

Minneapolis Inclusionary Zoning Policy



Why is the City implementing Inclusionary Zoning?

On October 25, 2019, the City Council approved the City's Comprehensive Plan ([Minneapolis 2040](#)), which went into effect on January 1, 2020. Minneapolis 2040 establishes the goal that all Minneapolis residents will be able to afford and access quality housing throughout the City.

Minneapolis 2040 guides the City toward reduced regulation of the housing market by allowing more housing density and reducing parking requirements, which can help offset the costs of developing housing. As the City implements new zoning regulation consistent with Minneapolis 2040 guidance, opportunities to increase the supply of housing and create diverse housing options will expand throughout the City. Land use regulation is necessary but not sufficient to ensure affordability in new housing supply. A comprehensive inclusionary zoning (IZ) policy ensures that public benefit, in the form of affordable homes, are built in exchange for increased development capacity throughout much of the City.

What is the City's Inclusionary Zoning policy?

Policy highlights

- Effective January 1, 2020 the IZ policy applies to new housing development projects with 20 or more units; it will phase in over time for smaller projects (20-49 units) and ownership projects (condos)
- Developers can comply by:
 - Producing 8% of the project units affordable to households with incomes at or below 60% AMI for a period of 20 years (see income and rent limit tables below)
 - OR 4% of project units affordable at 30% AMI for a period of 20 years
 - OR developers can seek City Revenue Loss Offset financial assistance, in which case 20% of the units will have to be affordable at 50% AMI for a period of 30 years.
- Developers can also select one of three **compliance alternatives**:
 - Pay an in lieu fee
 - Produce the units off-site, or preserve Naturally Occurring Affordable Housing (NOAH), within a ½ mile from the market rate project
 - Donate land to the City
- Off-site production/preservation and land donation compliance alternatives require a meaningful contribution from the developer and approval by the City Council.
- If a project with 100 or more units demolishes dwelling units older than 50 years, the IZ requirement will be the greater of 8% of the new units or the number of dwelling units older than 50 years that are demolished.

- Projects located within the University Overlay District have additional rent and student eligibility considerations.

Who will qualify to live in affordable housing produced under Inclusionary Zoning?

Inclusionary Zoning will create housing for low and moderate-income households. Under IZ, a family of two with a household income under \$48,000 (60% AMI) would be eligible to rent an inclusionary zoning unit. The 2019 rent limit on a one-bedroom unit at 60% AMI is \$1,125.

In a City-assisted development project, a family of four with a household income under \$50,000 (50% AMI) would be eligible to rent an IZ unit. The 2019 rent limit on a two-bedroom unit at 50% AMI is \$1,125.

2019 Maximum Rents

Rent Limit	Efficiency	1BR	2BR	3BR	4BR	5BR	6BR
30% AMI	\$525	\$562	\$675	\$780	\$870	\$960	\$1,050
50% AMI	\$875	\$937	\$1,125	\$1,300	\$1,450	\$1,600	\$1,750
60% AMI	\$1,050	\$1,125	\$1,350	\$1,560	\$1,740	\$1,920	\$2,100

Source: Minnesota Housing 2019 Multifamily Rent & Income Limits

2019 Income Limits

% of Area Median Income	Number of People							
	1	2	3	4	5	6	7	8
30% AMI	\$21,000	\$24,000	\$27,000	\$30,000	\$32,400	\$34,800	\$37,200	\$39,600
50% AMI	\$35,000	\$40,000	\$45,000	\$50,000	\$54,000	\$58,000	\$62,000	\$66,000
60% AMI	\$42,000	\$48,000	\$54,000	\$60,000	\$64,800	\$69,600	\$74,400	\$79,200

Source: Minnesota Housing 2019 Multifamily Rent & Income Limits

How will Inclusionary Zoning affect the housing market?

An inter-disciplinary staff team worked with a consultant ([Grounded Solutions Network](#)) to develop a recommended IZ policy that is feasible for Minneapolis' market. This work included financial feasibility analysis, a review of national best practices, and extensive stakeholder engagement over the last two years. The recommendations are calibrated to ensure that new development continues to be financially feasible and attractive to investors while still promoting mixed-income housing. The recommended policy offers developers several compliance options.

For more information, visit the City's [Inclusionary Zoning webpage](#) or contact staff at inclusionaryzoning@minneapolismn.gov or 612-673-5175.