Upper Harbor Collaborative Planning Committee –For Discussion 11/18/20

UHT Phase 2: Housing Affordability Options

Recapping our discussion from Saturday, here is a brief summary of the options under consideration for the Phase 2 Housing Parcels (Parcel 1A and 7). As referenced in the meeting, the overall site will be subject to the amended and restated unified housing policy of the City of Minneapolis (effective 8/1/20). Both of the phases would be considered a large development project under the policy, as defined below.

> **Large Development Projects**: Large Development Projects may meet this requirement on a blended basis, provided the City is provided adequate assurances that the affordable units will be delivered. Only buildings or phases that include affordable housing for at least 20% of the units (rental) or 10% of the units (for-sale) or receive a pass-through funding waiver as provided below will be considered eligible for City financial assistance.

For reference, current AMI charts for the MSP Metro in 2020 are here.

PARCEL 1A: Senior Housing (Outstanding recommendation on affordability)

- **Option A MARKET RATE OWNERSHIP (78 units):** Senior Coop (Ownership, market rate with 10% of units affordable at 80% AMI).
  - *PRO*: Could be in Phase 1 depending on market feasibility study, could generate approximately $40K/year in ground lease payments due to higher land value for market rate housing
  - *CON*: Not affordable to the majority of Northside seniors.
- **Option B NORTHSIDE AFFORDABLE**: Senior Affordable Rental with 33% at 30% AMI, 33% at 50% AMI, and 34% at 60-70% AMI (similar to Parcel 1B Affordability strategy)
  - *PRO*: rents are attainable to current Northside seniors, all river housing is affordable
  - *CON*: shifted to Phase 2 because of timing for housing subsidy, generates only $15K/yr in ground lease payments, eligibility is capped to those with incomes at/below 70% AMI (approximately $49K for a single household or $57K for a 2 person HH in 2020)
- **Option C MIXED INCOME:** Senior Affordable Rental that includes market rate units (8% below 30% (targeted for formerly homeless), 12% at 50% AMI, 40% at 60% AMI, and 40% at market rate)

- *PRO*: mixed income as CPC requested, delivers additional affordable units on the river
- *CON*: shifted to Phase 2 because of timing for housing subsidy, generates $15K/yr in ground lease payments, only 15 of 78 units are attainable to those at average Northside income, required 11 sources of gap funding to achieve this mix of incomes.

PARCEL 7A: **Phase 2 Housing**

- **Option A: Higher Density, Market Rate Rental**
  - *PRO*: generates approximately $100,000/yr in ground lease payment, adds 70 more households to support local businesses, market rate housing by freeway rather than river
  - *CON*: limited affordability (approximately 8% at 60% AMI), not currently financeable)
- **Option B: Medium Density, Market Rate Rental** (8% at 60% AMI, 80% at Market)
  - *PRO*: generates approximately $50,000/yr in ground lease payment, phasing depends on market viability rather than affordable housing funding cycle; brings market rate to site with mixed income; similar height as other buildings
  - *CON*: limited affordability (approximately 8% of units at 60% AMI, 92% at market rate), not currently financeable)
- **Option C: Medium Density Affordable Rental** (33% at 30% AMI, 33% at 50% AMI, and 34% at 60-70% AMI (similar to 1B Affordability)or 12% at 50% AMI, 40% at 60% AMi, and 40% at market rate (Common Bond Strategy)
  - *PRO*: similar height to rest of buildings, can bring additional attainable to site
  - *CON*: Will likely not be built out for several years because of competition for gap funding, does not bring as many households to site to support businesses, might not achieve the 1/3 market rate goal over the site with this option; limited ground lease payment of $15,000/yr

Potential Phase 2 Affordability Strategies to be considered for recommendation by CPC in order of developer preference:

(1) 92% MARKET RATE/ 8% AFFORDABLE: Pursue senior coop on 1A and market rate with inclusionary zoning on 7A (maximizes ground lease revenue and increases number of units delivered in Phase 1). Potential Ground Lease Revenue estimated at $150,000/yr (~$15 Million over the ground lease period of 99 years)

(2) MIXED INCOME SENIOR + HIGH DENSITY MARKET RATE/ 8% AFFORDABLE ON FREEWAY: Pursue senior affordable on 1A with a mix of incomes including market rate (Common Bond model (and pursue market rate on 7A with inclusionary zoning levels of affordabiity (8%). (All river parcels are affordable, market rate on freeway). Potential Ground Lease Revenue estimated at $120,000/yr. (~$12 Million over the ground lease period of 99 years)

(3) MIXED INCOME SENIOR + MIXED INCOME MEDIUM DENSITY ON FREEWAY: Pursue senior affordable on 1A with a mix of incomes including market rate (Common Bond model) and Medium Density Mixed Income Affordable. (Longest buildout, limited opportunity for mixed income, lowest ground lease). Potential Ground Lease Revenue estimated at $30,000/yr. (~$3 Million over the ground lease period of 99 years)

*MIXED INCOME equals 60% AFFORDABLE (60% AMI) and 40% Market Rate
**Ground Lease Payments are estimated annual amounts; final ground lease amount will be determined by appraised values before transfer of land. Ground Lease would be expected to be 99 years.