EDEN PRAIRIE HOUSING TASK FORCE MINUTES
Weds Dec 11, 2019

HTF Members	Chair Joan Howe-Pullis Vice Chair Lyndon Moquist Carol Bomben Pedro Curry Terry Farley Marlene Fischer Mohamed Nur Joan Palmquist Anne Peacock Ken Robinson Emily Seiple
Staff	Jonathan Stanley, Housing and Community Services Manager Amanda Pellowski, Community Development Administrative Assistant

I. DISCUSS DEVELOPER FEEDBACK

Chair Howe-Pullis called the meeting to order at 5:42 pm. Members absent were Curry, Farley, Fischer, Nur, Peacock and Robinson.

Howe-Pullis asked for thoughts about the discussion with developers at the meeting in November. Stanley wasn't surprised that both developers said perpetuity was a "non-starter," but it was interesting that it was such a flat no. He noted that from his perspective perpetuity isn't at all a non-starter, but it is ambitious when considered against the affordable requirements of all affordable housing programs. Palmquist suggested providing developers an option to get out of perpetuity, so it requires them to come back to the table to renegotiate. Howe-Pullis questioned if it's possible to meet the goals in the comprehensive plan if the City doesn't have affordable units in perpetuity. It seems like the City isn't committed to mixed income developments if affordability isn't required for all time. The crisis is just being kicked 30 years down the road, like with the Broadmoor. There's no way to replace that affordability.

Seiple asked if there are there examples of linking policies somehow to be preservation focused. Bomben suggested using a different way to phrase or approach perpetuity so it's not as scary for developers. Today the crisis is affordable housing, but what if 30 years from now there's a different crisis the Task Force can't foresee. How do they create language that meets the need of having housing available at all levels. What kind of tradeoff is there, so if a developer provides affordable units under TIF timing, but there's some other way to fold forward to still meet the need – so it shifts through time and is not as prohibitory to developers. Palmquist believes that means having an out that requires developers to come back to table to negotiate.

Palmquist noted after speaking with the developers that there's a conflict with mixed income. Perhaps the best way to meet the goals in Aspire is to pursue affordable developments and allow some market rate units to be mixed in. The City needs to be open to pursuing that. Seiple commented that might work with properties near transit, but could be an issue with smaller sites, which is what most available land is in Eden Prairie. Palmquist reiterated the developers' feedback that market rate developers don't know how to handle compliance for affordable units, but it's easier for affordable developers to handle market rate units. Howe-Pullis raised the question of how to incentivize sellers and attract the CommonBond and Dominium developers, and make sure they're able to bid on a property.

Stanley pointed out the affordability requirements other cities have adopted and the perpetuity proposed for Eden Prairie. It seems other cities have implemented a policy that was a practical decision that fits with real estate economics and typical affordable housing programs. Stanley also referred to the discussion about market rate units being easier to add to an affordable project and stated that's not necessarily true because there are affordable investors who are leery of taking on market rate risks. He discouraged the Task Force from walking away from the idea of putting affordable units into market rate projects, since that's the premise of an inclusionary housing policy. Howe-Pullis clarified they aren't pushing to decide to recommend one over the other, but her fear is they're not solving the problem long term if they're not getting more density of affordable units. She stated CommonBond would have been fine with their project being 100% affordable but the City didn't want that. Stanley brought up Councilmember Freiberg's suggestion from the last meeting that the possibility of 100% affordable properties should be open for discussion if the Task Force sees fit. Seiple stated it seems like the final policy adopted by the City should be aimed at attracting developers of affordable properties. Stanley shared the City is beginning to discuss with a developer a proposal for 52 unit building. They used the Common Bond model and told the developer they'd like 10% of the units to be market rate. The developer said that's "different" from their usual models, but they'd consider it. Seiple asked the purpose of requesting market rate units be included. Howe-Pullis was concerned that those units could have been affordable. Stanley explained the Council has expressed an interest in having a mix of incomes and a desire not to over-concentrate a given property type. Howe-Pullis believes affordable properties can be lovely and great additions to thriving neighborhoods. Palmquist felt the Council should be questioned about requiring mixed income properties. Stanley stated there are many who argue that mixed income properties provide other notable benefits. Howe-Pullis stated the Trail Pointe Ridge project is mixed income across the whole project. She doesn't feel it was necessary for the entire project – 2 buildings – to be mixed income. Stanley pointed out the benefit of getting a broad mix of affordability within the affordable units at Trail Pointe Ridge – it has units at 30, 50 and 60% of AMI in addition to the market rate units. Stanley shared the City has been seeing considerable interest in affordable projects from developers.

Seiple stated it seems the only way to get larger affordable developments is to find mission focused businesses. Palmquist was concerned the City won't meet the Met Council's affordability goal. Howe-Pullis asked if it makes sense to go back to council and ask them to allow 100% affordable developments. Seiple asked what's driving developers who are interested in affordability to contact the city. Stanley believes that currently suburban projects perform better than ever under the scoring rubrics of funders like the Met Council and MN Housing Finance Agency. Also, MN Housing Finance's "combined geographic priorities" can be very high in Eden Prairie, as it's based on good schools, access to good jobs and transportation. Seiple asked if there's a way to work in conjunction with that. Perhaps there's a way to make potential development sites more known. Palmquist asked if the City has any history of purchasing land. Stanley responded the City in his experience doesn't prefer to own land. If they ever do, it's usually sold in an instant transfer to someone else. Howe-Pullis asked if it's possible for the City to own land for a short time and then sell.

Howe-Pullis asked if the Task Force is going to cut perpetuity from the recommendation because the developers said it's a non-starter. She understands the Council is concerned about perpetuity, but feels if it isn't recommended there should be other things put into place to protect affordable housing. Palmquist questioned if there's a way to make the math work for the developers. Bomben replied the problem is the developers are trying to make the math work for their profit and the Task Force is trying to make the math work for the people. People are buying differently now than they did 30 years ago. Young people are buying smaller right now. She questions what the next shift will look like. Perhaps there's another word to use in place of perpetuity, and perhaps there's a way to allow an out for developers. Stanley suggested allowing developers to buy their way out of perpetuity after period of time. Howe-Pullis asked how that would be calculated. Bomben suggested the Task Force come up with the language and allow someone else to do the math.

II. INCLUSIONARY HOUSING RECOMMENDATIONS

Stanley suggested drafting the recommendations and getting approval from the rest of the Task Force at the January meeting. Howe-Pullis asked when the Task Force will present their recommendation to the Council. Stanley responded it would likely be in February or March. Howe-Pullis stated the group should plan to finalize at their January meeting.

Stanley reviewed the comparison of other cities inclusionary housing policies and when they trigger affordable housing requirements. City staff hopes an adopted policy would apply for all conditions, i.e. whether or not the project receives a financial subsidy such as TIF or not. Under the current proposal, any development requiring a PUD, comprehensive plan change, rezoning, etc. would have to comply. If they get TIF funding the City would require they negotiate further affordability. Stanley stated it seemed like the Task Force would like the policy to also apply to properties being updated/rehabbed. Howe-Pullis agreed because it would help with the problem of NOAH being flipped. Stanley stated the problem is finding what would trigger the policy for rehabs, since there will never be a Planned Unit Development requested or a comp plan change required for rehab. He questioned whether public subsidy should be involved. It seems for rehab projects, the City will only be able to get affordability if they're contributing money, otherwise there's no hook. Howe-Pullis asked if the City can legally enforce the proposed policy. Stanley replied that it can. However, if a developer doesn't ask for anything - no comp plan change, no variances - we couldn't compel them to comply. City Council can create an ordinance or a policy.

Seiple asked if special zoning for rehab on apartment buildings could be created that would trigger an inclusionary housing policy. Stanley shared he's made progress on the naturally occurring affordable housing (NOAH) inventory for Eden Prairie. He looked at a list from the Assessing department with housing built between 1960 and 2000. The list showed the most recent market value and indicated the quality of the building. He compared the list to the Greater Minnesota Housing Fund and Aeon's criteria for investing in NOAH properties and identified more NOAH properties than expected that could be at risk. Bomben asked if there's a way for the City to own properties like the project with Onward Eden Prairie. They've create space for 4 people to live. It's not huge, but it's helping those folks. It's also helping to create some affordability for entry level home owners. The recommended policy doesn't address that.

Palmquist asked Stanley if the list of NOAH properties was concerning. Stanley responded he was surprised at the number of class B and C properties. Looking at the market values, they fit Aeon's "sweet spot" in terms of price per unit they are willing to pay for acquisition. Howe-Pullis asked if they were all rental properties. Stanley confirmed they are. Howe-Pullis asked if it's possible to pass the list of Eden Prairie properties on to Aeon. Stanley responded he needs to make sure there's not a conflict of interest and is exploring whether it is something that can be done.

Howe-Pullis clarified the Task Force's recommendation for rehab will be that the policy is triggered when a developer asks for something from the City. Palmquist asked that NOAH also be called out as an area of risk so it's acknowledged. Howe-Pullis wants to make sure to emphasize when they next meet with City Council that the idea of perpetuity is important to preserving affordability. It's not just following what other cities are doing – it is part of our city values.

Stanley moved on to discuss what size development will trigger the policy. He shared that Task Force Member Peacock had a conversation with Deidre Schmidt, the president and CEO of Common Bond, who's highly respected in the world of affordable housing. Ms. Schmidt encouraged a higher threshold to avoid putting a burden on small developments. She suggested setting a threshold of 20 units. Howe-Pullis was concerned that won't catch the small in-fill lots that comprise the majority of property still available in Eden Prairie. Stanley referred to his comparison of 17 single family developments in Eden Prairie over the last 6 years. If there had been an inclusionary housing policy in place with a threshold of 10 units, it would have applied to 10 of those 17 projects. If the policy was 15 units, it would have applied to 6 of the 17 projects. If the policy was 20 units, it would have applied to 2 of the 17 projects. There's a possible project being discussed with 59 units and unfortunately we don't have a policy in place. Seiple asked for clarification on whether Ms. Schmidt was suggesting a threshold of 20 units for owner-occupied only, and whether she would be ok with that threshold for a rental project. Stanley thought she likely had owner occupied in mind, but believed she would suggest that threshold for rentals also.

Seiple asked for clarification on how the policy would be triggered for projects around transit stations. Stanley replied it's rare that a large multifamily building wouldn't need a PUD or comp plan change, so those type of requests would be the triggers. Howe-Pullis asked if the Task Force is up against a clock because parcels have already converted before the City has a policy in place. Stanley confirmed that time is of the essence. Palmquist suggested going with 15 units for the recommendation. The rest of the group agreed.

Stanley referred to previous discussion and stated for length of affordability they would keep in perpetuity but provide an out that's achievable but not too easy. Howe-Pullis asked for clarification that a property owner will only be able to buy out of perpetuity if they're selling the property. Stanley confirmed this was the idea he was proposing. Howe-Pullis stated that next time they speak with the Council they'll need to call out that not all Task Force members agree with this part of the recommendation (having affordability in any form of perpetuity).

Stanley moved on to affordability targets and pointed out these cut deeply into developers' profits. Some cities' targets are aggressive. Task Force member Peacock heard from a representative of CommonBond that developers prefer having choices and the current recommendation provides for that. Seiple asked if these targets are what the City has been using for previous negotiations. Stanley confirmed. The group agreed to keep the developer choice of affordability targets at 5% at 30% AMI, 10% at 50% or 15% at 60%.

Stanley moved on to in lieu fees and stated the Council has to date been reluctant to embrace the idea. He expressed his opinion that because of land and construction prices Eden Prairie wouldn't get any houses built under an inclusionary policy if they had the same requirements that some other cities have (e.g. 10% of units affordable at or below 110% of AMI). Getting units then out of a single family inclusionary policy is unlikely to happen, so developers would likely rather pay an in lieu fee as long as the fee isn't exorbitant. Developers have given feedback that if they were to build a house to fit within 110% of AMI, the quality would be much lower and would stand out from the houses being built around it. Seiple asked if there's a way to pair the policy with working with a community land trust. Stanley confirmed the City works with West Hennepin Affordable Housing Land Trust using Community Development Block Grants. The City was working with them recently to provide money for them to purchase a house and they came back to the City to say they couldn't find any houses for the amount that was provided. That's an example where in lieu fees would be a huge help. Stanley asked if the group was in favor of payment in lieu. The group agreed. Stanley discussed determining the amount. Howe-Pullis asked whether payment in lieu would only be triggered for single family housing. Stanley confirmed that that was the current proposal. Seiple asked if there's a way to reverse engineer the amount so if a developer is building 15 houses, they would at least pay the cost for one house. Palmquist suggested getting help to figure out the calculation. Seiple stated perhaps the calculation could be done with square footage.

Stanley moved on to cost offsets. One that he recommends exploring is property tax abatement, which can be partial or full, temporary or permanent. There are many variations possible. Seiple asked if there's a point at which TIF and abatement combined would be giving up more than if the Council were to dedicate a certain amount of taxes to housing. Stanley stated they wouldn't use TIF and tax abatement for the same property. Howe-Pullis asked Stanley if there were any incentives they shouldn't pursue. Stanley responded density bonus doesn't get used much in Eden Prairie. Seiple asked if allowing more density would be appealing to change a single family development – density bonuses for ownership. Stanley responded the City has approved some small lot developments before.

Palmquist asked Stanley if there are any cost offsets they shouldn't consider. Stanley responded deferred low interest loans should be removed from the list since there's not an obvious funding source. Materials allowance variances might also not be ideal since it isn't within City's aesthetic vision. Stanley recommended discussing the need for more cost offsets. He'll do some research to get a better idea of how much some of them will cost the City.

Howe-Pullis would like to include with the recommendation to Council that they allow 100% affordable properties. The City doesn't have enough affordability, so requiring market units to be mixed in doesn't make sense. She understands the potential stigma involved, but the developers with a mission to create affordability build beautiful properties that are connected to the community. Seiple stated it's difficult to communicate how different CommonBond projects and services are. Howe-Pullis shared her disappointment that six units in Trail Pointe Ridge could have been affordable instead of market rate.

Moquist joined the meeting at 6:54.

III. TASK FORCE CHARTER

Palmquist asked for feedback on the draft of the charter.

Seiple suggested the mission statement use the term affordable housing instead of inclusionary. Moquist asked if it also made sense to add lifecycle housing. Palmquist suggested changing it to "meeting the lifecycle housing needs of a diverse community".

Stanley was confused with references to NOAH connected to single family, owner occupied housing, since NOAH typically refers to rental properties. Howe-Pullis stated the reference was to single family rental properties. She referred to a previous conversation with Farley, who wanted to be careful not to put too many restrictions on landlords renting single family homes. Stanley suggested finding a different way to phrase Farley's suggestion. Perhaps on the first bullet that references policies for new construction and rehabilitation of rental units; include NOAH, prioritizing multifamily rental units and if appropriate single family rental properties.

Stanley suggested keeping the bullet about tenants' rights, but taking out the examples.

Seiple asked how the priorities were decided. The housing trust fund should be a higher priority than building materials. Howe-Pullis asked that the topic of a housing trust fund be added to the inclusionary housing policy recommendation so it doesn't get lost.

Howe-Pullis referenced the list on the charter and the amount of time the Task Force has left. She asked how many more times they'll meet with City Council and what those meetings should focus on. Palmquist suggested with all the activity and developer interest happening now, it would make sense to get the inclusionary housing recommendation to the Council as soon as possible. Then the Task Force could continue to work on other topics. Stanley stated the Task Force is on month 7 out of a total 9-12 months allotted by the Council. He suggested taking what they've come up with so far to the Council, then using the rest of the meetings put together a written report to capture other material. Even if the Task Force doesn't get to everything, they can recommend which topics still need to be addressed in their report.

Bomben suggested moving the bullet point with prioritize to the end and moving other bullet points up. The group agreed that made sense. Palmquist asked about mentioning HRA recommendations in the charter and whether the ramification would be raising taxes. Stanley confirmed. Seiple suggested delegating some of the topics since February will be here soon. Howe-Pullis reiterated the inclusionary housing policy recommendation will be solidified at the January meeting when more Task Force members are in attendance. The policy recommendation as it stands after today's meeting should be sent as a pre-read for the January meeting. She asked the group if they'd like to include tenant protection as a topic for the January meeting to bring to the Council in February.

Palmquist asked the definition of lifecycle housing since it was a term mentioned by the Council. Stanley stated it's a confusing term, but generally means housing that meets the needs of people at all stages of aging. Palmquist asked if that means they should be looking at demographics now and projections for the future. She wondered if they should seek direction from the Council on what they're looking for. Seiple believes it to be a broad term referring to design, smaller spaces and transportation changes. It doesn't have to be a specific estimation of future demographics. Palmquist referred to the statement on the charter that the Task Force will investigate lifecycle housing in order to evaluate housing supply and demand with regard to senior housing, empty nesters, and young adults as it relates to the 2040 plan. That's a specific statement. She questioned if the Task Force is really going to do that. Moquist believes it's important.

Howe-Pullis returned to the topic of creating subgroups. There should be one to handle NOAH and the list Stanley compiled of NOAH properties in Eden Prairie. Seiple asked if that group will look at ways to encourage Aeon, CommonBond and similar companies to look at those properties. Howe-

Pullis agreed. She suggested another subgroup to work on tenants' rights and asked what other groups are needed. Seiple referred to the bullet points on the charter – one about finding creative ways to attract developers and one about doing a full demographic analysis. She feels doing that sort of analysis is too much. Stanley was concerned with and didn't understand the bullet about doing an analysis on Met Council estimates for housing requirements. Palmquist responded the Task Force was created because of the Met Councils goals. The analysis is about doing the math to determine if the things the Task Force is recommending will help achieve those goals. Howe-Pullis recapped that there will be subgroups for: 1) NOAH and partnerships, 2) tenants' rights, 3) an "outside the box" group to look at Aspire goals, Met Council goals, and to identify opportunities and creative solutions. Seiple suggested having a fourth subgroup to focus on housing trust funds and HRA recommendations.

Howe-Pullis asked for volunteers for each of the groups. Howe-Pullis and Bomben will work on NOAH. Palmquist will work on tenants' rights. Seiple will work on HRA and trust fund recommendations. Moquist will be part of the "outside the box" group and will recruit Robinson to help. Seiple asked Stanley about state funding to match local funding. Stanley just received an email about it and will forward it to Seiple.

Howe-Pullis recapped the group assignments. They will ask those absent to also join a group. She confirmed with Stanley that he'll provide general support to each group.

IV. ADJOURN

Howe-Pullis adjourned the meeting at 7:35pm.