

Inclusionary Housing Policy

(Draft: June 25, 2024)

The City of Plymouth recognizes the need to provide affordable housing for a broad range of income levels to maintain a diverse population and attract residents to live or work in the city. This policy has been created to ensure that a reasonable proportion of each new residential development receiving City financial assistance include units affordable to low and moderate income households (generally defined as 30% to 80% of Area Median Income). The requirements set forth in this policy further the City's housing goals as outlined in the Comprehensive Plan to create and preserve affordable housing opportunities.

I. Definitions

City Financial Assistance: The use of public funds of, or administered by, the City for any new residential development, including but not limited to:

- A. City or HRA funds or fee waivers;
- B. Community Development Block Grant (CDBG);
- C. Housing Rehabilitation Funds;
- D. Revenue Bonds (private activity bonds are negotiable);
- E. Tax Increment Financing (TIF);
- F. Tax Abatement;
- G. Land Write Downs;

Unit(s): Apartment, housing condominium, townhome, duplex, triplex, fourplex or a single-family dwelling.

Development: Any undertaking to provide residential dwelling Units to which requests for City Financial Assistance are made.

II. Applicability and Minimum Development Size

This policy applies to all new residential Developments and existing multi-family dwellings that receive City Financial Assistance and meet the following thresholds:

- A. New Developments that create at least 10 dwelling Units; or
- B. Reconstruction, expansion, or demolition of an existing residential multi-family building that will contain after completion of such alteration at least 10 dwelling Units.

III. Affordable Dwelling Units

To ensure affordability, the City requires that (i) a certain percentage of Units in a Development that receive City Financial Assistance are reserved for and leased or sold to individuals or families of low or moderate-income as described in this section, and (ii) that the rents for such Units remain affordable for such individuals and families, or, in the case of the sale of a Unit, that the sale price at the time of sale is affordable for such individuals and families.

Number of Affordable Units

A Development that is subject to this policy shall provide affordable dwelling Units equal to the percentages cited below, times the total number of Units in the Development. The required number of affordable dwelling Units is based on the total number of dwelling Units that are approved by the City Council. If the final calculation includes a fraction, the fraction shall be rounded to the nearest whole number.

Income Targets

The required number of affordable dwelling Units within a residential Development subject to this policy shall be reserved for and either leased to or sold to individuals or families who meet the income thresholds as outlined below. The Developer can select the level of affordability that is appropriate for their project:

(1) Rental Developments:

- a. At least twenty percent (20%) of the Units shall be reserved for and leased to individuals or families whose household income does not exceed sixty percent (60%) of the Area Median Income (AMI); or
- b. At least ten percent (10%) of the Units shall be reserved for and leased to individuals and families whose household income does not exceed fifty percent (50%) of AMI; or
- c. At least five percent (5%) of the Units shall be reserved for and leased to individuals or families whose household income does not exceed thirty percent (30%) of AMI.

(2) For-Sale Developments:

- a. At least fifteen percent (15%) of the Units shall be reserved for and sold to individuals or families whose household income does not exceed eighty percent (80%) of the AMI.

Rent and Sale Price Levels

For rental developments, the monthly rental price for affordable dwelling Units shall include rent and utility costs and shall be based on the applicable Area Median Income (AMI) for the Twin Cities metropolitan area adjusted for bedroom size and calculated annually by Minnesota Housing for establishing rent limits for the Low-Income Housing Tax Credit (LIHTC) Program.

On for-sale developments, the qualifying sale price for an owner-occupied affordable dwelling Unit shall be based on the applicable amount affordable to household or individual at 80% Area Median Income (AMI) for the metropolitan area and calculated annually by Minnesota Housing for the Impact Fund program.

Period of Affordability

For rental Developments subject to this policy, the period of affordability for the affordable dwelling Units shall be a minimum of twenty-five (25) years. Units available in for sale Developments shall be subject to this policy until sold to an income eligible owner.

IV. Standards for Affordable 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 same project and are subject to the approval of the City Council.

Exterior/Interior Appearance

The exterior materials and design of the affordable dwelling Units in any Development subject to this policy 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 or ownership housing in the city. Construction of the affordable dwelling Units shall be concurrent with construction of the market rate dwelling Units.

V. Integration of Affordable Dwelling Units

Distribution of Affordable Housing Units

The affordable dwelling Units shall be incorporated into the overall Development unless expressly allowed to be in a separate building or a different location approved by the City Council. Affordable dwelling Units shall be distributed equally by bedroom size and throughout the building.

Number of Bedrooms

The affordable dwelling Units shall have a number of bedrooms in the approximate proportion as the market rate Units unless the developer demonstrates the need for a different proportion based upon a documented need for such units within the city. The mix of Unit types, both bedroom and accessible Units, of the affordable dwelling Units shall be approved by the City Council.

Tenants' Change of Income

Affordable rental dwelling Units shall be rented only to income eligible families during the period of affordability. An income eligible family may remain in the affordable dwelling Unit for additional rental periods if the income of the family does not exceed one-hundred forty percent (140%) of the applicable AMI. If the family income exceeds this amount, they must be moved to the first available market rate Unit that meets their household size. This provision shall not supersede any rules that may apply for a federal or state housing program that allows for a different change in tenant income.

VI. Non-Discrimination Based on Rent Subsidies

Developments covered by this policy must not discriminate against tenants paying rent with federal, state, or local public assistance, including, but not limited to rental assistance, rent supplements, and Housing Choice Vouchers.

VII. Housing Performance Agreement

Applicability

Developments that are subject to this policy shall enter into a Housing Performance Agreement as described below, which outlines how the developer will comply with each of the applicable requirements of this policy.

Approval

The Housing Performance Agreement shall be approved by the City Council.

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The Housing Performance Agreement shall include at least the following:

- a. General information about the nature and scope of the development subject to these regulations.
- b. For requests to an alternative to on-site provision of affordable housing, evidence that the proposed alternative will further affordable housing opportunities in the City to an equivalent or greater extent than compliance with the otherwise applicable on-site requirements of this policy.
- c. The total number of market rate Units and affordable dwelling Units in the development by bedroom size and income threshold.
- d. The pricing for each affordable ownership dwelling Unit. The pricing of each unit shall be determined at time of approval. 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 policy.
- e. Proposed schedule of individual Unit development (market rate vs. affordable units).
- f. For owner-occupied units, 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.
- g. All other information that City staff may request to achieve the City Council's affordable housing goals.

VIII. Recorded Agreements, Conditions and Restrictions

- (1) The Housing Performance Agreement and/or Declaration of Restrictive Covenants shall be executed between the City and Developer, in a form approved by the City Attorney, which formally sets forth Development approval and requirements to achieve affordable

housing in accordance with this policy and location criteria. The Housing Performance Agreement shall identify:

- a. The location, number, type, and size of affordable housing Units to be constructed; and
 - b. Income limitations for the affordable Units; and
 - c. Sales and/or rental terms; occupancy requirements; and
 - d. A timetable for completion of the Units; and
 - e. Restrictions that will be placed on the Units to ensure affordability; and
 - f. Annual rental tenant income and rent reporting requirements; and
 - g. Any terms contained in the approval resolution by the City as applicable.
- (2) The applicant or owner shall execute all documents deemed necessary by the City Manager, including, without limitation, a Declaration of Restrictive Covenants, and other related instruments, to ensure the affordability of the affordable housing Units in accordance with this policy.
- (3) The applicant or owner must record all documents, restrictions, easements, covenants, and/or agreements that are specified by the City Council as conditions of approval of the application prior to issuance of a building permit for any Development subject to this policy.
- (4) Documents described above shall be recorded in the Hennepin County Registry of Deeds as appropriate.

IX. State and Federal Law

This policy is not to be interpreted, nor intended to conflict with state or federal law. If any portion of this policy is determined to be in conflict, state or federal law will control. Many state and federal programs provide for similar regulations regarding affordability levels. In such instances where participation in a state or federal program results in a more restrictive set of standards regarding affordability, such Development will be deemed to have met the requirements of this policy.