

# Housing Policy in Minneapolis – 2019

## Overview by Council Member Cam Gordon

### Challenge and opportunity:

Minneapolis is seeing continued and significant growth. This is a healthy sign for a city and indicates that we have a city that many people see as a good place to live and work, to get a quality education, to enjoy natural and cultural amenities, and to raise a family.

But this growth comes with serious downsides. As more people move to Minneapolis, current low-income residents are at greater and greater risk of being displaced. So-called “Naturally Occurring Affordable Housing” is being converted to higher-rent housing, at a rate of over a thousand units per year. The rental vacancy rate has remained historically low – under 5% since 2012, and mostly below 4% in that same time period, with an even lower 1-2% vacancy rate for units at rents under \$1,000 – and that both helps drive rent increases and put more power in the hands of landlords.

These trends exacerbate existing disparities between whites and people of color. Households of color are more likely to rent than white households. The homeownership gap between whites and people of color in Minneapolis is among the widest in the nation. Some renters – those with poor credit histories, criminal histories, or other barriers to accessing housing – have been trapped in an exploitative subset of the rental market, and face disproportionate evictions and other negative housing options.

The federal government has continued its decades-long pattern of declining investment in public housing. This has led the Minneapolis Public Housing Authority to embark on a number of different federal programs to increase the level of federal investment, some of which have proven to be controversial.

People continue to experience homelessness in Minneapolis. Family homelessness has declined, but the number of unsheltered single adults has increased. This crisis has many different causes, including the overall economy, the lack of affordable housing units, and particular barriers that some people experiencing homelessness – including the opiate crisis – are facing. This has put tremendous strain not only on service providers, but on neighborhoods, public safety services and more.

Buildings continue to be the main driver of carbon emissions in Minneapolis, with housing as a significant subset. Energy burden is part of overall housing cost burden, and falls disproportionately on the poorest residents. It is also often a “hidden” cost of housing, not included in the rent or mortgage payments that are communicated at the time someone chooses a home. Increasing energy efficiency reduces not only eliminate impacts but overall housing costs. And housing that is badly maintained can lead to a number of different health problems, including lead poisoning, asthma, and more.

To address these problems and opportunities, the City has taken a number of actions since 2017 to build, rehab, and stabilize affordable housing, to reduce disparities in outcomes for communities of color, to address homelessness, and to increase energy efficiency in housing. These include:

## **Action on housing 2017-present:**

**Accelerated investment in affordable housing.** Since 2017, the City has funded building, rehabbing, and/or stabilizing over four thousand units of affordable housing. The City is on track to close on nine hundred units in 2019, up from approximately three hundred in past years.

**Minneapolis Advisory Committee on Housing.** Council Member Gordon led the effort to create a new Advisory Committee on Housing, to provide advice and recommendations to the City Council and Mayor on everything related to housing. The group was seated and began meeting in 2019.

**2040 Comprehensive Plan.** One of the drivers of rising rents is the mismatch between housing demand and housing supply. To address this, the 2040 Plan will allow more duplexes, triplexes, and small apartment buildings to be built in more parts of Minneapolis.

**Renters First Policy.** The Council, led by Council President Bender and Council Member Ellison, adopted a Renters First policy that establishes a new priority on the health, safety, and well-being of renters for all of the work the City does on rental housing.

**Renter Protections.** Again led by Council President Bender and Council Member Ellison, the Council passed a set of ordinances prohibiting landlords from requiring excessive security deposits, and automatically screening out prospective tenants for past criminal history, poor credit, and other things that have been shown to be poor predictors of housing success.

**Missing Middle Housing pilot program.** Much of the affordable housing that has been built in recent decades is either very small, or large apartment buildings. This new program seeks to create more affordable units in new small 3-20 unit apartment buildings.

**Energy disclosure.** Led by Council Members Gordon and Schroeder, the City has adopted an ordinance that requires disclosure of energy use to people looking at renting or buying a home. This includes benchmarking of multifamily buildings over 50,000 square feet, disclosure of past energy use to prospective renters at time of lease, and disclosure of insulation and other energy performance specifics of a house through the Truth in Sale of Housing system.

**Energy efficiency support.** Funded in large part by a small increase in energy franchise fees, the City has been supporting energy efficiency in homes and apartment buildings. This includes buying down the cost of energy audits, 0% financing for energy efficiency loans, grants for energy efficiency in apartment buildings, and more.

**4d.** The City began piloting this program in 2018, and in the first two years it has been in place it has stabilized rents in 770 buildings across the city. The program locks in rent affordability for ten years in exchange for a small property tax reduction during that period of time.

**Stable Homes, Stable Schools.** This new program, a collaboration between the City of Minneapolis, the Minneapolis Public Housing Authority, and the Minneapolis Public Schools, serves families with children in the schools who are at risk of being displaced. It connects those families to housing support vouchers.

**Public Housing MOU.** Recognizing the concerns that have been created by MPHA's proposed use of controversial federal programs, the City, led by Council Members Warsame and Jenkins, and MPHA adopted a Memorandum of

Understanding that lays out the safeguards for public housing residents that the City will require for any project that has City participation.

**Navigation Center.** To address the 2018 Hiawatha encampment, the City, working with the Red Lake Nation, put in place a one-time emergency Navigation Center, which temporarily housed people who had been living in the encampment, and helped many of them find better, more stable housing.

**Emergency Solutions Grant Flexibility.** To better respond to the homelessness crisis we're facing, Council Member Gordon led the effort to increase the flexibility for Emergency Solutions Grant funding, so that it can be used for shelter case management as well as capital improvements.

**Conduct on Licensed Premise.** Led by Council Member Cunningham, the Council amended the Conduct on Licensed Premise ordinance to reduce its impact on evicting people of color, and to build in a more holistic and constructive set of interventions in cases where tenant behavior is problematic.

**Advance Notice of Sale.** Led by Council Members Goodman and Schroeder, the Council adopted a requirement for owners of affordable housing to give the City advance notice of their intent to sell a naturally occurring affordable building, so that the City can help to preserve that affordable housing.

**Anti-Displacement Network.** City staff, along with Council Vice President Jenkins and Council Member Ellison, are taking part in a national Anti-Displacement Network of cities that are working collaboratively to test and share public policy approaches to preventing involuntary displacement.

**Funding for Renter Legal Services.** The City has increased the amount of funding it is making available to legal services and representation for tenants, through nonprofits such as Legal Aid and HomeLine. Tenants who have this kind of representation are less likely to be evicted, and more likely to get necessary and required maintenance and repairs to the homes they rent.

**Single Room Occupancy.** We have implemented a Single Room Occupancy/Shared Housing pilot, to fund new SRO-style buildings to serve very low income people (at or below 30% of Area Median Income), with supportive services. The Comprehensive Plan calls for undoing some of the restrictions on SROs that were passed during the urban renewal era

**Intentional Community Cluster Developments.** The Council has approved a new ordinance to allow clusters of tiny homes or tiny rooming units with a central "common house," such as have been proposed by the Envision Community collaborative, which seeks to provide low-cost homes to serve people who have experienced homelessness and others.

**New policies under consideration:**

Even having done all of this work to create a more just and affordable housing market in Minneapolis, it's clear that housing continues to be a major concern and opportunity. To meet this ongoing challenge, the City is considering a number of additional policy solutions, including:

**Inclusionary Housing.** This proposed policy will create a requirement for property developers to build a certain number of new affordable units as part of new market rate buildings of 20 units and larger. For developers who choose to build the affordable units on-site, there are proposed to be three options:

- 8% of units affordable at 60% of Area Median Income (AMI), with no subsidy
- 20% of units affordable at 50% of AMI, with Tax Increment Financing from the City
- 4% of units affordable at 30% of AMI

The Council is considering ways to include students in Inclusionary Housing. I am working to make unsubsidized units available to students who are eligible to receive Pell grants, hopefully citywide, but possibly starting just with the University District Overlay.

**Tenant Opportunity to Purchase.** Council Members Fletcher, Schroeder, Gordon, and Ellison are working together to bring forward a Tenant Opportunity to Purchase ordinance, modeled on an existing ordinance in Washington, DC. This policy would give renters the right to purchase the buildings they live in, when the owner of the building wants to sell it.

**Rent stabilization.** The Council has voted to start the process to study rent stabilization in Minneapolis. The states of Oregon and California have recently adopted rent stabilization laws that cap rent increases at a certain percentage over inflation. The study will take into account the impacts on tenants, on landlords, and on the overall Minneapolis economy. To go into effect, it is clear that a rent stabilization law in Minneapolis will have to be put on a general election ballot.

**Inclusive Financing.** The City is working with CenterPoint Energy through the Clean Energy Partnership on a proposed Inclusive Financing pilot in Minnesota. Inclusive Financing allows residents – both homeowners and renters – to pay for energy efficiency improvements through energy savings, on their bills.

**Tenant Relocation.** The Council will soon vote on a proposed ordinance that will, if adopted, require relocation costs for tenants to be paid by owners of buildings that lose their rental licenses.

**Sustainable Building Policy.** I am working with Council Members Schroeder are working on a Sustainable Building Policy that will require all buildings – including housing – that are supported by the City to meet a higher energy and environmental performance standard.

**Investing in Public Housing.** There is widespread interest in using the City's capacity to levy taxes for public housing to support the maintenance, rehab, and construction of public housing, or to explore alternative options to support public housing. This support could also come with requirements to MPHA, as described in the MOU between the City and MPHA, that could address concerns about the federal programs MPHA is seeking to use.

**MPHA Ordinance.** I have started the process of amending the Minneapolis Public Housing Authority ordinance, to address issues like community engagement, appointments to its Board and more.

**Maximum Occupancy.** The Planning Commission has recommended an ordinance amendment to allow more people to legally share housing in dwelling units in Minneapolis even if they are related.

**Accessory Dwelling Units.** I have proposed an ordinance removing the homestead requirement that limits where Accessory Dwelling Units can be built, to increase the number of these small, attached or detached homes in neighborhoods.