

## Community Preference Policy – Housing Policy & Development

This document includes the findings, policy goals and policy framework for creating a Community Preference Policy in the City of Minneapolis. The Community Preference Policy may be applied to City assisted housing activities, as approved by City Council over time.

### Findings and Policy Basis

This Community Preference Policy is a direct-action response to a recommendation of the Minneapolis/St. Paul [Anti-Displacement Policy Network team](#). Findings from a peer city research and quantitative study conducted by the University of Minnesota Center for Urban and Regional Affairs (CURA), along with CURA’s [Gentrification Study](#), support our ability to enact a community preference policy for City housing programs within Neighborhood Stabilization Program (NSP) target areas. The City of Minneapolis has designed a Community Preference Policy that aligns with overall goals of the [Minneapolis 2040 Comprehensive Plan](#) and the City’s [Strategic and Racial Equity Action Plan](#).

### Community Preference Policy Goal

To disrupt involuntary displacement of Minneapolis residents who have experienced displacement or who are at-risk of displacement from neighborhoods experiencing extreme economic forces through housing preference opportunities. Involuntary displacement disproportionately impacts Black, Indigenous, People of Color and Immigrant (BIPOC) communities and low wealth communities.

### Policy

A community preference policy gives residents residing within certain geographies preference to receive assistance for specific city programs or projects. Based on findings from the CURA studies, staff recommends that residents residing in [NSP area neighborhoods](#) (see list below) are eligible for a preference for certain City housing programs, which will be determined on a program by program basis. A preference policy will apply to a percentage of an eligible activity, not to exceed 50% applied preference, and that percentage will be analyzed and recommended on an activity by activity basis.

<b>Community Preference Policy</b>	
<b>Eligibility</b>	1: Current City of Minneapolis residents residing in eligible location who are income eligible for the relevant City assisted housing <b>AND</b> 2: Previous City of Minneapolis residents that were involuntarily displaced from eligible location due to the foreclosure crisis and/or tax forfeiture beginning January 1, 2007 (this date is informed by NSP data submitted to HUD related to the foreclosure crisis) who are income eligible for the relevant City assisted housing
<b>Eligible Location (see maps <a href="#">here</a>)</b>	NSP Target Area Neighborhoods – Audubon Park, Bancroft, Beltrami, Bottineau, Bryant, Camden Industrial, Central, Cleveland, Columbia Park, Corcoran, East Phillips, Folwell, Harrison, Hawthorne, Holland, Humboldt Industrial, Jordan, Lind-Bohanon, Logan Park, Marshall Terrace, McKinley, Midtown Phillips, Near-North, Northeast Park, Phillips West, Powderhorn Park, Regina, Sheridan, Shingle Creek, Standish, Sumner-Glenwood, Ventura Village, Victory, Waite Park, Webber-Camden, Whittier, Willard Hay & Windom Park
<b>Eligible Activity</b>	Development of City-owned or City-funded property for housing for ownership or rental

## **Policy Implementation - Ownership**

In the Minneapolis Homes: Financing Program and/or the Perpetual Affordable Housing Program, the following selection criteria will be utilized for homes produced: 1) Income Eligibility – if households are not income eligible, as defined in program guidelines, they will be disqualified

2) Household Size – applicants whose household size is less than the number of bedrooms in the unit plus one will only be selected if there are no qualified applicants of a compatible size for the unit

3) Preference Policy – applicants who meet the criteria of a City approved preference policy

4) Current Renters – households that don't own a home

If all of the selection criteria above are applied and there are still multiple applicants for a housing unit, then a randomized selection will be conducted.

Units that will have preference applied will be identified at the time of enrollment through the Minneapolis Homes: Financing Program and/or the Perpetually Affordable Housing Program. Staff will randomly identify 50% of units within the preference target area and 50% of units outside of the preference target area to provide even distribution of units with a preference option.

Steps to verify eligibility for preference:

- Option 1) Look up current residency and verify eligible neighborhood; OR
- Option 2) Verify residency within an eligible neighborhood 2007-present AND displacement from the eligible home through Hennepin County records
  - Tax forfeiture: recorded Certificate of Expiration of Redemption Certificate; notice to vacate
  - Foreclosure: foreclosure notice and/or deed in lieu of foreclosure eligible; notice to vacate

Households identified through either option will be treated equally through the selection process defined above.

## **Policy Implementation – Rental**

Staff will return with implementation steps prior to the release of the next application period for the Affordable Housing Trust Fund.

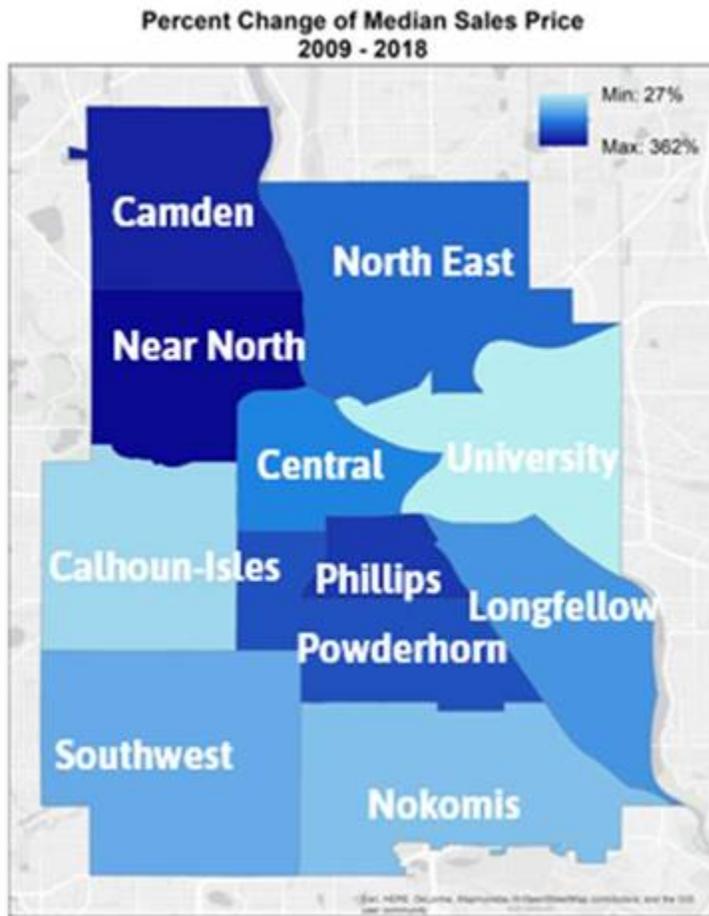
## **Background**

In designing this policy, the City, in partnership with CURA, decided to preference Neighborhood Stabilization Program (NSP) areas because residents of those neighborhoods, particularly BIPOC households, either have been displaced or face an increased risk of displacement due to extreme economic forces. The Neighborhood Stabilization Program (NSP) was established by the U.S. Department of Housing and Urban Development (HUD) to purchase and redevelop foreclosed and abandoned homes to stabilize communities. NSP was funded in three separate rounds under the Housing and Economic Recovery Act (HERA) of 2008 and 2010, and the American Recovery and Reinvestment Act (the Recovery Act) of 2009. The City of Minneapolis established HUD approved NSP areas through a basis of areas of greatest need based on a HUD determined risk factor assessment by census block group. The risk factor was for whether a census block group had a predictive risk for foreclosed and abandoned housing. Under the preference policy, eligible neighborhoods are neighborhoods that have a census tract that qualified through any of the three NSP funding rounds.

The 2018 CURA Gentrification study confirmed that residents of the NSP areas are at risk of involuntary displacement because of continued, on-going, gentrification pressures. In the 2018 CURA Gentrification Study, researchers cross-referenced findings from the quantitative indices with their initial interviews with local public officials and neighborhood leaders to identify neighborhoods in the Twin Cities that were classified as having gentrified. Then, researchers narrowed their consideration of areas in which a cluster of census tracts showed gentrifying characteristics. Finally, researchers examined the initial interviews with public officials and neighborhood leaders to determine if they have identified clusters of change that were not identified by the quantitative analysis. This process yielded five neighborhood clusters that served as the setting for the quantitative analysis; three in Minneapolis and two in Saint Paul. All three clusters in Minneapolis are included within the NSP target areas.

### Increasing Home Prices

Recent market data from market analysis completed by [Grounded Solutions Network](#) further demonstrates reasons to be concerned about involuntary displacement, as home prices in most of the NSP target areas have increased significantly since in recent years. From 2014 – 2018, homes in the Camden, Near North and Phillips communities have seen the highest percent change of median sales prices in the City. All of these communities are included in the NSP target areas.



### CURA Preference Policy Research

The City partnered with CURA to conduct a study with peer city research on community preference policies and a quantitative analysis of the possible Fair Housing implications of implementing a community preference policy. CURA researched five cities across the country that have community preference policies— San Francisco, CA; New York, NY; Austin, TX; Seattle, WA and Portland, OR. A summary of each city’s policy is included in the report. CURA’s quantitative analysis findings supported a City Community Preference Policy that geographically aligns with the City of Minneapolis HUD approved NSP Target Areas. NSP target areas were selected for use in the study because of the detailed data analysis that went into establishing these areas during the foreclosure crisis and because the NSP target areas so closely align with the CURA gentrification study findings. The study found that a preference policy of up to 50% for residents from those areas is unlikely to cause a disparate impact violation of the Fair Housing Act; which has been a basis of challenge to community preference policies in other parts of the country.

### Minneapolis 2040 Comprehensive Plan (2040 Plan)

The 2040 Plan was developed, reviewed and ultimately approved after more than three years of extensive community engagement. Through that time, the people of Minneapolis shared their vision and hopes for the future of the city. A main theme voiced was that as the city grows, everyone must benefit from that growth. Historically, not everyone has. Based on this engagement, Policy 43 in Minneapolis 2040 directly addresses displacement by stating the City will,

*“Minimize the involuntary displacement of people of color, indigenous people, and vulnerable populations such as low-income households, the elderly, and people with disabilities, from their communities as the City grows and changes.”*

A community preference policy is one opportunity to undo barriers and overcome inequities created by a history of policies in the City that have prevented equitable access to housing, jobs, and investments.

### **Strategic and Racial Equity Action Plan (SREAP)**

The SREAP builds on the 2040 Plan and informed components of the City's 2020 budget to provide a common focus and give direction to City leaders in the development of operational plans and activities for the next two years. Using SREAP, the City aims to close gaps and put Minneapolis on a trajectory for advancing equity for all residents, particularly those who have been historically marginalized. By focusing on a small group of policy priorities, the City can be more intentional in efforts to embed racial equity principles and strategies into goals, operations, programs, services and policies. There are three public priorities with specific strategic needs:

- **Public Safety** – Increase the number of Black, Indigenous, People of Color ages 10 to 24 living in higher violence areas who participate in high quality youth development programs
- **Housing** – Reduce involuntary displacement in rental housing for Black, Indigenous, People of Color, and Immigrant communities
- **Economic Development** – Increase the number of Minneapolis-based businesses owned by Black, Indigenous, People of Color; and increase businesses with BIPOC ownership that are still in business after five years

### **Community Engagement**

The recommendation for a community preference policy, specifically in housing, has been a common theme expressed throughout various community engagement initiatives held by multiple City departments over the last two years. Through the Minneapolis 2040, SREAP, and Minneapolis Homes engagements the theme was expressed with a focus for BIPOC communities and low wealth communities in Minneapolis who have been historically marginalized and structurally disenfranchised. In addition to City Enterprise engagement, the Minneapolis/St. Paul Anti-Displacement Policy Network team identified the development of a community preference policy as a priority, as outlined in its report presented to the Minneapolis City Council in [October 2019](#).