progress towards unit targets over time, using existing partners and resources.

Seek non- and for-profit developers with proven expertise in providing quality long-term affordable housing to the lowest income households.

Implementation strategies

Implementation strategies are offered as options among a range of tools in support of the corridor-wide objectives. Through stakeholder feedback, implementation strategies have been grouped into primary and secondary categories. Primary strategies have seen strong interest or agreement in terms of their usefulness in achieving the corridor-wide goal.

Additionally, strategies are identified as “*corridor-wide*” or “*city/county-specific*.” Corridor-wide strategies can be pursued collaboratively, while city/county-specific ones pertain to authorities held by cities or Hennepin County.

Primary Strategies

- Evaluate corridor cities’ interest in exploring the costs/benefits, mechanics and legislative authority for joint financing mechanisms such as corridor-wide tax increment financing (TIF), fiscal disparities sharing, and other forms of value capture. (*corridor-wide*)
- Maintain and improve the quality of existing aging rental and ownership housing stock. (*corridor-wide*)
- Leverage private and philanthropic investments locally, regionally and nationally, along the corridor through a TOD Housing Fund. (*corridor-wide*)
- Provide marketing resources and expertise to promote the corridor and its housing vision to developers, employers, schools and future residents. (*corridor-wide*)

- Develop metrics to track progress towards unit targets over time, using existing partners and resources. *(corridor-wide)*
- Develop and adopt a clear and consistent vision, goals and affordability targets for housing development within a half-mile of LRT stations. *(city/county specific)*
- Implement infrastructure recommendations from the Southwest Corridor Investment Framework to provide connectivity in and around station areas and maximize development potential at station sites. *(city/county specific)*
- Maintain and enhance policies around station areas to promote increased density and include a mix of uses consistent with federal and regional transportation policies. *(city/county specific)*

Secondary Strategies

- Develop coordinated mixed-income (inclusionary housing) policy language *(corridor-wide)*
- Review existing affordability agreements (subsidized properties) *(corridor-wide)*
- Engage large corridor employers to strategically invest in the preservation and production of housing opportunities for employees with low to moderate incomes. *(corridor-wide)*
- Utilize creative tools and resources to engage the public and policy leaders around key development opportunity sites. *(city/county specific)*
- Seek non- and for-profit developers with proven expertise in providing quality long-term affordable housing to the lowest income households. *(city/county specific)*
- Explore creative financing tools for mixed income projects (e.g. 4% tax credits, mezzanine loans) in collaboration with Community Development Financial Institutions (CDFIs). *(city/county specific)*

Partners in implementation

Creating a full range of housing choices in the Southwest Corridor can be enhanced through partnership and cooperation between the public sector and private partners, each with unique perspectives and implementation roles.

Southwest LRT Community Works

The primary role of this partnership is as a convener of policymakers and technical staff, including housing staff. Southwest LRT Community Works can offer guidance and technical assistance to partners as well as track progress on the Corridor-wide Housing Strategy.

Cities

Cities are on the front line in housing development and preservation and are key players in land use and zoning control necessary to achieve individual and corridor housing goals. It will be important to align the corridor-wide strategy with local housing planning and comprehensive plan efforts and to provide tools and resources to support a full range of housing options — all while recognizing different development markets and constraints on city resources to support housing, along with other TOD infrastructure needs.

Hennepin County

The county is a funder of affordable housing, primarily through AHIF and TOD grants. It also provides staff support to Southwest LRT Community Works. This strategy can be one of the factors considered in how the County allocates these funds.

Metropolitan Council/Southwest Project Office

The Metropolitan Council provides regional guidance on the Housing Policy Plan; works with cities on planning housing need through comprehensive plan implementation; negotiates housing goals; provides technical assistance on tools and policies; and provides funding to support affordable housing development through the Livable Communities program. The Southwest Project Office provides LRT project information to support developers/city infrastructure coordination requirements.

Developers

For-profit and non-profit developers have a crucial role in investing in the development and preservation of housing units in the Southwest Corridor. Developers work with cities and other partners to meet affordability targets and create station-area developments consistent with the strategy. They also provide critical input regarding market conditions, challenges and opportunities as they relate to implementing strategies along the corridor.

Employers

Corridor employers have a strong interest in recruiting and retaining top talent. Housing can be a key component in developing a stable workforce. Identifying ways to have continued dialogue with employers will be important to identify workforce housing needs.

Funders

Private, public and philanthropic funders play a key role in providing critical resources to support investment in a mix of housing types along the corridor. It will be critical to continue dialogue on financing criteria that support a mix of housing types in station areas and ensure that resources are aligned for preservation and creation of affordable housing along the corridor. Examples include: private financial institutions, public financial institutions, foundations/intermediaries, syndicators, and entities involved in site acquisition.

Advocates

Housing advocates have provided valuable feedback on the development of this Strategy and will continue to play an important role in identifying tools and resources for affordable housing development. The advocacy community can also help connect the Southwest Corridor Housing Strategy with larger housing policy agendas moving forward.

Next steps

Housing Workgroup

- Develop a work plan to move implementation strategies forward.
- Track progress on corridor-wide strategy implementation.
- Engage regularly with policymakers and stakeholders to ensure the housing strategy reflects current goals and market conditions.

Seek city/county support for the four key Corridor-wide Objectives

- Encourage integration of strategy tools within zoning and development plan review.
- Encourage use of strategy goals as a factor in funding allocation decisions.
- Incorporate and align the Corridor Housing Strategy in the development of or updates to individual housing policies and comprehensive plans.

Determine mix of unit types and affordability for the corridor

- Ask cities to identify station area mix of housing units, types and values.
- Pay particular attention to targets for larger unit sizes, senior housing and housing affordable to 30% AMI and below.
- Calculate amount of public/private subsidy necessary to fully achieve the housing targets.

Seek city goals for preservation and new construction at various affordability levels for each station area, to apply to corridor targets

- Adopt corridor targets that are consistent with city goals.
- Align with comprehensive plans
- Embed station area targets in city housing plans, taking into account affordable housing targets as well as market-rate unit needs.

Southwest Corridor Housing Strategy

Compiled by Southwest LRT Community Works' housing workgroup

Southwest LRT Community Works partners

Hennepin County

Hennepin County Regional Railroad Authority

Eden Prairie

Minnetonka

Hopkins

Edina

St. Louis Park

Minneapolis

Metropolitan Council

Urban Land Institute Minnesota

Minneapolis Park and Recreation Board

Minnehaha Creek Watershed District

SouthWest Transit

Hennepin County Southwest LRT Community Works

701 Fourth Ave. S., Suite 400

Minneapolis, MN 55415

swcorridor@hennepin.us

Phone: 612-348-9260

www.southwestlrtccommunityworks.org





DATE: November 12, 2015

TO: Southwest Community Works Steering Committee members

From: Kerri Pearce Ruch, Hennepin County

RE: Stakeholder feedback on Corridor Housing Strategy

During 2015, the Housing Workgroup conducted or participated in a number of opportunities to gather feedback on the draft Corridor-wide Housing Strategy that was presented to the Steering Committee in March 2015. These include:

- Roundtable conversations led by Housing Workgroup members with developers, funders, and housing advocates.
- City Council study sessions with St. Louis Park and Hopkins City Councils
- Study sessions with Minnetonka Economic Development Advisory Commission and St. Louis Park Planning Commission/Housing and Redevelopment Authority and School District representatives
- Presentations to the Southwest Community Advisory Committee and Business Advisory Committees
- Presentations at various other forums including ULI Housing Committee, Hopkins Housing meeting co-sponsored by LISC and Blake Road Corridor Collaborative, and the Housing Collaborative Institute.

In many cases, we asked participants specific questions to get feedback on the Strategy and compiled a list of comments received from these meetings. We also received one letter from the Housing Justice Center (HJC - formerly Housing Preservation Project) and Minnesota Housing Partnership (MHP), as follow-up to our housing advocate roundtable.

All comments from the meetings have been compiled into one document, along with the HJC/MHP letter. The comments have not been edited but are simply provided to give Steering Committee members some additional insight into the feedback that we received over the previous months. Participants have not had a chance to review the compilation but were told that their comments would be shared with Steering Committee members.

The Housing Workgroup has attempted to address as many of the comments as possible in the revised final draft of the Corridor Housing Strategy. One note is that a portion of the HJC/MHP letter addresses the Housing Gaps Analysis and its station area development scenarios, rather than the Corridor Housing Strategy. Other comments from the letter have been incorporated into the Corridor Housing Strategy and the station/city specific comments will be helpful for future housing planning work.

SW Corridor-wide Housing Strategy – feedback received

Developer roundtable – August 20, 2015

15 invitees + 5 staff

- All developers are working in the corridor
- Definitely help to have a corridor-wide housing strategy but there are differences in rents. The pie charts on rents act like all communities are equal in rent and that's not true.
- May need to target resources because developers will go where rents are highest – otherwise you get more of the same; more affordable where the market has affordable, high end where the market is high end.
- Funding tools are very important – what tools will cities have to encourage housing development
- Each individual site requires looking at individual funding sources
- How does this strategy overlay with current comp plans? Developed with the idea of providing some consistency in the comp plan process. Each city will have an individual comp plan but the strategy will help them make decisions that feed off of each other.

Reaction to strategies:

- Mixed income zoning is just one more layer to work through – one more hoop to jump through
- Better to have it in the front end as policy rather than later on the process
- Mixed income zoning can sometimes be interpreted that no more than 10% affordable should be in a project.
- That interpretation is very problematic for affordable housing developers because it's too low to qualify for federal tax credits.
- Struggle with every city to determine what you mean by affordable housing and how much is appropriate.
- Either you look for sites where you don't need zoning changes or funding assistance or you look for sites where you're going to peel off 10% of units and know that you'll get below market rents for those.
- Market will segregate itself and exacerbate existing market conditions if you take a hands off approach.
- Unless you want same again, you'll have to have an intervention.
- If you look at the whole line and expect the market to determine affordable, it won't happen. Luxury will go in – affordable will be pushed out.
- Which city is going to sign up to be the cool city? Who's going to say come on out and build affordable in my city?
- Hot market cities will not want to throw water on their market, the cool market city will want to become a hot market.
- Problem with 10% affordability requirement – 10% doesn't bring along any federal resources.
- IZ that is area-based rather than project-based makes more sense. Let market-rate developers do market-rate and affordable do affordable in an area.

- Will need other resources in areas where land costs are very high.
- Easiest to finance affordable deals when they're 100% affordable; hard to market mixed income buildings.

Funding resources:

- In the markets they're working in, rents won't pay for new construction so need government assistance to make the projects work. Developers need TIF, land write-down, forgivable loan. Maybe in North Loop – not in Hopkins.
- Too much affordability makes it really, really hard.
- Some sort of city assistance is needed – land assembly and land prep is very helpful.
- Important to have a partnership effort between the city and developers to facilitate development.
- This could be really helpful if policy people have the hard conversations about affordability targets. Has to engage policymakers in a meaningful conversation.

Take-aways:

Metrics and goals are fine if there has been a thoughtful process to implement them in a meaningful way with resources behind them.

Doing it in a coordinated way is helpful to get a full range along the line rather than luxury in high end areas and affordable in affordable

- Cost of construction is outstripping people's ability to pay rent. Hard to bring the cost of construction down but don't interfere with it.
- If you made one template (parking underneath + 4 stories stick for example) the default that doesn't need much change in zoning
- Changes in building requirements increase the costs
- Requirements for retail at every location make it even more difficult. Can completely derail an affordable housing. No one wants to subsidize the commercial space.
- In looking at efficiency of build, going in the ground raises costs. This requires high density in the corridor or we'll never meet the housing targets.

Preservation:

- Cities can do work through rental licensing to preserve but from developer perspective, the financing is key.
- By investing in preservation, you'll propagate the division you've already got. 60 year old units are never going to be fantastic; 100 year-old units have character.
- Have to ask when it makes sense to invest in preservation. Or do you want to think about winding some of it down?
- If you have marginal landlords, do you want to bring funding and incentives to them when they haven't invested their own money to do it in the past?
- Things missing – no handicapped accessibility, no air conditioning, etc.
- Tough to get funding for light touch rehab.

- Just putting new kitchens and baths in doesn't help energy efficiency – these buildings are very energy-wasteful.
- Naturally-occurring is a misnomer – it's just a bad landlord who can't charge more for rent. Mission-driven landlords do preservation. Sometimes you're better off scrapping the project and starting over.

Parking:

- How should cities approach parking requirements? In Mpls, for market rate development, buildings are putting in what the market demands.
- Let the developer decide how much parking is needed. It's so site specific. Each station is very different in what is walkable.
- Allowing less parking is fine but requiring it is problematic.
- Developers are restricted already by funders and market expectations and risk so they are going to put the parking in required – not more.
- Brand issue: developing a transit corridor and the first thing we're going to tell you is how many cars you have to accommodate.
- Very suburban corridor – need to accommodate cars.

Funder Roundtable – August 20, 2015

12 funders + 5 staff

Impediments to investing in SW corridor:

- MN Housing – can only fund projects that come in the door so need to ensure that there is a development environment that is welcoming to affordable housing.
- Communities along SW are willing but need to create policies that codify that willingness.
- Need to capture opportunities before they are gone (i.e. increasing land prices)
- How do we create a framework to ensure that we're putting our investments in places where they will make the greatest difference.
- Very finite amount of public resources – need to really focus on how we can use policy and private capital to meet the need.
- Affordable Housing targets are nowhere near what the actual need is along the corridor.
- Liability legislation for condos makes it very difficult. Limits a market product and size.
- Why to set affordability targets – would like to see language about it's a way of creating a thriving place; it's an economic development tool.
- Land availability – assembly is difficult. Land prices are going up. Uncertainty of the line kept prices down. Feels like we're past that and developers are interested. Extremes in downtown.
- Landowners have inflated senses of what their land is worth so they're waiting for top dollar.
- Land has just about doubled in the last 11 years in the suburbs where the line is coming through from land bank perspective.
- Construction costs are going up. May be related to stadium construction. Particularly difficult in the suburbs – hard to get them to work with rent levels. Even market rate projects need support.

Tools that help:

- TIF support from cities is very helpful. Some cities need technical assistance on how to use TIF and other financing tools.
- Lots of interest from developers on the coasts but all are interested in TIF.
- Political will is hugely important. Understanding what the will is in the area.
- Driving toward more mixed income projects. Look at investors from out of state who have more experience in mixed income development.
- 2 buildings – 1 market/1 affordable worked well along University Ave.
- Investors are getting smarter about how mixed income works.
- Concerns about concentrating poverty in 100% affordable buildings, but that won't change the underlying demographics of a white wealth community. Need to get past this perception as it's a real barrier.
- Education at the community level – faith based communities or other community orgs to engage community on what affordable housing is.
- Cities can waive different fees – sewer cap fees, school fees – can help offset land costs.
- Cities along SW are very sophisticated in the needs for affordable housing. But cities are always asked to give up fees and property taxes as well as contribute to LRT infrastructure. Fairness issue for burdens on affordable housing.

- Cities are willing to step up on special projects but not EVERY project.
- Challenge is a movement on reliance to local resources to solve the affordable housing issue. Lack of resources to support 80% - 120% AMI development.
- What about deferring fees? Is this something cities would consider? When a city is doing TIF, it's hard to give up park dedication fees. Not a lot of other fees to defer. Could treat them like a special assessment.
- Easier for cities if they can say that they are leveraging other pots of money to support a project.
- How long the subsidy lasts is really critical for cities.
- What projects have been tried and didn't make it?
- What was successful on Hiawatha and Central?
- Rents west of SLP don't support market rate development. That's important because developers will try a lot of things if they think that they can make money. The perception that there's a lot of money to be made in the western suburbs and that's not necessarily true.
- TIF on a large scale rather than project by project would be helpful. Focus on both commercial and residential development.
- If the market turns at any point, then the remainder of the district doesn't get built out and there's not enough revenue to service the TIF debt.
- Is there an argument that new residents will spend in cities so good for economic development? No – cities don't get sales tax except for Mpls.
- Jobs + housing conversation – employers choosing not to locate in a community because they can house their employees.
- Difficult to find private financing for large TIF districts – cities can still finance.
- Cities end up footing the bill for most funding sources – special legislation would be beneficial.
- Part of the problem with TIF districts is that the legislature changed the way they assess property taxes.
- In greater MN many communities are very clear that their economic development is dependent on affordable workforce housing.
- If TIF income limits could be relaxed so that it could be partnered with other funding sources, it might be a good opportunity.
- If Metro area communities aren't part of that discussion, then it's exclusively a greater MN conversation.

Underwriting criteria response to TOD:

- QAP criteria – additional points for access to fixed guideway transit, additional TOD points within ¼ mile of station area, additional walkscore points. SW station areas score very highly on geographic factors.
- Parking can go down along transit corridors.
- Seen as a stronger market for affordable housing to be near transit.
- Possible for funders to do something special for SW? Get lenders together to develop an investment pool? With return for investors?

- Special legislation for CW – need to make sense of what it means.
- Building out in stages. Not enough money to build along the corridor so need to be strategic on investments.
- High priority for LISC; collaboration with Land Bank and Family Housing Fund through Corridors of Opportunity gave more flexibility with underwriting.
- Land Bank prioritizes transit corridors – it's all they look at.

How to engage:

- Get info early enough on specific projects or stations. Use predevelopment funders roundtable.
- Communicate when you get to the point of looking at specific parcels so you're not fixing problems later on.

Did we miss anything:

- Lack of language relating to long-term affordability. Look longer term – beyond one generation of renter/owner.
- Great opportunity on the ownership side.
- IZ application to ownership opportunities as well.
- Condo legislation – needs IZ if the language change. Permanently affordable ownership opportunity.
- 9% for rental is golden but can't forget about 4% even though it makes gap larger. But spread over longer period of time.
Don't forget about senior housing – lots of seniors live in single family homes and feel housebound. How can we help them get houses ready for sale and provide attractive new senior housing?

CAC – August 25, 2015

Housing needs:

- lack of affordable housing in EP
- **multi-family housing for families – unit size 3-4 bedroom + - for larger families/extended families**
- increase affordability by reducing parking requirements
- help residents build equity
- condo ownership – downsizing opportunities
- rental is helpful for flexibility/post-recession options
- rental vacancy rate is very low
- desire by city council for more single family homes vs. multi family
- you people prefer rental for a variety of reasons
- seniors downsizing – want to remain in community – lack of housing options/assisted living
- 50-100 year lifecycle – home ownership will return
- Innovative rewards for home ownership along transit corridors – location efficient mortgages

Barriers:

- Preservation is very important
- Section 8 vouchers are important – do more than monitor usage/availability
- What happens to people living in existing affordable housing that isn't preserved?
- Zoning restrictions that prohibit 4-6 unit constructions – keeps out smaller developers

Affordable Housing targets

- How do you bring new \$ to the table: public pension funds, labor/trades
- Mixed income inclusionary housing
- Require affordable housing to be available to voucher holders
- Land acquisition
- AMI is really high – look at corridor cities instead of the metro
- Break it down – who funds/builds at various levels?
- Talk about actual rents/mortgage – family size isn't representative
- Think about where regional solicitation funds go – tie to a full range of housing choices
- BALANCE of housing choices
- Goal to improve vacancy rate
- Strategy is voluntary – no punishment for cities that don't step up – how do we then get cities to move the needle?

BAC – August 26, 2015

Workforce impacts:

- not a conversation that happens with employers
- want to support employees – see LRT as an amenity
- more urban workforce – reverse commuting
- For-sale housing is difficult to finance – litigation – MCIOA
- Some companies are too small to track housing location
 - Rosemont Emerson may track
 - Factors into site selection

Affordable Housing

- Lack of understanding about housing finance among staff and policy makers
- Need a combination of policy and tools
- Understanding of how projects are financed – mixed use districts vs. buildings
- Senior housing development is critical – include developers in conversation
- Focus on retention of affordable housing
- Desire to be in urbanized setting now – what happens in the future?
- Are there other cities with successful TOD examples?

Housing Advocate Roundtable

September 8, 2015

8 advocates + 2 staff

- Met Council goals are much higher than the goals in the corridor-wide housing strategy
- Publicly owned land – opportunity for affordability
- What is a city goal and if they don't put it on publicly owned land, where will it go?
- Higher # of preservation for units
- How do preservation units change over time
- Lots of room to move from 30% to 60%
- Separate goal for 30% b/c it's the hardest to site
- Replacement units – track them
- Variety of building types/unit sites
- Focus specifically on family unit size
- The strategy is very general – who will be responsible for the specifics of implementation?
- Challenge is whether the cities will politically endorse the strategies and say that they're on board.
- Lots of coordination needed between the cities on the nitty gritty.
- FTA influence on need to adopt targets
- Importance to have cities take specific action on the targets before September 2016.
- Which information will cities take most seriously – no penalty if they miss the regional housing goals.
- Challenge messages about lack of available land for affordable housing development and inability of cities to influence private development
- Zoning power/grant variances – how to use all the powers they have – how can they learn about their powers and how to use them?
- Education/technical assistance for city staff
- Continued push on emphasis for action before FFGA
- Identify where teeth can be introduced ...
- How can we use this to educate residents about affordable housing as well
- HUD/FTA coordination – cities receiving big federal benefits
- 3608 (AFFH) applies to transit investments as well as housing
- Add language into the strategy that discusses affirmatively furthering fair housing
- Include calculation of need as developed by Met Council and monetize it so that you can see how much \$\$ you will need to achieve the goals.
- Development expeditor to facilitate development - -note where things are working and where they aren't going well.
- Use jobs number projections – wages – break that down by city – what % of workforce would be able to live in these cities?
- Housing TIF district around each station area
- As all cities look at doing TOD zoning – up-zoning, building in density bonuses
- Plan should spell out more clearly the strategies and tools that HC will use to support this plan

- HC use their HRA levy to increase resources
- Calibrate housing goals from comp plans to say how much could be allocated along transit corridors
- Think about long-term affordability
- Particular attention to 30% and below
- Inclusionary housing requirements to address station areas that have no units of affordable in the Gaps Analysis
- Look at housing that is outside of the watershed but on a transit line that could connect to the Green Line – links to land that may be less expensive/preservation opportunities

DRAFT

St Louis Park Council Study Session

September 8, 2015

- Tools for preservation of affordable single-family homes
 - Targeted programs, loans
 - Land trust
- Rental properties – preserve existing housing
 - What tools are available to incent landlords to maintain their units
 - Preserve and stabilize existing housing
 - Don't want to tear down commercial to replace w/housing – impacts to the tax base
- Preservation of greenspace
- Want integrated neighborhoods with small businesses and housing
- Big preservation challenge for units at 30% - 60% AMI
 - Preserving Meadowbrook Manor (and other)
- Like legislative authority for corridor-wide TIF
- Concern about fiscal disparities sharing – could SLP get credit for contributions to use for affordable housing?
- Demand for move-up housing – family-sized housing – how to sustain and increase the amount of this product.

Hopkins City Council Study Session

October 13, 2015

Note: these questions were developed and posed by Hopkins staff to guide their future housing planning work.

Important housing needs in Hopkins:

- Higher quality affordable housing
- More housing options for seniors
- Larger family affordable housing units
- Keep aging baby boomers in town and bring younger families in, ethnic mix
- Owner-occupied options
- Maintain single family homes
- Quality affordable housing
- Explore a matching grant program for affordable housing preservation

Barriers:

- Lack of available land for single family development
- \$/sq ft. for return on development
- How to preserve/invest in naturally occurring affordable housing
- Marketing: have lots of options and choices but only hear about new development
- Land/financial – no one want to be the first one out
- Land availability
- Lac of resources for affordable housing – PPL example

How do you want to engage the community around housing?

- Not interested in tiny houses
- Accessory Dwelling Units (ADUs) – concerns about converting to rental
- Interested in pocket neighborhoods – example in NE Mpls 2 duplexes converted to 6 pocket neighborhood houses.

St. Louis Park Planning Commission, HRA, School District

November 4, 2015

Challenges/issues:

- SLP is looking to attract more families with children – how can this plan support that? Developing products to draw millennials and baby boomers to station areas may free up single family homes elsewhere in the city, and provide residents (millennials) who want to remain in the community when they have children.
- How do you maintain millennials when they have families? Can they/will they stay in multifamily housing?

Barriers to a full range of housing choices:

- Lack of willingness to design and build nice looking affordable housing (on the part of developers)
- Land availability

Other comments:

- 15% of SLP families have children in SLP public schools
- Younger grades have fewer open enrollment students and are fuller
- Look for ways to help connect the LRT corridor with other transit corridors to guide development of transit nodes where they don't occur today.

CRITIQUE AND RECOMMENDATIONS: SWLRT CORRIDOR-WIDE HOUSING STRATEGY

9-29-15

The following organizations offer these comments on the March 9, 2015 draft of the Southwest LRT Corridor Housing Strategy: Housing Justice Center, Minnesota Housing Partnership.

These comments have two themes: affordable housing goals for the Corridor cannot simply be based upon inadequate projections from the Housing Gaps Analysis, and there are a number of important ways in which the strategies can be strengthened.

The Central Problem – Inadequate Corridor-Wide Affordable Housing Goals

The central problem with the draft strategy is that the affordable housing goals for the station areas, based on the SWLRT Gaps Analysis recommendations,¹ are far too low, given the Metropolitan Council's recently adopted Housing and Transportation Policies, emphasizing the importance of including affordable housing in transit oriented developments and given the current (2011-2020) and projected (2021-2030) affordable housing needs for the SW Corridor cities. The Strategy notes that the FTA has ranked the SW Corridor proposal only "medium low" based on the existing lack of affordable units in the corridor, but "high" based on the coordination and planning effort. The memorandum below demonstrates that this "high" ranking will be wholly unjustified unless the corridor wide housing goals in the Strategy are adjusted upward in light of the Metropolitan Council's affordable housing goals for the S.W. cities and serious steps are taken to make the improved goals a reality.

We understand that Corridor cities have not yet settled on station area housing goals, and that they will not necessarily be based upon the projected goals set out in the Housing Gaps Analysis. It is critical that cities not simply accept the targets set out in the Gaps Analysis, as they are clearly inadequate for the reasons set out below.

Affordability goals are actually less than what the Strategy suggests.

The Corridor wide affordability goals are set out on page 6 of the draft. The first problem is that the sentence indicating a goal of 3,520 units affordable at or below 80% of AMI does not agree with the graphs for affordability targets or the Gaps Analysis which, according to the note on page 9 "form the baseline for unit targets." Table 1 at the end of this memorandum repeats the table, which summarizes all of the station area recommendations, from Page 6 of the Gaps Analysis and adds subtotals and percentages.² The three rental categories for households with incomes \leq 80% AMI total 2,265 units and match the 0%-30% AMI, 30%-60% AMI, and 60%-80% AMI categories in the Housing Strategy's New Construction Rental Affordability Targets graph on page 6. The 475 "entry level" ownership units in Table 1 match the 36% "120% of AMI or less" category in the New Construction Ownership table. So there are two problems. First, the income range for the ownership units is "120% of AMI or less" rather than "80% of AMI or less" and should not be counted in the total of affordable unit goals. Second, even if they were counted, with

¹ Available at:

<http://www.swlrtccommunityworks.org/~media/SW%20Corridor/Document%20Archive/housing/housing-gaps-analysis-report.pdf>

² Table 1 alters the table in the Gaps Analysis by deleting the 392 units projected for the last two station areas, which have now been dropped from plans.

the 2,265 rental units, the sum is 2,740 units for households with incomes at or below 80% of AMI, not the 3,520 described in the first sentence. So it appears that only the 2,265 rental units are actually goals for the <=80% AMI income group and are substantially less than the 3,520 units represented as for low and moderate incomes represented in the Housing Strategy.

Corridor affordability goals are set lower than city-wide affordability goals.

The second, much bigger, problem is that it is difficult to see how the FTA “high” ranking for planning and coordination can be maintained when the housing plan goals bear no obvious relationship to metro area planning efforts. The goals are far less than the Metropolitan Council’s affordable housing need allocated to each of the S.W. cities and by current Livable Communities Act (LCA) goals agreed to by the cities. Table 1 below shows that, overall, the goal for units affordable at or below 60% AMI (1,270 units) is only 11.7% of the total (22% for Minneapolis and only 5.6% for the suburbs). Units affordable at or below 80% of AMI are only 20.9% of the total (33.3% for Minneapolis and only 13.5% for the suburbs). In contrast, the Metropolitan Council’s affordable housing needs for this decade, for units at or below 60% AMI, range from 46.9% of all new construction for Minneapolis to 52.7% for Eden Prairie (See Table 2 below). The Council’s negotiated LCA goals for units affordable at or below 60% AMI for each city but Minneapolis are 65% of the allocated need, with the LCA goals ranging from 46.6% for Minneapolis to 30.6% for Hopkins in contrast to 11.3% overall in the Strategy draft. In short, the SW Corridor would be less affordable than the city wide affordability goals each city has committed to.

For the next decade, the percentages of total units that should be affordable at or below 80% of AMI range from 34.7% for Minneapolis to 46.7% for Eden Prairie. Even with a similar LCA reduction for the next decade, the Housing Strategy goals are significantly below the Metropolitan Council’s expectations for each suburban jurisdiction.

Targets for various income groups runs counter to the need.

Third, the distribution of units by income levels is the opposite of the Council’s needs statements for these cities. For each suburban city, far and away the largest need is for units at or below 30% of AMI – ranging from 18% of all units for Hopkins to 26.7% for Eden Prairie (see Table 2). Yet overall only 2.8% of suburban units are proposed for this income group. There is a much lower suburban need for units from 60%-80% AMI, ranging from 6% for Minnetonka to 11.3% for Hopkins. But the housing goals instead emphasize units at 60%-80% AMI. The suburban projections show an average of 8% - close to the actual need for housing for this income group, but nearly 3 times the number of units proposed for the lowest income group that needs affordable housing the most.

Given that the station areas are likely to emphasize higher density housing, that the Council consistently emphasizes the importance of providing land zoned for higher densities in order to produce affordable housing, and that the Council Housing and Transportation Plans both emphasize the need for affordable housing in station areas, it is difficult to see how planning for percentages of affordable housing in station areas which is far less than the Council’s stated need for the entire city is justified. It is even more difficult to see how the FTA could continue to rank the SWLRT “high” based on coordination and planning efforts, given the failure to incorporate the Regional planning agency’s need assessments into the planning.

The allocation of affordable units emphasizes Minneapolis to the exclusion of the suburbs.

Finally, the suburbs avoid providing for their fair share of the regional demand for affordable housing. Table 1 below indicates that if development occurred according to the Gaps Analysis recommendations, 22% of the Minneapolis units would be affordable at 60% of AMI and 33% at or below 80% AMI. In contrast only 5.6% of the suburban units would be affordable at or below 60% AMI and only 13.5% at or below 80% AMI.

The Gaps Analysis correctly notes that it will be easier and less expensive to provide affordable housing on sites with publicly owned land. But compare the recommendations for Royalston (downtown Minneapolis) with those for Blake Road (Hopkins). Both have large publicly owned sites, yet the recommendation is for 40.3% affordable rental on the Royalston site (775 out of 1,800 units) and 10.5% on Blake Road (130 out of 1,244 units). No justification is offered in the Gaps Analysis.

In several other suburban cases, (Louisiana, Downtown Hopkins, Shady Oak, Opus, and Eden Prairie Center) there is market rate rental proposed with no affordable units. These may be reasonable projections of what would happen to these sites, given current ownership, with no public intervention. But that only clearly indicates the need for inclusionary housing policies geared to produce as much affordability as is feasible.

The development goals set out in the Gaps analysis are especially unfortunate in light of the failure of the suburban SW Corridor cities, except Minnetonka, to perform on their LCA goals. Table 3 below indicates the percent of the fifteen year (1996-2010) LCA goals actually produced by the SW Corridor cities.

Higher goals that are consistent with city wide commitments cities have already made are also not unrealistic. Affordable housing proposals along transit corridors typically score well in competition for tax credits, and effective inclusionary policies will also boost affordable unit production. Nor is it true, as some have suggested, that more ambitious goals would necessarily consume all the affordable housing resources for the region. The strategy currently projects 1270 rental units serving 60 % AMI or below corridor wide over the period 2015-2030. That works out to 85 affordable rental units/year. In 2013, this Region added the lowest number of new affordable housing units since recordkeeping began in 1996, and it still totaled 724 units. 724 is a long way from 85 and would be a long way from corridor goals that are more than twice as large.

Corridor-wide recommendations

A necessary first step in developing a realistic implementation plan is to adjust the station area goals set out in the Gaps Analysis to be in line with city affordable housing needs and with the Metropolitan Council's Housing and Transportation plans. Without that, it's difficult to see how the FTA's Planning and Coordination score would not drop from "high" to "medium-low" or lower. In addition, HUD's new rule on Affirmatively Furthering Fair Housing will create problems for Corridor cities and Hennepin County if the placement of new affordable units is targeted largely to Minneapolis. This should not mean a shift of affordable units from Minneapolis, but a much greater commitment from suburban cities.

Station area goals should also include subgoals for family units, and units affordable below 30% AMI. The Strategy should also determine the amount of public subsidy and private financing needed to meet housing targets.

Only once these flaws are addressed, can a reasonable implementation strategy be developed. That strategy will have to be far more detailed, and aggressive, than what is currently set out in the draft document. Below, we set out recommendations for a revised strategy:

- Continue next round of housing planning on a *Corridor wide coordinated basis*. Virtually all of the strategies under consideration require further planning and implementation. We understand that it is an open question as to whether these efforts will now devolve to individual cities or continue through a Corridor wide planning effort. The former approach would be a mistake, would lead to less effective practices, and would likely undercut the Corridor's ranking under New Starts.
- Adopt a corridor wide *inclusionary housing policy* for corridor station areas, with each city adopting the policy. The details of policies will vary by city but it is critical that there be a corridor wide expectation of mixed income/inclusionary so developers can begin planning at the beginning. Make it mandatory for ownership developments and for rental developments which require any public financing or city land use concessions. Provide for a mix of the following tools as necessary for each project: significant density bonuses, parking requirement reductions, fee waivers, city financial assistance, and expedited processing, but only in return for affordable housing production. Require that the affordable units be made available to Section 8 voucher-holders, with rents within Fair Market rents (FMRs). Support Cornerstone Partnership's proposal for an inclusionary housing feasibility study to develop potential details of a policy – percent affordability, level of affordability, level of any *in lieu* fees, and effectiveness of density bonus at various levels.

The Gaps Analysis projects that overall 11.7% of the units built should be affordable at or below 60% of area median income, but eight station areas, with over 3,720 units projected have no units at 60% and another, with 1,244 projected units has only 90 set aside at this level of affordability. These outcomes are based on the private ownership of most of the land at these stations. An effective inclusionary policy is one important way to address these outcomes. St. Louis Park has adopted an inclusionary policy since the Gaps Analysis and Minnetonka has had one since the early 2000s, but should be strengthened in order to maximize potential for inclusion of affordable housing in station areas. The Minnetonka policy is very general, is not mandatory, asks for 10%-20% affordability without defining affordability, doesn't set out a minimum term, and doesn't specify how the developer and successors are to be bound. The St. Louis Park policy, in contrast is quite well drafted, defining what developments are covered, what number of affordable units is required, what the affordability levels are, specifies a 25 year affordability period, specifies design and location of affordable units, and requires recording of documents ensuring the affordability requirements are met. As drafted, however, the policy applies only to projects receiving city financial assistance. We recommend that, as the Southwest Corridor development proceeds, the city also include units that require city land use changes and that the other suburban cities adopt similar policies.³

Notable in its absence of an effective IH policy is Minneapolis, despite having the strongest

³ As of this writing Edina appears to be poised to adopt a new affordable housing policy which would require inclusion of affordable units when a re-zoning is sought.

multifamily housing market in the Region. The City has been considering this issue for several years now, and should commit to a deadline in the very near future for determining policy changes while the market remains robust.

- All of the jurisdictions are currently, or soon will be considering *upzoning* in the station areas. It is critical that each city consider the potential inclusionary housing implications of their zoning decisions at the time they make zoning decisions. It is impossible to give meaningful density bonuses to encourage affordable housing, once all the density developers will want is permitted as of right.
- Use of *housing tax increment*. TIF districts provide one of the easiest way for cities to provide funds to develop affordable housing. With an inclusionary housing policy, it should be relatively simple to include market rate as well as affordable units within the district and these market rate developments (and the market rate units in mixed income developments) can generate an additional increment which can be used within the district, or for other affordable housing throughout the city. Minnetonka has had experience with TIF pooling and all of the cities except Hopkins have used TIF for financing affordable housing in the past.
- Use of *public land*. Among the suburban Southwest Corridor cities, St. Louis Park has recently set a precedent for the use of public land with its acquisition of the McGarvey Coffee site for mixed income housing. One station area where this is particularly important is the Blake Road station in Hopkins, where it is important that the affordability goals set out in the Gaps Analysis be significantly increased. The Gaps Analysis indicates the importance of large publicly owned sites for producing affordable housing. The two biggest such sites are at the Royalston Station in Minneapolis (1800 total units proposed) and Blake Road (1244 total units). But in contrast to the proposed 30.6% of the units proposed to be affordable at 60% AMI in Minneapolis, only 7.2% are proposed to be affordable at the Hopkins site.⁴ There is no justification offered. This continues the current pattern, questionable on fair housing grounds, of the suburbs lagging far behind the central cities in the production of affordable housing. Overall, 22% of projected Minneapolis units would be affordable at 60% AMI in contrast to only 5% of the suburban units. Also, one option to consider for long term preservation of affordability is for the public entity to retain ownership of the land by transferring only leasing rights.
- *Identifying and acquiring privately owned sites*. Evidence suggests that currently landowners are holding on to their properties in expectation of escalating values. When

⁴ While it is true that Hopkins has a higher percentage of rental housing and of affordable housing than the other suburban cities along the Corridor, that cannot be an excuse for failing to take full advantage of one of the most useful tools for affordable housing available to cities—publicly owned land. Perhaps other Corridor cities should compensate or credit Hopkins in some fashion, but in any event, affordable housing needs much greater emphasis at the Blake Road Station Area.

acquisition opportunities do surface, however, cities can play key roles in facilitating acquisition for affordable housing. Given the limited number of development opportunities near transit stations and which are appropriate for housing, prioritizing affordable projects for those sites is essential.

- Focus on development of *mixed income neighborhoods*, not mixed income projects. Given the amount of market rate development proposed for each station area, any fears of a 100% affordable project constituting a “concentration of poverty” is misplaced. There are many such projects throughout the metro area which operate without problem. Eden Prairie has at least a tacit policy of approving only projects with market rate and affordable units in the same building. This policy prevents the development of sufficient affordable housing in the city, is an unnecessary obstacle to the whole SW corridor scoring well and it needs to be eliminated.⁵
- The current strategy makes the barest mention of *Hennepin County’s role*. The County should spell out in more detail how it will support the Strategy’s goals. For example, we understand that the County’s HRA levy is one substantially under-utilized tool.
- While we support all of the strategies proposed (as modified by our comments), we would particularly stress the need to develop a *TOD Fund* to bring in additional resources. This will be particularly important for preservation oriented developers attempting to acquire naturally occurring affordable properties along the Corridor.
- The *Preservation goal* will need further development. To what degree is the goal preservation of affordability versus preservation of physical condition ? Those are different goals and can conflict at times. An assessment of the risk of subsidized properties converting to market rate should also be included. HJC’s analysis from 2010 (attached) showed very low risk at that time, but an updated review with the addition of locally affordable projects such as those receiving TIF should also be included. If one of the goals is to promote acquisition of unsubsidized affordable properties by preservation buyers, what is the role of local governments to make those acquisitions easier, or to enhance and support ongoing affordability once the purchase is made ?
- Cities should support affordable housing proposals that are of a size and scale that promotes *cost efficiency* and stretches resources further. See, report done for Minnesota Challenge : “Stretching Affordable Housing Resources Further : How Local Government Practices Can Help.” (containing recommendations in eleven areas of local government practices). The full report is available at : http://hjcmmn.org/_docs/reducing_costs.pdf.

⁵ Allowing for Accessory Dwelling Units may be an additional means of adding affordability to otherwise largely affluent single family neighborhoods.

Table 1. SW LRT Corridor -- Recommended New Residential Development by Product Type & Station Area - adjusted for elimination of Southwest and Mitchell stops.

Station Area	Rental						Owner ship				Total Units	Total Low Income Percent		Total Low Income Percent	
	0-30% AMI	30-50% AMI	50-80% AMI	80-100% AMI	100% of AMI+	Total	Entry-Level	Mid-Mkt	High-End	Total		<=60% AMI	<=60% AMI	<=80% AMI	<=80% AMI
Royalston	275	275	225	225	800	1800	0	0	0	0	1800	550	30.6%	775	43.1%
Van White	120	120	150	150	260	800	150	150	0	300	1100	240	21.8%	390	35.5%
Penn	0	0	0	0	240	240	0	0	0	0	240	0	0.0%	0	0.0%
21st	0	0	0	0	0	0	0	0	**	0	0	0	0.0%	0	0.0%
West Lake	50	50	80	80	440	700	0	0	200	200	900	100	11.1%	180	20.0%
Minneapolis Subtotal	445	445	455	455	1740	3540	150	150	200	500	4040	890	22.0%	1345	33.3%
Beltline	65	65	115	115	480	840	80	80	0	160	1000	130	13.0%	245	24.5%
Wooddale	45	45	45	45	340	520	40	40	0	80	600	90	15.0%	135	22.5%
Louisiana	0	0	80	120	400	600	40	40	120	200	800	0	0.0%	80	10.0%
St. Louis Park Subtotal	110	110	240	280	1220	1960	160	160	120	440	2400	220	9.2%	460	19.2%
Blake Rd.	45	45	40	40	970	1140	40	40	24	104	1244	90	7.2%	130	10.5%
Downtown Hopkins	0	0	110	110	410	630	25	25	0	50	680	0	0.0%	110	16.2%
Shady Oak	0	0	75	75	350	500	0	0	0	0	500	0	0.0%	75	15.0%
Hopkins Subtotal	45	45	225	225	1730	2270	65	65	24	154	2424	90	3.7%	315	13.0%
Opus	0	0	0	120	340	460	70	70	0	140	600	0	0.0%	0	0.0%
Minnetonka Subtotal	0	0	0	120	340	460	70	70	0	140	600	0	0.0%	0	0.0%
City West	0	0	0	60	240	300	0	0	0	0	300	0	0.0%	0	0.0%
Golden Triangle	35	35	35	35	340	480	0	0	0	0	480	70	14.6%	105	21.9%
EP Town Center	0	0	40	80	400	520	30	30	20	80	600	0	0.0%	40	6.7%
Southwest	0	0	0	0	0	0	0	0	0	0	0	0	#DIV/0!	0	#DIV/0!
Mitchell	0	0	0	0	0	0	0	0	0	0	0	0	#DIV/0!	0	#DIV/0!
Eden Prairie Subtotal	35	35	75	175	980	1300	30	30	20	80	1380	70	5.1%	145	10.5%
Total	635	635	995	1255	6010	9530	475	475	364	1314	10844	1270	11.7%	2265	20.9%
Minneapolis	445	445	455	455	1740	3540	150	150	200	500	4040	890	22.0%	1345	33.3%
Suburbs	190	190	540	800	4270	5990	325	325	164	814	6804	380	5.6%	920	13.5%

Table 2. Metropolitan Council Affordable Housing Needs and Goals

	Current Need	Current LCA	2021-2030 Affordable Need as Percent of New Units			
	<=60% AMI as % total New Units*	Goals <=60% as % total New Units	<=30% AMI	>30% <=50%	>50% <=80%	All <=80%
Minneapolis	46.9%	46.6%	15.2%	4.8%	14.3%	34.3%
St. Louis Park	50.1%	32.6%	19.1%	11.0%	6.5%	36.6%
Hopkins	47.1%	30.6%	18.0%	10.3%	11.3%	39.5%
Minnetonka	51.9%	33.7%	21.2%	17.2%	6.0%	44.3%
Eden Prairie	52.7%	34.3%	26.7%	12.9%	7.3%	46.9%

* Note: these are based on the Metro Council's original LUPA percentages, which were then, for the suburban cities, multiplied by 65% to get LCA goals. Eden Prairie's numbers increased substantially from the original Council assignment and it's not clear that the new LUPA number represents the same percent of projected new units as did the original.

Table 3. LCA Performance 1996-2010

	percent of 1996-2010 LCA Affordable Goal Produced
Minneapolis	99.0%
St. Louis Park	15.3%
Hopkins	NA
Minnetonka	80.2%
Eden Prairie	44.1%



Agenda Item VI – Southwest Corridor Wide Housing Strategy Resolution

Steering Committee Action Requested: Action

Background:

The adopted Southwest LRT Community Works goals and guiding principles for investment call for positioning the Southwest communities as a place for all to live and providing a full range of housing choices. To help achieve this goal, the Southwest LRT Community Works Steering Committee endorsed the creation of a corridor-wide housing strategy in May 2012, consisting of a housing inventory, gap analysis and strategy document to support housing development along the Southwest LRT corridor. The benefit of creating a shared, corridor wide strategy include increasing the corridor’s ability to be competitive, adding leverage to secure public and philanthropic resources, sending a positive message to the development community about the desire for a mix of housing choices, and aligning to achieve regional goals. In addition, the Federal Transit Administration (FTA) in its most recent New Starts Guidance, now considers policies, planning and programs that support development and retention of affordable housing along transit corridors as part of its project evaluation criteria for funding, and as such the creation of this strategy is expected to improve the FTA New Starts rating for the Southwest LRT project.

Previous Action on Request:

Recommendation: accept the Southwest Corridor-wide Housing Strategy as a document to guide ongoing collaborative housing work, in achieving Southwest LRT Community Works goals, and refers the Southwest Corridor-wide Housing Strategy to member cities and partner organizations for individual action(s) as deemed appropriate.

Attachments: Resolution 2015-01



SOUTHWEST LRT COMMUNITY WORK STEERING COMMITTEE

RESOLUTION NO. 2015-01

A RESOLUTION TO RECEIVE THE SOUTHWEST CORRIDOR-WIDE HOUSING STRATEGY AND FORWARD TO SOUTHWEST LRT COMMUNITY WORKS MEMBERS FOR ACTION(S) APPROPRIATE TO EACH MEMBER

WHEREAS, the Hennepin County Board of Commissioners adopted Resolution No. 09-0596 in 2009 to establish the Southwest LRT Community Works program in consultation with the cities of Eden Prairie, Edina, Minnetonka, Hopkins, St. Louis Park, and Minneapolis, and other Southwest LRT partners, and

WHEREAS, the Southwest LRT Community Works Steering Committee, composed of Southwest LRT Community Works partners from cities and other agencies along the Southwest corridor, was formed in 2010 to provide overall guidance and direction for the Southwest LRT Community Works Project, and

WHEREAS, Southwest LRT Community Works goals and guiding principles for investment call for positioning the Southwest communities as a place for all to live and providing a full range of housing choices, and

WHEREAS, the Southwest LRT Community Works Steering Committee endorsed the creation of a corridor-wide housing strategy in May 2012, consisting of a housing inventory, gap analysis and strategy document to support housing development along the Southwest LRT corridor, and

WHEREAS, there are numerous benefits that may come from working collaboratively, including increasing the corridor's ability to be competitive, adding leverage to secure public and philanthropic resources, sending a positive message to the development community about the desire for a mix of housing choices, and aligning to achieve regional goals, and

WHEREAS, the Federal Transit Administration (FTA) in its most recent New Starts Guidance, now considers policies, planning and programs that support development and retention of affordable housing along transit corridors as part of its project evaluation criteria for funding, and

WHEREAS, the Southwest Corridor-wide Housing Strategy contains objectives and that can inform housing planning, including comprehensive plan updates, in Southwest LRT Corridor communities as well as suggested implementation strategies that may assist in creation of a full range of housing choices around Southwest LRT stations, increasing LRT ridership and supporting economic development and healthy communities,

NOW, THEREFORE, BE IT RESOLVED that the Southwest LRT Community Works Steering Committee accepts the Southwest Corridor-wide Housing Strategy as a document to guide ongoing collaborative housing work, in achieving Southwest LRT Community Works goals, and

BE IT FURTHER RESOLVED, that the Southwest LRT Community Works Steering Committee hereby refers the Southwest Corridor-wide Housing Strategy to member cities and partner organizations for individual action(s) as deemed appropriate.