

## **Inclusionary Housing Policy**

This policy promotes high quality housing for households with a variety of income levels, ages, and sizes in order to meet the city's goal of preserving and promoting economically diverse housing options in our community.

The city recognizes the need to provide affordable housing to households of a broad range of income levels in order to maintain a diverse population and to provide housing for those who live or work in the city. Without intervention, the trend toward rising housing prices in new developments will continue to increase. As a result, this policy is being adopted to ensure that a reasonable proportion of each new development receiving city financial assistance, seeking PUD land use approvals or requesting a comprehensive plan amendment include units affordable to low-and-moderate income households and working families or in the case of for-sale units, make a payment in lieu of including affordable units.

The requirements set forth in this policy further the city's housing goals and the city's comprehensive plan to create and preserve affordable housing opportunities. These requirements are intended to provide a structure for participation by both the public and private sectors in the production of affordable housing.

### **I. Applicability and minimum project size**

This policy applies to market rate multi-unit residential developments that receive financial assistance from the city or seek planned unit development (PUD) zoning approvals, and includes:

- a. New development that create at least 10 multi-family dwelling units; or
- b. any mixed-use building that creates at least 10 multi-family dwelling units; or
- c. renovation or reconstruction of an existing building that contains multi-family dwelling units that includes at least 10 dwelling units; or
- d. any change in use of all or part of an existing building from a non- residential use to a residential use that includes at least 10 dwelling units.

The development must comply with the Inclusionary Housing Policy as amended and approved by the city council as of the date the development enters into a development agreement with the city or submits a planned unit development application for the project, whichever action comes first.

## **II. Affordable dwelling units**

### **General requirement**

Rental developments and for-sale developments subject to this policy shall provide a minimum number of affordable dwelling units or a payment in lieu subject to the requirements listed below.

### **Calculation of units and payment in lieu required.**

For development of multi-family dwelling units:

- a. The required number of affordable dwelling units or corresponding payment in lieu is based on the total number of dwelling units that are approved by the city or the number of naturally occurring affordable housing (NOAH) dwelling units that are being demolished or converted to a use other than low-income dwelling units in connection with construction of the development.
- b. To calculate the number of affordable dwelling units or payment in lieu required in a development the total number of approved dwelling units shall be multiplied by five percent (5%), ten percent (10%), fifteen percent (15%) or twenty (20%) depending on the affordability standard. If the final calculation includes a fraction, the fraction of a unit shall be rounded to the nearest whole number
- c. If an occupied rental property with existing dwelling units is remodeled and/or expanded, the number of affordable dwelling units shall be based on the total number of units following completion of renovation/expansion. At least five percent (5%), ten percent (10%) or twenty percent (20%) shall be affordable, depending on the affordability standard.
- d. NOAH dwelling units that are being demolished or converted to a use other than low-income dwelling units in connection with construction of the development must be replaced in the new development on a one-for-one basis. New developments must include a minimum number of affordable dwelling units equal to at least five percent (5%) to twenty percent (20%) of the total number of dwelling units in the development or the number of naturally occurring affordable housing dwelling units that are being demolished or converted, whichever is greater. Any deviation from replacing NOAH units on a one-for-one basis requires city approval.

\*A NOAH unit is defined as a unit in which the amount of rent charged is affordable to a household whose income is at or below 60% area median income based on bedroom size, or for a for-sale unit, affordable to a household whose income is at or below 80% AMI.

- e. For-sale home ownership developments will be required to pay a payment in lieu of including affordable units in the development. The payment in lieu will be an amount equal to the difference between the average market rate sale price of the for-sale units in the development and the for-sale home purchase amount affordable to a household with an income at or below eighty percent (80%) AMI, not to exceed \$100,000. The amount of the difference will be multiplied by a number equal to fifteen percent (15%) of the total number of for-sale units in the development. Home-ownership housing is defined as a **form of housing tenure in which a person, called the owner-occupier, owner-occupant, or homeowner, owns the home in which they live.** The home can be a house, such as a single-family house, an apartment, condominium, or a housing cooperative.

### III. Affordability level

The required number of affordable dwelling units within a residential project subject to this policy shall meet an income eligibility and rent affordability standard for the term of the restriction as follows:

- a. Rental Projects, the city will direct the unit affordability level based on community need and the city's identified goals and priorities:
  - 1. At least twenty percent (20%) of the units shall be affordable for households at sixty percent (60%) Area Median Income (AMI), or
  - 2. At least ten percent (10%) of the units shall be at affordable for households at fifty percent (50%) AMI, or
  - 3. At least five percent (5%) of the units shall be affordable for households at thirty percent (30%) AMI.

- b. Demolished or converted NOAH units:

NOAH units demolished or converted to a use other than affordable housing in connection with the construction of the new development must be replaced on a one-for-one basis or at rate and affordability level as noted in III. a, whichever is greater. The new units must be comparable in bedroom size to the units demolished or converted and be affordable to households at 60% AMI or below.

\*A NOAH unit is defined as a rental unit in which the amount of rent charged is affordable to a household whose income is at or below 60% area median income based on bedroom size or a for-sale unit affordable to a household whose income is at or below 80% AMI. NOAH status for rental units will be based on the rents charged on the date 6 months prior to the submitting of a development application.

- c. For-Sale projects:

For-sale home ownership developments will pay a payment in lieu of including affordable units in the development. The payment in lieu will be an amount

equal to the difference between the average market rate sale price of the for-sale units in the development and the current for-sale home purchase amount affordable to a household with an income at or below eighty percent (80%) AMI. The payment will be multiplied by a number equal to fifteen percent (15%) of the total number of for-sale units in the development. NOAH pricing for for-sale dwelling units shall be determined at time of issuance of the occupancy permit. The master mortgage, in addition to the sale price, will be considered when determining the payment in lieu for housing cooperatives.

- d. Rent and sale price level  
Rental unit: The monthly rental cost for an affordable dwelling unit shall include rent, utility costs, and any other non-optional monthly occupancy charges. Surface parking for all inclusionary units, if available, or enclosed parking for inclusionary units at the 30% AMI affordability level shall also be included in the monthly rent for the unit. The maximum rent amount shall be based on the metropolitan area that includes St. Louis Park adjusted for bedroom size and calculated annually by the Department of Housing and Urban Development and posted by Minnesota Housing for establishing rent limits for the Housing Tax Credit Program.

For-sale projects: The qualifying affordable sale price for an owner-occupied affordable dwelling unit shall be based on a homeownership unit affordable to a household with income at or below eighty percent (80%) AMI for the metropolitan area that includes St. Louis Park calculated annually by the Department of Housing and Urban Development and posted by the Metropolitan Council.

- e. Period of affordability  
For rental developments subject to this policy, the period of affordability for the affordable dwelling units shall be at least twenty-six (26) years.

**IV. Family sized unit requirement**

Developments with 50 units or greater are required to include a minimum number of three bedroom or larger size units. The specific number of three bedroom or larger size units required per development is based on the total number of units in the development as noted in the table below.

| Development size – total residential units | Required Minimum Number of three-bedroom or larger size units |
|--------------------------------------------|---------------------------------------------------------------|
| 50 - 74                                    | 2                                                             |
| 75 – 99                                    | 3                                                             |

|           |   |
|-----------|---|
| 100 - 124 | 4 |
| 125 - 149 | 5 |
| 150 – 174 | 6 |
| 175 +     | 7 |

Developments that are 100% age restricted, serving households 55 years of age or older are exempt from this requirement. Any deviation from the family size unit policy requires city approval.

## **V. Parking requirement**

The Inclusionary Policy requires that at least one on-site parking stall, as identified by Chapter 36 of the city code, (either surface or enclosed) be provided for each affordable unit. If adequate on-site surface parking exists as determined by the city based on the development's parking plan, the requirement will be met by providing a surface parking space at no additional cost to the tenant. If underground or enclosed parking is the only on-site parking option available for residents, an enclosed parking stall must be offered to the tenant at a discounted rate. The market rate parking fee will be discounted based on the affordability level of the inclusionary units as follows:

| <b>Inclusionary affordability level</b> | <b>Parking fee cost to resident</b> |
|-----------------------------------------|-------------------------------------|
| 30 % AMI                                | Free – Included in rent             |
| 50% AMI                                 | 50% of the market rate fee *        |
| 60% AMI                                 | 60% of the market rate fee          |

\*Example: if the market rate fee for parking is \$100 per month, residents of inclusionary units at the 50% AMI affordability level will pay \$50 per month.

For developments utilizing a combination of surface parking and enclosed parking to meet the inclusionary parking requirements, a waiting list will be established, and parking options will be offered based on the resident's placement on the list. Only inclusionary unit residents with a tenant owned vehicle are eligible for parking at no or a reduced charge.

City approval must be obtained for any proposed alternative to the parking requirements noted in the policy. All developments must meet the zoning code parking requirements. If a reduction in parking is granted, that reduction must not disproportionately reduce parking for the affordable units.

## **VI. Location of affordable rental dwelling units**

Except as otherwise specifically authorized by this policy, the affordable dwelling units shall be located within the development.

## **VII. Standards for inclusionary rental units**

**Size and design of affordable units**

The size and design of the affordable dwelling units should be consistent and comparable with the market rate units in the rest of the project and is subject to the approval of the city. The interior of affordable dwelling units is not required to be identical to the market rate units but if units are smaller than the other units with the same number of bedrooms in the development, city approval must be obtained.

If naturally occurring affordable housing dwelling units are being demolished or converted to a use other than lower-income dwelling units in connection with construction of the development, an equal number of affordable units with a comparable number of bedrooms to the units demolished or converted must be included in the new development.

**Exterior/interior appearance.**

The exterior materials and design of the affordable dwelling units in any development subject to these regulations shall be indistinguishable in style and quality with the market rate units in the development. The interior finish and quality of construction of the affordable dwelling units shall at a minimum be comparable to entry level rental housing in the city. Construction of the affordable dwelling units shall be concurrent with construction of market rate dwelling units.

**VIII. Integration of affordable dwelling units****Distribution of affordable rental housing units**

The affordable dwelling units shall be incorporated into the overall project unless expressly allowed to be located in a separate building or a different location approved by the city council. Affordable dwelling units shall be distributed throughout the building.

**Number of bedrooms in the affordable units.**

The affordable dwelling units shall have a number of bedrooms in the approximate proportion as the market rate units. The mix of unit types, both bedroom and accessible units, of the affordable dwelling units shall be approved by the city. Developments that are 100% age restricted serving households 55 years of age or older may propose an alternative unit mix for consideration. Any deviation from this policy requires city council approval and must be reflected in any request for city financial assistance.

**Tenants**

Rental affordable dwelling units shall be rented only to income eligible families during the period of affordability. A household that was income eligible at initial occupancy may remain in the affordable dwelling unit for additional rental periods as long as the income of the household does not exceed one-hundred forty percent (140%) of the applicable AMI.

Affordable units must be administered in compliance with the rules and procedures stated in St. Louis Park's Inclusionary Housing Program Guide.

**IX. Alternatives to on-site development of affordable dwelling units**

This section provides alternatives to the construction of affordable dwelling units onsite. The alternatives are listed in subsection (c), below.

- a. The alternatives must be:
  - 1. Approved by city council and
  - 2. Agreed to by the applicant in an Affordable Housing Performance Agreement with the city; and
  - 3. Applicant must show evidence acceptable to the city that a formal commitment to the proposed alternative is in place.
- b. This section does not apply unless the applicant demonstrates:
  - 1. The alternative provides an equivalent or greater amount of affordable dwelling units in a way that the city determines better achieves the goals, objectives and policies of the city's housing goals and Comprehensive Plan than providing them onsite; and
  - 2. Will not cause the city to incur any net cost as a result of the alternative compliance mechanism.
- c. If the conditions of (b) are met, the city may approve one or more of the following options to providing affordable dwelling units that are required by this policy.
  - 1. Dedication of existing units: Restricting existing dwelling units which are approved by the city as suitable affordable housing dwelling units through covenants or contractual arrangements. The city shall determine whether the form and content of the restrictions comply with this policy. Off-site units shall be located within the City of St. Louis Park. The restriction of such existing units must result in the creation of units that are of equivalent quality and size of the affordable dwelling units which would have been constructed on-site if this alternative had not been utilized.
  - 2. Off-site construction: Offsite construction of affordable units must be constructed within the city and should be located in proximity to public transit service at a site approved by the city.
  - 3. Partnering with an affordable housing developer: Participation in the construction of affordable dwelling units by another developer on a different site within the city.
  - 4. Proposed alternative: An alternative proposed by the applicant that directly provides or enables the provision of affordable housing units within the city. The alternative must be approved by the city and made a condition of approval of the Affordable Housing Performance Agreement.

**X. Non-discrimination based on rent subsidies**

Developments covered by the policy must not discriminate against tenants who would pay their rent with federal, state or local public assistance, including tenant based federal, state or local subsidies, including, but not limited to rental assistance, rent supplements, and Housing Choice Vouchers.

**XI. Affordable housing plan**

**a. Applicability**

Developments that are subject to this policy shall include an Affordable Housing Plan as described below. An Affordable Housing Plan describes how the developer complies with each of the applicable requirements of this policy.

**b. Approval**

1. The Affordable Housing Plan shall be approved by the city.
2. Minor modifications to the plan are subject to approval by the city manager. Major modifications are subject to approval by the city council. Items that are considered major and minor will be designated in the Affordable Housing Plan.

**c. Contents**

The Affordable Housing Plan shall include at least the following:

1. General information about the nature and scope of the development subject to these regulations.
2. For requests of an alternative to on-site provision of affordable housing, evidence that the proposed alternative will further affordably housing opportunities in the city to an equivalent or greater extent than compliance with the otherwise applicable on-site requirements of this policy.
3. The total number of market rate units, and for rental developments, the number of affordable dwelling units in the rental development.
4. The floor plans for the affordable dwelling units showing the number of bedrooms and bathrooms in each unit.
5. The approximate square footage of each affordable dwelling unit and average square foot of market rate unit by types.
6. Building floor plans and site plans showing the location of each affordable dwelling unit.
7. The pricing of each ownership dwelling unit shall be determined at time of issuance of the occupancy permit. At time of sale this price may be adjusted if there has been a change in the median income or a change in the formulas used in this ordinance.
8. The order of completion of market rate and affordable dwelling units.

9. Documentation and specifications regarding the exterior appearance, materials and finishes of the development for each of the affordable dwelling units illustrating that the appearance of affordable units are comparable to the appearance of the market-rate units.
10. Documentation of policies and procedures for administering the affordable dwelling units in accordance with any Restrictive Covenants and the Inclusionary Housing Program Guide.
11. Any and all other information that the city manager may require that is needed to achieve the council's affordable housing goals.

## **XII. Recorded agreements, conditions, and restrictions**

- a. Restrictive Covenant shall be executed between the city and a developer, in a form approved by the city attorney, based on the Affordable Housing Plan described in Section VII, which formally sets forth development approval and requirements to achieve affordable housing in accordance with this policy and location criteria. The Agreement shall identify:
- b. The applicant or owner shall execute any and all documents deemed necessary by the city manager, including, without limitation, restrictive covenants, and other related instruments, to ensure the affordability of the affordable housing units in accordance with this policy.
- c. The applicant or owner must prepare and record all documents, restrictions, easements, covenants, and/or agreements that are specified by the city as conditions of approval of the application prior to issuance of a zoning compliance permit for any development subject to this policy.
- d. Documents described above shall be recorded in the Hennepin County Registry of Deeds as appropriate.
- e. Inclusionary Housing Program Guide: All affordable units in the restrictive covenant will be managed and operated in compliance with rules and regulations outlined in the Inclusionary Housing Program Guide.

## **XIII. Definitions**

*Affordable Dwelling Unit:* The required affordable dwelling units within a residential project subject to this policy shall meet an income eligibility and rent affordability standard for the term of the restriction as follows:

- a. Rental Projects:
  1. At least twenty percent (20%) of the units shall be affordable for households at sixty percent (60%) Area Median Income (AMI), or

2. At least ten percent (10%) of the units shall be at affordable for households at fifty percent (50%) Area Median Income.
  3. At least five percent (5%) of the units shall be affordable for households at thirty percent (30%) Area Medium Income.
- b. For-Sale Projects:
- The qualifying affordable sale price for an owner-occupied affordable dwelling unit shall be based on a household income of eighty percent (80%) AMI for the metropolitan area that includes St. Louis Park calculated annually by the Department of Housing and Urban Development.
- Home-ownership housing is defined as **a form of housing tenure in which a person, called the owner-occupier, owner-occupant, or homeowner, owns the home in which they live.** The home can be a house, such as a single-family house, an apartment, condominium, or a housing cooperative.

*Affordable Housing Plan:* A plan that documents policies and procedures for administering the affordable dwelling units in accordance with any Restrictive Covenants and the Inclusionary Housing Program Guide.

*Affordable Housing Performance Agreement:* Agreement between the city and the developer which formally sets forth development approval and requirements to achieve Affordable Housing in accordance with this policy.

*Financial Assistance:* The Inclusionary Affordable Housing Policy applies to all new and renovated multifamily residential buildings receiving city financial assistance, seeking PUD land use approvals or request an amendment to the comprehensive plan.

Financial Assistance is defined as funds derived from the city and includes but is not limited to the following:

1. City of St. Louis Park Funds
2. Community Development Block Grant (CDBG)
3. City Housing Rehabilitation Funds
4. Revenue Bonds (private activity bonds are negotiable)
5. Tax Increment Financing (TIF) & Tax Abatement
6. Housing Authority (HA) Funds
7. Land Write-downs

*NOAH units:*

1. Rental units: A rental unit is defined as a NOAH unit if the amount of rent charged is affordable to a household whose income is at or below 60% area median income based on bedroom size.
2. Ownership unit: A for-sale unit is defined as a NOAH unit if the price of the home is affordable to a household whose income is at or below 80% AMI.

*Restrictive Covenant:* Agreement between the city and the developer recorded with the county which formally sets forth development approval and requirements to achieve affordable housing in accordance with this policy.

*Tenant paid rent:* The monthly rent for an affordable dwelling unit shall include rent, utility costs and any other non-optional monthly occupancy charges. Surface parking for all inclusionary units if available and enclosed parking for inclusionary units at the 30% AMI affordability level shall also be included in the monthly rent for the unit. The rent shall be based on the metropolitan area that includes St. Louis Park adjusted for bedroom size and calculated annually by the Department of Housing and Urban Development and posted by Minnesota Housing for establishing rent limits for the Housing Tax Credit Program.