

# HUD PRO HOUSING FY2024 AWARD ACTION PLAN



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# Action Plan

## Summary

### Need

In recent years, the Minneapolis-Saint Paul region has emerged as a national leader in progressive land use policies, facilitating increased housing density and reducing parking requirements to enhance housing production, affordability, and choice. The Metropolitan Council (Met Council) was proud to be selected for an initial FY 2023 PRO Housing award, and respectfully submits this proposal to further these advancements.

Despite progress, the region, including the HUD priority geographies that include Hennepin and Ramsey Counties and 32 suburban cities, still face an acute need for affordable and accessible housing in well-resourced areas. Although deeply affordable housing has been a priority in regional and comprehensive plans since 2015, many existing affordable housing providers struggle with market, structural, and operational obstacles, hindering their ability to maintain current portfolios and develop new housing. The region is at a critical juncture where it can either build on recent efforts or revert to a less inclusive development landscape.

### Use of Funds

To address these issues, the Met Council will use a \$5M FY 2024 PRO Housing grant to enhance our initiatives through 2030, aiming to improve conditions for low- and moderate-income residents and close the deeply affordable housing gap that threatens regional welfare. The Met Council's actions will include:

- Planning and policy activities supporting affordable housing: Providing technical assistance to jurisdictions to develop and update housing plans, community development strategies, and zoning and land use policies.
- Direct grants: Awarding subgrants along with technical assistance for communities seeking to make policy changes that eliminate barriers to affordable housing.

These efforts will foster policy consistency across the region, simplifying the region's development processes.

Additionally, the FY 2024 PRO Housing grant will leverage at least \$3M in local grants to support affordable housing rental and ownership preservation and production.

Building on the successes of the FY 2023 PRO Housing grant, the FY 2024 PRO Housing grant will capitalize on three timely opportunities.

1. Planning for and utilizing unprecedented new local revenue for housing.
2. Engaging with the heightened community attention to housing during the Imagine 2050 regional planning cycle.
3. Leveraging recent zoning and land use policy reforms that facilitate housing development.

Recognizing the necessity for coordinated efforts to deliver the maximum possible impact, the Met Council will deploy the FY 2024 PRO Housing grant to enhance regional coordination and support, ultimately bridging the affordable housing gap and ensuring the region's welfare.

Contact information

The Metropolitan Council will administer the grant.

Attn: Senior Manager, Livable Communities and Housing (Sarah Berke, 651-602-1198, sarah.berke@metc.state.mn.us)

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390 Robert Street North  
Saint Paul, Minnesota 55101

Authorizing statute

FY2024 PRO Housing grants are authorized by the Consolidated Appropriations Act, 2024 (Public Law 118-42, approved March 9, 2024).

FY24 PRO Housing requirements can be found in the FY24 PRO Housing Notice of Funding Opportunity (NOFO) (FR-6800-N-98, issued August 13, 2024).

Resources and Budget:

The budget table below summarizes all proposed activities for the requested \$5.0 million grant, and the rationale for the estimated costs.

Metropolitan Council Combined PRO Housing Budget

| Activity Category            | Activity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Previous award (PRO Housing FY23) “Phase 1.0” | Current Award Budget (PRO Housing FY24) “Phase 2.0” |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|
| Time Frame                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2025-2027                                     | 2026-2030                                           |
| Planning & Policy Activities | Staff Capacity – Met Council                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$600,000                                     |                                                     |
|                              | <ul style="list-style-type: none"><li>FTE new Planning Assistance provider to consult with cities on demand, with particular focus on cities outside of Hennepin County; temporary, 3-year new role 2026-2028</li><li>FTE continued Planning Assistance Provider and Program/ Coordinator to ensure coordination across jurisdictions and with other resources in the region (funded via PRO Housing FY23 grant for 3 years 2025-2027, will continue for 3 additional years 2028-2030</li></ul> |                                               | <div>\$381,967</div> <div>\$381,966</div>           |

|                                  |                                                                                                                                                                                                                                                                                              |                      |                      |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Administration                   | <ul style="list-style-type: none"> <li>0.5 expanded Senior Grant Administrator capacity to coordinate awards with subrecipients (funded via PRO Housing FY23 grant for 3 years, will continue for 3 additional years)</li> </ul> <p>(2.5 FTE, 3 years, Grade H, with fringe)</p>             |                      | \$191,067            |
| Planning & Policy Activities     | <p>Consultants – Contracted staff capacity to provide planning technical assistance, facilitate peer learning, and provide subject matter expertise or professional services.</p> <p>(Estimate: 245 total consultant-days)</p>                                                               |                      | \$245,000            |
| Planning & Policy Activities     | <p>Subgrants – Key regional partners. To fund staff capacity and consultants to implement policy and planning activities</p> <p>(Estimate: 2 key implementation partners @ \$1 million)</p>                                                                                                  | \$2.8 million        | \$2.0 million        |
| Planning & Policy Activities     | <p>Subgrants – PRO Housing local implementation grants. For individual cities in the region and/or their programmatic partners in building infrastructure for/designing policy to invest in affordable housing development and preservation</p> <p>(Estimate: 36 communities @ \$50,000)</p> | \$600,000            | \$1.8 million        |
| Leveraged Development Activities | <p>At least \$3 million in Local Housing Incentives Account (LHIA) grants deployed for affordable housing production and preservation projects metro-wide</p> <p>(Estimate: 2-5 affordable housing projects funded annually with LHIA development grants)</p>                                | N/A<br>(\$3 million) | N/A<br>(\$3 million) |
|                                  |                                                                                                                                                                                                                                                                                              | \$4.0 million        | \$5.0 million        |

**Non-financial contributions:**

Not applicable.

**How budget was determined:**

Costs are based on established pay scales for professional staff at the Met Council, our experience in awarding subgrants for similar activities to date, and on our/our key partners' best estimates of professional services rates for the proposed contracted consulting activities.

All costs will be reviewed for reasonability, all activities will be reviewed for appropriateness for the scope of this program, and all subrecipients will be evaluated for their capacity to successfully deliver grant objectives.

Somewhere between 4-8% of the grant funds will be used for administration of and technical assistance for the FY24 PRO Housing grant activities. Specifically, 3.8% of the award will be used to fund an expanded 0.5 FTE Senior Grant Administrator position (Activity 03). This position will facilitate the effective administration of the subgrants. Other Council staff and contractors would not be engaged in award administration, but would be engaged in planning activities and supporting planning in the region. No administrative costs are allowed as part of the subgrants to municipalities (Activity 04). As Key Partner Subgrants are made (Activity 05), any administrative expenses allowed will be capped to 10% of those awards, which would represent a maximum of 4% of the FY24 award.

**Plan for deploying 100% of funds:**

The timeline that follows provides a summary of the year-by-year sequencing of the proposed activities, including how the PRO Housing 2.0 (FY24 award) project will build on and help to fulfill the full original vision for the Met Council's partially-funded PRO Housing 1.0 (FY23 award) activities, using 100% of awarded funds before the end of the period of performance.

**Timeline:****Pre-Award: FY 2023 PRO Housing Award "Phase 1.0":**

In 2025, Met Council will launch its FY 2023 PRO Housing "1.0" efforts with Hennepin and Ramsey Counties as subgrantees and key partners; planned activities include:

- Met Council hires 1.0 FTE Program/Technical Assistance Coordinator to coordinate the overall activities and technical assistance regionally
- Met Council staff engage with communities throughout metro area to co-design new technical assistance and grant offerings to advance housing policies and program design (e.g. for new programs funded by metro sales tax revenue)
- Met Council staff refine key metrics and detailed evaluation plan
- Met Council staff engage with interagency groups to coordinate regional efforts
- Met Council staff begin to deploy PRO Housing 1.0 local grants (approx. \$50,000 each) to local government partners for planning and policy development to change long-term market conditions for affordable housing
- Hennepin County engages consultants focusing on shared learning and to kick off review of city-specific partner city policies and develop policy, zoning, toolkit, and "pattern book"
- Hennepin County engages core group of collaborating cities for peer cohort and exchange
- Ramsey County launches RFP to develop supportive housing affordable at 30% AMI

With this FY 2024 award, the Met Council will be poised to expand the scope of the FY 2023 Phase 1.0 work immediately in 2026. The balance of the FY 2024 Phase 2.0 budget, outlined above, will

support this expansion and the continuation of PRO Housing 1.0 activities and related evaluation efforts into the years 2028-2030.

## **Award Timeline for FY 2024 PRO Housing 2.0 Efforts**

### *2026: Launch of PRO Housing “Phase 2.0”*

- Met Council, Hennepin County, Ramsey County, and other partners throughout the seven-county region conduct rapid assessment of most promising approaches underway in PRO Housing Phase 1.0 and strategies for greatest opportunity to expand programming, to inform action plan
- Met Council develops new subgrantee agreements with key regional partners to expand on PRO Housing Phase 1.0 efforts, based on initial/continuous evaluation of opportunities to deepen work or expand more broadly to other communities. Subgrant activities will include policy and planning efforts such as:
  - Development of model ordinances, design standards, policies
  - Peer learning and best practices identification
  - Sub-regional coordination among local housing planning efforts and the implementation of funding programs
- Met Council and key partners prepare to launch expanded strategy and new RFP for PRO Housing local subgrants
- Met Council plans and prepares resources to provide expanded technical assistance focused on upcoming cycle local comprehensive plan updates
- Met Council hires new 1.0 FT Technical Assistance coordinator (temporary position) to provide direct technical assistance to communities updating their comprehensive plans in 2026-2028.

### *2027:*

- Subgrantee policy & planning activities launched in 2026 continue.
- Met Council makes first round of awards with PRO Housing 2.0 budget and strategy for PRO Housing local subgrants, awarding subgrants averaging \$50,000 or less to individual cities in the region and/or their programmatic partners in building infrastructure for and designing policy to invest in affordable housing development, preservation, wealth-building, and stability projects
- Key regional partners implement planning and policy activities led by staff and consultants
- Administration and evaluation efforts related to local grants ramp up
- Met Council provides \$3M in Local Housing Incentive Account grants (minimum \$1.5M/year, in 2027 and 2028) to leverage the PRO Housing activities by supporting production and preservation of affordable rental and ownership housing throughout the metro area.

### *2028:*

- Subgrantee policy & planning activities launched in 2026 continue.
- Administration and evaluation of local grants continue.
- Met Council extends term of program coordinator (hired for Phase 1.0) for the years 2028-2030
- Met Council 1.0 FTE technical assistance provider completes 3rd, final year of support for housing elements in comprehensive plan updates.

### *2029:*

- Met Council follows up with communities who have not yet completed their housing elements in comprehensive plan updates
- Final year of PRO Housing local grants offered, depending on remaining funding balance

2030:

- Met Council program coordinator completes program evaluation and grant administration follow-up tasks
- Documentation of lessons learned, prepared to inform the next phase of work in 2031-2040 planning decade and the 2060 regional development guide – at Met Council and at key regional partners.
- Final reporting to HUD and for public dissemination

## Need

### 1 - Progress and Commitment to Overcoming Barriers: Regional Efforts to Date

The Twin Cities metropolitan region has made meaningful progress in overcoming legal and regulatory barriers to affordable housing development. The region – with 3.2 million people, seven (7) counties, and 181 cities and townships - has a history of working together across jurisdictions to address regional needs, including housing, transit, wastewater treatment, parks, and more. Hennepin and Ramsey Counties are the state's two most populous counties and home to the state's most populous cities of Minneapolis and Saint Paul. These two counties, along with 32 suburban communities, are identified as priority geographies by HUD for this application. Hennepin and Ramsey counties are key partners in the Metropolitan Council's ongoing Pathways to Removing Obstacles (PRO) Housing work.

### Improved Laws, Regulations, and Land Use

#### *Zoning and Land Use Policies*

Reducing barriers to affordable housing production and preservation has been a major focus of our region in recent years. Minneapolis won much national acclaim when, in 2018, the city council voted to approve a new 2040 comprehensive plan. Along with upzoning commercial corridors and eliminating parking minimums on new developments, the plan allows a minimum of three units on any city residential parcel by right, thus ending decades of restrictive zoning that had mandated single family homes as the only housing option on roughly 70% of city lots.

While Minneapolis (located in Hennepin County) received much of the national attention, many other units of government in the region were making and continue to make meaningful changes to their zoning codes to allow for increased density, greater affordability, and improved climate resilience. Across the region, cities are increasingly taking action to change zoning policies to allow for more housing and more affordable housing. Just for example, in Ramsey County, the City of Roseville upzoned its municipal code, allowing duplexes in zones that had previously been zoned exclusively for single family homes. Saint Paul (located in Ramsey County) has been simplifying lot setback requirements, removing parking requirements on new developments, and allowing for more 2-4 unit homes to be built by right across the city.

#### *Thrive 2040 is a Strong Foundation for Planning*

The Met Council plays a state-mandated role in setting policy and land use requirements through a regional planning process to guide growth and manage regional systems; each decade, it develops a new decennial regional development guide or plan. The current regional plan, Thrive MSP 2040 (Thrive), emphasizes affordable housing. The 2040 Housing Policy Plan associated with Thrive quantified the need and the goals for affordable housing development across each community in the

region, and – for the first time – specified the need for units affordable to people living on extremely low-incomes (30% of AMI and below).

Cities throughout the region used the 2040 Housing Policy Plan to guide the development of their own 2040 comprehensive plans. Recognizing that affordable housing for residents living on extremely low incomes is generally built at higher densities, Thrive required cities to guide sufficient high-density land use in order to potentially develop enough housing units to meet the local allocation of affordable housing need for the future. In addition, and for the first time, the regional plan required cities to include an Existing Housing Assessment and identify specific tools the city would use in order to address the housing needs in their locality. In support of this assessment, the Met Council identified various housing tools for cities to implement, including inclusionary zoning policies, rental licensing and inspection programs, community land trusts, model zoning and subdivision ordinances, the preservation and creation of manufactured home parks, and more. The Thrive MSP 2040 housing requirements built on foundational statutory requirements for all cities to plan for sufficient land to support their overall forecasted housing growth.

### *2040 Regional Policy is Yielding Local Results*

After the Met Council's adoption of the 2040 regional plan in 2015, local governments then updated their plans for regional review and authorization. This planning process resulted in nearly all 146 cities within the region having completed their comprehensive plans by 2020 with the required commitments to explore a wide variety of housing tools as mentioned above. Because of the Met Council's regional planning role, the comprehensive plans both address local needs and are coordinated to address regional challenges and opportunities, benefiting 3.2 million current residents and future residents.

Currently through the implementation of Thrive MSP 2040's land use and affordable housing policies, 110 cities are guiding over 8,000 acres of land at high enough densities to potentially support the development of 80,000 affordable housing units. Since adoption of Thrive, 16 cities in the seven-county metropolitan region have formally adopted an inclusionary housing policy. The focus on the development of housing for extremely low income households in Thrive has elevated the issue across all cities in the region and contributed to the development of a record number of deeply affordable housing units. Seven hundred and twenty (720) units affordable to households with incomes at 30% AMI or below have been built in the past two years, compared to an average of 140 units annually in previous years. The Met Council has also awarded funding to directly support a majority of these deeply affordable housing development projects through its competitive Livable Communities Act grant programs.

### *New 2050 Planning Cycle + New Funds*

In early 2025, the region finalized and adopted the new regional development guide, Imagine 2050. Next – per the decennial planning cycle specified in state law – each municipality in the region will work to establish its own 2050 comprehensive plan, including housing implementation plans for the decade 2031-2040. The Imagine 2050 plan includes several housing and land use proposals that will build on and strengthen the successful elements of Thrive MSP 2040. These include higher minimum density requirements for cities dependent on their city type, a greater focus on the need for deeply affordable housing, policy direction to plan for broader housing diversity within neighborhoods, and an expansion of the housing implementation requirements that cities are required to incorporate into their comprehensive plans.

This “FY 2024 PRO Housing 2.0” project is timed to build on the Met Council’s regional policy setting efforts to support a coordinated approach for housing strategies, and ensure the need for deeply affordable housing is incorporated in the local communities’ visions – maximizing the impact of this once-per-decade planning opportunity. As detailed below, another important well-timed opportunity is the substantial new public funding approved by the state legislature last year to support affordable housing projects in the metro region. This proposal will substantially build our regional capacity to plan for meaningful deployment of these funds and to coordinate those efforts with land use and local policy changes that will expand tools for addressing affordable housing needs.

## **Other Recent Actions**

### *Direct Grant Support*

In 2022, the Met Council launched a Policy Development grant opportunity within its tax levy-funded Livable Communities Act programs to boost local government capacity to implement policies and zoning codes consistent with regional goals and local comprehensive plans. This program serves as precedent and inspiration for the much larger local PRO Housing 2.0 subgrants program that will be funded through this proposal. In the first three years of the Policy Development program, the following cities have received an award of up to \$50,000 to address policy barriers to housing and affordable housing development:

- City of Mahtomedi (2022): Ordinance, guideline, and regulation update to implement Sustainability Plan, including reducing parking requirements and encouraging green public infrastructure and residential energy systems.
- City of Minnetonka (2022): Zoning code update to allow for increased density, improved connections, and removing a barrier to constructing new affordable housing.
- City of Chaska (2023): Zoning code update to right-size parking and landscaping requirements and reduce the need for variances for affordable housing development.
- City of Fridley (2023): Update zoning code to support more efficient, equitable development with increased density and active transportation policies.
- City of New Brighton (2023): Develop new accessory dwelling unit (ADU) regulations with goals of affordability, options for aging in place, and increased density.
- City of Bloomington (2024): Conduct Housing Nexus Study to inform update to affordable housing ordinances, to increase housing choice and affordable housing supply.
- City of Richfield (2024): Re-write multifamily zoning district ordinances to facilitate infill and missing middle housing development.
- City of Newport (2024): Update zoning code to better facilitate multifamily and missing middle housing development and aligning with sustainable development practices.
- City of Hugo (2024): Update to local ordinances and a local housing study to incorporate new zoning district standard analysis, evaluation of commercially zoned property that could include higher density housing, sustainability practices, and implementation of streamlined processes for development.

### *New Public Investments in Housing*

State: The state of Minnesota, and the metropolitan region in particular, are starting to see the impact of unprecedented new public investment in housing. First, one-time state dollars approved by the 2023 legislature are beginning to be deployed, with \$200 million in housing infrastructure bonds, \$150 million for down payment assistance, and \$15 million for public housing renovations across the state. Even more importantly, metropolitan leaders worked with the state legislature in 2023 to establish a

new 0.25% Metro Area Sales and Use Tax for Housing. This is the first-ever tax dedicated to affordable housing, will provide a predictable ongoing stream of funding, and is forecast to raise more than \$100 million over the next two years for housing projects in the seven-county region. In the first year, \$32 million will be allocated across the region, including \$12.4 million to Hennepin County, \$6 million to Ramsey County, and \$16.1 million shared by cities with populations of 10,000 or more. Eligible uses include affordable housing production or preservation, supportive services, and emergency rental assistance.

Taken together, these new funds are unprecedented in their scale and, in the case of the regional sales tax, serve to structurally embed an annual infusion of capital that is tied to inflation and will bring the region closer to meeting its affordable housing needs.

Regional: The Met Council itself has recently expanded its approach to supporting the implementation of initiatives to increase housing supply and lower costs. For example, in 2022, the Met Council launched two new region-wide grant programs. The first, the Affordable Homeownership program, expands funding for ownership development projects that prioritize wealth building and racial equity. The second is the aforementioned Policy Development grant program that assists cities to develop equitable development policies that support outcomes beyond individual projects. These new programs are a part of a suite of efforts to embed equity considerations more deeply into the Met Council's Livable Communities Act grant programs, for multifamily, mixed-use, and single-family developments alike. The grant programs also adopted criteria that enhance equity, including adding preservation of affordable housing to eligible uses and prioritizing racial equity outcomes. As part of the Imagine 2050 regional plan development, the Met Council has created an Anti-Displacement Framework for the first time in 2024. When adopted with the Imagine 2050 plan, the Framework will require certain investments to go through a displacement risk assessment. As part of this work, the Met Council will conduct a geographic analysis of displacement risk and provide tools and best practices for use throughout the region to mitigate displacement. Taken together, these new funds are unprecedented in their scale and, in the case of the regional sales tax, serve to structurally embed an annual infusion of capital that is tied to inflation and will bring the region closer to meeting its affordable housing needs.

Local/County: Other new investments in housing have begun at the local level. In 2022, Ramsey County began a property tax levy dedicated to its Housing and Redevelopment Authority (HRA) through which it focuses the majority of its investments on expanding and preserving deeply affordable housing. Furthermore, Ramsey County and the city of Saint Paul teamed up to invest over \$74 million of American Rescue Plan Act (ARPA) funding in deeply affordable housing. Their collective ARPA outcomes were documented through their participation in the federal House America initiative.

Additionally, Hennepin County's Housing and Redevelopment Authority (HRA) created and funded one of the first housing trust funds in the state in 2000, which has since created or preserved over 10,000 units of housing affordable to households with incomes below 50% of the area median income. In recent years, the HRA has grown that fund to \$5 million annually, and added \$5 million for supportive housing capital needs, \$1.1 million for single room occupancy (SRO) housing, and \$1.2 million for homeownership opportunities from the HRA's annual levy. Hennepin County also invested \$46 million of its ARPA allocation to create or preserve almost 3,000 units of affordable housing. Hennepin County's housing strategy focuses on households with the lowest incomes. This includes

targeting funding to most affordable housing units, as well as creating new financial and development models to fill gaps in the housing continuum.

New Regional Transit Infrastructure Investments by the Met Council are making the region more accessible to all. Communities who have not historically had a voice in infrastructure development have influenced many of the specifics of these new investments. The Met Council is committed to ensuring that communities have influence over the location and nature of new public investments in their neighborhoods so that the investments build prosperity for those who live and work in the vicinity. These investments will expand thanks to a new 0.75% Metro Area Transportation Sales and Use Tax, approved in 2023, that will help support regional transit infrastructure and is above and beyond the pre-existing regional sales tax.

Both Ramsey County and Hennepin County levy property tax for their regional rail authorities. These authorities, in partnership with the Met Council and local cities, help plan future regional transit lines and fund the operations of existing METRO system lines. Ramsey County further aligns development investments along transit corridors with the Critical Corridors programs, which provide pre-development, planning and development funding for projects located in an existing or emerging transportation corridor. To maximize the public benefits of transit investments, Hennepin County leads extensive, coordinated land use planning efforts in partnership with cities along planned light rail corridors to establish a community-supported vision, identify and coordinate public sector investments, and shape development aligned with each community's vision. Hennepin County's Transit Oriented Development (TOD) program provides capital for infrastructure and development projects along future and existing corridors. To date, Hennepin County's TOD Program has supported 156 projects with over \$40 million, generating 11,000 housing units and 3,300 jobs. Hennepin County has also expanded TOD funding to support emerging developers. In its second year, early predevelopment assistance has been provided to 13 emerging developers.

## 2 - Acute Need for Affordable Housing

The Twin Cities metropolitan region has an acute demand for affordable housing. Both Hennepin and Ramsey Counties – our most populous counties and home to the state's two most populous cities of Minneapolis and Saint Paul – are identified as priority geographies by HUD, as are at least 32 suburban cities in the region.

Overall, the region has not kept pace with its total housing demand, due in part to a gap that grew with the contraction in new construction activity after the 2008 housing crisis, along with other factors. The need for affordable housing is particularly acute for households earning 30% of the Area Median Income and those in suburban areas. Despite significant efforts by the State, Met Council, counties, and cities, we are still significantly behind:

- Between 2011-2020, the region met 37% of its forecasted need for affordable housing (60% AMI and below). 44,600 units were needed, but only 14,600 were built during that time.
- In 2021 and 2022, there was a production gap of 3,600 deeply affordable units (30% AMI and below) across the region, with the need particularly significant in suburban areas. Approximately one in ten new units constructed was an affordable unit.
- We still have a large gap in deeply affordable units. To begin to close it, we will need to produce almost **3,000 deeply affordable units per year for the next seven years**. Over the last three years the region has built a record number of deeply affordable units, but has still

fallen far short of what is needed. This 3,600 unit gap only represents the units needed to meet the needs of future household growth; this will not solve cost burden for current residents, many of whom are housing cost burdened in their current housing.

The Twin Cities region is home to 61% of the state's renters earning below 30% of the AMI. To meet the full need of these current residents, the region would need 103,140 units of deeply affordable housing. However, only 35,105 units are currently available, leaving a current shortage of 68,35 units. Meanwhile, the number of 2-4 unit properties in the region has declined by about 10% since 1990, reflecting both teardowns/redevelopment and conversion to single-family homes. In Hennepin and Ramsey Counties alone, the shortage of units affordable at 30% AMI is 39,705 (26,570 and 13,180 respectively), and 38% of households – or 211,831 households - are housing cost burdened (26% and 12%, respectively). The Met Council documents these needs and disparities in Thrive 2040 as well as the Existing Housing Assessments available for each city and county. Our largest counties have documented these needs in Ramsey County's Economic Competitiveness and Inclusion Plan and Hennepin County's Disparity Reduction Plan.

The need and lack of funding for new deeply affordable production are the region's primary concerns coming out of the pandemic and recession. The Twin Cities region has a strong ecosystem of affordable housing developers and owners, and continually attracts new developers with our amenable funding environment. Over the last few years, however, owners have faced significant market, operational, and structural challenges, including an increase in operating costs due to inflation, ballooning insurance rates, rising interest rates, tenants being unable to pay rents, and workforce shortages. When asked what they will need to help meet the region's affordable housing production needs, affordable housing developers/owners respond that they are focusing on holding on to their current portfolios. To spur development, counties and cities acutely feel the need to reduce any and all barriers to production (i.e. zoning, regulatory issues, funding mazes), while actively working to rebuild capacity in the developer ecosystem and honoring resident feedback.

Opportunities for affordable homeownership are also falling short of demand. Affordable homeownership opportunities have diminished with limited new development, and increased investor ownership of single-family homes (the Minneapolis Federal Reserve Bank estimates that the investor ownership rate is double the rate from 2006, before the foreclosure crisis, at approximately 3.4%). This reflects both acute demand for rental homes for larger households and continued barriers to ownership for those priced out of the market. While home prices have held steady in nominal terms, the effective costs of buying a home have risen following interest rate increases.

While this proposal intends to serve the areas with the greatest needs which are within the geographies of Hennepin and Ramsey Counties, the largest counties in our region, this proposal will also serve the needs in the whole seven-county region. While Hennepin and Ramsey counties have the majority of the projected affordable housing need, 47% of the affordable housing need is located in the greater seven-county region. Our PRO Housing 2.0 work will build on the first phase of our PRO Housing work (PRO Housing 1.0) by ensuring land use policy development and technical assistance resources are broadly accessible across the entire seven-county region – including in the two counties and the 32 suburban communities that represent priority geographies for PRO Housing.

### 3 - Remaining Key Barriers

#### **Zoning and Land Use Policy:**

Within our region's zoning laws, there are several key issues that create the largest barriers to producing and preserving more affordable and accessible units. Permitting procedures and approval times are described by developers as being far too slow and, perhaps more importantly, significantly different between jurisdictions. This constrains developers' ability to build in many of the region's cities because they must learn dozens of sets of rules. This is a particularly challenging barrier in communities that lack options in affordability levels or housing types, but zoning, land use controls, or funding priorities either prohibit or disincentivize the needed development. Barriers also arise where cities have adopted zoning and land use policies to create more density or transit orientation, but hyper-local concerns about development have not yet been ameliorated. These barriers are particularly acute for smaller jurisdictions that may only have one or two staff assigned to housing; sometimes, these roles combine housing with other community development areas. Cities in this situation often lack the capacity and expertise to drive meaningful change toward meeting their city's affordable housing need.

#### **Market and Operating Challenges at Existing Affordable Housing Properties:**

Preservation of affordable housing is also an ongoing challenge. The region's nonprofit affordable housing organizations, along with many private companies, carry significant financial risk in the coming years as their current financing terms end and they seek refinancing in order to perform deferred maintenance and support sustainability. Substantial hikes in interest and insurance rates compared to the rates they paid in the past will increase already tight operating budgets. Security expenses and staffing costs have also risen, all while the hiring environment has become much more challenging and expensive. Many providers are seriously contemplating – and even beginning to take action toward – selling properties within their portfolios. If they sell, we lose not only the affordable housing itself but, in many cases, the additional support and social services that accompany many nonprofit housing models. One long-time supportive housing property in Minneapolis was closed – and demolished - this year due to these challenges and has received attention as a potential “canary in a coal mine” for the broader housing ecosystem.

#### **High Cost of New Production:**

While attempts to innovate to reduce costs and provide more housing options are underway, they have yet to create a meaningful dent in the housing under-supply. For example, while ADUs have been legalized and requirements loosened in many cities across the region, only a couple of hundred have been built in the past decade. Similarly, a modular housing production facility recently partnered with a local public housing agency to build 84 units of modular, scattered-site housing for families; this model shows promise but has yet to reach the meaningful scale that would yield market wide affordability benefits.

As noted in the “Acute Need for Affordable Housing” section, our region has a deep need for production of units affordable at 30% AMI in particular. But despite this significant demand, the market is unable to provide these units without significant government investment and intervention. As just one example, in 2023, Ramsey County received 27 applications for the development and preservation of deeply affordable units, totaling \$65 million. However, existing local and federal resources were only enough to fund \$20 million of the requests. This demonstrates that additional funding is needed for housing production affordable at 30% AMI, in addition to removing land use and regulatory barriers to development. Developers have a desire to build deeply affordable housing in

the region; however, they lack the public investment and regulatory pathways needed to bring these projects to fruition.

There is a need for housing that can serve a variety of types of households including individuals, families with children, and multigenerational households. Options along the affordable housing continuum give households choice and access to opportunities. This includes deeply affordable units (affordable at 30% AMI) ranging from efficiencies to 4-bedroom units in neighborhoods with access to transit, jobs, and schools; permanent supportive housing units and deeply affordable housing without support services; housing affordable at 50% and 80% AMI so that families continue to live and thrive in our communities as incomes increase; and entry-level homeownership developments. Beyond our region's need for more affordable housing, our region has an acute need for housing options that align with people's preferences and needs, that provide safe environments, that foster community and agency, and that create pathways for families' economic stability.

### **Systemic Injustices Affecting Individuals:**

Numerous systemic obstacles prevent people from finding and maintaining housing.

Common barriers identified by housing service providers in our region include:

- Living on no income, low income, or unstable/inconsistent income.
- Housing available is not affordable or suitable
- Insufficient funds for the rental deposit.
- Rental screening barriers such as lack of rental history, no or poor credit history, criminal history, and lack of documentation (ID/SSN/birth certificate).
- Household size or makeup (it is harder to find larger units or ones that work for multigenerational households).
- Mental and physical health needs.
- Disabilities and accessibility needs.
- Substance use issues.
- Lack of culturally specific support and culturally responsive options.
- Lack of social or family support.
- Lack of knowledge about renting (rules and norms, communication with landlord).
- Insufficient "stepping-stones" of support along the housing continuum.

For some individuals exiting homelessness, community residences and other forms of congregate housing may be a good option. Placing people who are not ready into fully independent apartments can be very isolating and destabilizing. For others, an independent scattered-site apartment may be best. Housing that provides a certain level of autonomy to tenants is sometimes critical for some residents while others need a more structured program.

Service providers and residents also shared that getting into housing itself does not stop the cycle of homelessness. Once housed, there can be a challenging adjustment period and, without proper support, residents may experience homelessness again. The journey towards stability cannot end with housing placement. It must include attention to proximity and access to services, employment, schools, and inclusive communities.

In short, while our region has made substantial progress in recent years to remove barriers and expand housing choice for everyone, there are still many challenges that prevent all residents in our region from accessing safe, stable, and affordable housing that meets their needs.

### **Barriers addressed by this grant**

This PRO Housing grant proposal focuses specifically on capacity and knowledge barriers cities and townships face in developing and implementing policy and zoning changes that improve availability and access to affordable housing, as well as in making the best use of substantial new funding streams for affordable housing development. The grant activities will use a locally-tailored approach that encourages cities to identify their own barriers, learn from others' progress, and implement strategies that will help achieve local goals as part of larger regional goals.

Many cities struggle with the staff time and resources to develop policy that is tailored to the needs of their community and still results in equitable outcomes and development. Outside of the two largest cities of Minneapolis and Saint Paul, most cities in the region have limited planning or housing staff. These staff have expressed need for capacity for updating housing elements within comprehensive plans, for implementing new policies to meet new planning goals, and most recently for planning to deploy new sales tax-funded housing funds.

Through the decennial comprehensive planning cycle guided by Thrive 2040 and soon Imagine 2050, the Met Council is uniquely poised to provide guidance, advise on best practices, and focus on supporting the implementation of solutions to local and regional housing issues. Coordination of zoning, land use and housing policy, with well-informed strategies for investing public dollars for housing development, will make a meaningful impact on for development throughout the region and ultimately yield more housing choice for residents.

## **Use of Funds - Soundness of Approach**

### **Vision**

In recent years, the Minneapolis-Saint Paul region has been a national leader in expanding its land use policies to allow for increased density, reduced or eliminated parking requirements, and other crucial reforms that all lead to greater housing production, affordability, and choice. In 2023, the Minnesota Legislature approved historic levels of new state funding for housing, and also established a new regional sales tax that will direct hundreds of millions of housing dollars annually to cities and counties in our region in the coming years.

The Metropolitan Council's vision for this PRO Housing proposal is to go broader and deeper, making the most of the policy and funding momentum underway. This means broadening zoning reform, expanding reform across the entire region and creating greater parity in code across jurisdictions, allowing more market rate and affordable housing at increased densities in more communities, as we plan for regional growth and development through 2050. We received a partial award in the first round of PRO Housing funding which will kickstart our efforts. This FY 2024 request, which the Met Council refers to as PRO Housing 2.0, will allow us to build on what is successful in our initial phase of work, ensuring barriers are removed in all corners of the region and that removing barriers continues through the critical local comprehensive planning cycle to maximize the potential of attention to housing issues in our region.

The Met Council PRO Housing vision builds on three significant time-sensitive regional opportunities:

1. **Unprecedented state and local revenue for housing** over the next several years. With the proceeds of a new regional sales tax (in addition to recent one-time appropriations), cities and counties are receiving a direct stream of funds that can be used for affordable housing production and preservation and emergency rental assistance. However, this funding goes directly to cities and counties in the region; meanwhile, funds to plan for implementation of the new investments do not exist, nor is there funding capacity in place to coordinate the investments across and between jurisdictions. This will be a significant barrier to success for smaller municipalities, especially those without designated housing staff, that the PRO Housing project can help address.
2. **Increased attention to housing in regional and local planning**, which is gaining momentum but has not yet succeeded in closing housing availability and accessibility gaps.
  - Thrive MS2040, the regional development guide adopted in 2015, defined the need and goals for affordable housing development across each community in the region. For the first time it also specified the need for units affordable to people living on extremely low incomes (30% of AMI and below). Cities throughout the metro region used this housing policy plan to guide their own 2040 comprehensive plans.
  - Over the coming year, the region will adopt a new Imagine 2050 regional development guide developed by the Met Council, and then – per the decennial planning cycle established in state law – municipalities across the region will update and develop their own 2050 comprehensive plans. Our PRO Housing 1.0 and 2.0 efforts can help improve coordination and seize this a once-in-a-decade opportunity to deepen housing strategies and make them more integral parts of each community's overall vision.
3. **Recent changes to zoning and land use policies** have smoothed the way for more affordable housing development and development that builds community prosperity
  - Cities across the region have taken increased interest in “Missing Middle” land use policies and many have recently adopted new, more permissive codes that allow for gently increasing density within residential neighborhoods, thereby making these neighborhoods more accessible to a wider range of residents. The PRO Housing project is an opportunity to connect these new regulatory authorizations with expanded development capacity.
  - As suburban city leaders see the impacts of these first major zoning expansions undertaken by Minneapolis and Saint Paul, they are increasingly ready and willing to make changes to their own zoning codes and land use plans, thereby creating a moment of opportunity to scale these changes across a much broader geography. The PRO Housing project will help provide technical assistance and subgrant funding to further this regional policy alignment.
  - New commitments to transit and infrastructure investments include improved community representation, ensuring that public investments result in increased prosperity without displacement.
  - There is growing interest in and support for walkability, and transit-oriented development among suburban residents as ways to create more livable and climate-resilient communities. This provides an opportunity to revise land use policies, yet many suburban cities need additional capacity, like the kind proposed in this proposal, to develop and implement zoning changes.

The Met Council has a unique opportunity to continue the region's forward momentum, improving availability and access to affordable housing at this moment. Without this PRO Housing project

funding, the region risks returning to the status quo of underproduction and segregation of affordable from market rate housing that has plagued the region since the 2008 recession.

## Proposed Activities

We intend to use this \$5 million FY 2024 PRO Housing grant to meet the national objectives of benefiting low-and moderate-income persons and meeting other community development needs because existing conditions, a gap in deeply affordable housing units, pose a serious threat to the welfare of the Twin Cities region.

Specifically, the Met Council proposes to undertake **planning and policy activities supporting affordable housing**:

- **Provide technical assistance to develop or update housing plans, community development strategies, and zoning and land use policies:** The Met Council will fund full-time positions and project-specific consultants at the Met Council and via subgrants at our key regional partner agencies to develop community development strategies and best practices around zoning and land use policies that encourage affordable housing development and preservation.
- **Direct subgrants:** The Met Council will award subgrants combined with direct consultant time to support technical assistance, affordable housing program development, and ordinance review for communities throughout the region seeking to make policy changes that will remove barriers to affordable housing. If sufficient funding is available, the Met Council will make grants available on a pipeline basis rather than through competition.

Additionally, the PRO Housing activities will **leverage a minimum of \$3 million** in Local Housing Incentives account grants that Met Council makes available (\$1.5 million minimum per year, per state statute) to cities metro-wide to support affordable rental and ownership preservation and production.

All of these activities will directly affect how communities in our region plan for the future and will equip communities with the tools necessary to get closer to permanently closing the gaps in our housing stock and the racial housing disparities in our region. Because of this long-term perspective, the bulk of the proposed activities supported by this grant are related to building the capacity for communities in our region to adopt plans and policies that will help to build and preserve affordable housing in the future.

By awarding subgrants to coordinate land use policy with broader regional long-term goals, the Met Council is creating market conditions that can sustain the affordable housing production needed long-term. Our vision is to maximize the impact of regional opportunities by streamlining zoning reforms and progressive land use policies across geographic boundaries. The Met Council aims to encourage all municipalities within its jurisdiction, including the HUD priority geographies, to advance housing policies and programs that facilitate the production of more housing and affordable housing throughout the region.

By awarding subgrants to support the development of local programs and policy, the Met Council is building infrastructure to address housing challenges across market cycles and prepare the way for maximizing the impact of new public investment that is flowing directly to cities and counties. Deep

coordination and collaboration among local jurisdictions is essential; without it, new funding and zoning authorities may not achieve their full potential. Currently, minimal funding is allocated to staff the launch and distribution of new capital investments or address regional policy needs

## Activity Budget

| Activity Category            | Activity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Previous award (PRO Housing FY23) "Phase 1.0" | Current Award Budget (PRO Housing FY24) "Phase 2.0" |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|
| Time Frame                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2025-2027                                     | 2026-2030                                           |
| Planning & Policy Activities | Staff Capacity – Met Council <ul style="list-style-type: none"> <li>FTE <i>new</i> Planning Assistance provider to consult with cities on demand, with particular focus on cities outside of Hennepin County; temporary, 3-year new role 2026-2028</li> <li>FTE continued Planning Assistance Provider and Program/ Coordinator to ensure coordination across jurisdictions and with other resources in the region (funded via PRO Housing FY23 grant for 3 years 2025-2027, will continue for 3 additional years 2028-2030</li> <li>0.5 expanded Senior Grant Administrator capacity to coordinate awards with subrecipients (funded via PRO Housing FY23 grant for 3 years, will continue for 3 additional years)</li> </ul> | \$600,000                                     | \$955,000                                           |
| Administration               | (2.5 FTE, 3 years, Grade H, with fringe)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                               |                                                     |
| Planning & Policy Activities | Consultants – Contracted staff capacity to provide planning technical assistance, facilitate peer learning, and provide subject matter expertise or professional services. <p>(Estimate: 245 total consultant-days)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                               | \$245,000                                           |
| Planning & Policy Activities | Subgrants – Key regional partners. To fund staff capacity                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$2.8 million                                 | \$2.0 million                                       |

|                                  |                                                                                                                                                                                                                                                                                      |                      |                      |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|                                  | and consultants to implement policy and planning activities<br><br>(Estimate: 2 key implementation partners @ \$1 million)                                                                                                                                                           |                      |                      |
| Planning & Policy Activities     | Subgrants – PRO Housing local implementation grants. For individual cities in the region and/or their programmatic partners in building infrastructure for/designing policy to invest in affordable housing development and preservation<br><br>(Estimate: 36 communities @\$50,000) | \$600,000            | \$1.8 million        |
| Leveraged Development Activities | At least \$3 million in Local Housing Incentives Account (LHIA) grants deployed for affordable housing production and preservation projects metro-wide<br><br>(Estimate: 2-5 affordable housing projects funded annually with LHIA development grants)                               | N/A<br>(\$3 million) | N/A<br>(\$3 million) |
|                                  |                                                                                                                                                                                                                                                                                      | \$4.0 million        | \$5.0 million        |

## Schedule for completion: Timeline

### Pre-Award: FY 2023 PRO Housing Award “Phase 1.0”:

By 2025, Met Council will launch its FY 2023 PRO Housing “1.0” efforts with Hennepin and Ramsey Counties as subgrantees and key partners; planned activities include:

- Met Council hires 1.0 FTE Program/Technical Assistance Coordinator to coordinate the overall activities and technical assistance regionally
- Met Council staff engage with communities throughout metro area to co-design new technical assistance and grant offerings to advance housing policies and program design (e.g. for new programs funded by metro sales tax revenue)
- Met Council staff refine key metrics and detailed evaluation plan
- Met Council staff engage with interagency groups to coordinate regional efforts
- Met Council staff begin to deploy PRO Housing 1.0 local grants (approx. \$50,000 each) to local government partners for planning and policy development to change long-term market conditions for affordable housing
- Hennepin County engages consultants focusing on shared learning and to kick off review of city-specific partner city policies and develop policy, zoning, toolkit, and “pattern book”
- Hennepin County engages core group of collaborating cities for peer cohort and exchange
- Ramsey County launches RFP to develop supportive housing affordable at 30% AMI

With this FY 2024 award, the Met Council will be poised to expand the scope of the FY 2023 Phase 1.0 work immediately in 2026. The balance of the FY 2024 Phase 2.0 budget, outlined above, will support this expansion and the continuation of PRO Housing 1.0 activities and related evaluation efforts into the years 2028-2030.

## **Award Timeline for FY 2024 PRO Housing 2.0 Efforts**

### *2026: Launch of PRO Housing “Phase 2.0”*

- Met Council, Hennepin County, Ramsey County, and other partners throughout the seven-county region conduct rapid assessment of most promising approaches underway in PRO Housing Phase 1.0 and strategies for greatest opportunity to expand programming, to inform action plan
- Met Council develops new subgrantee agreements with key regional partners to expand on PRO Housing Phase 1.0 efforts, based on initial/continuous evaluation of opportunities to deepen work or expand more broadly to other communities. Subgrant activities will include policy and planning efforts such as:
  - Development of model ordinances, design standards, policies
  - Peer learning and best practices identification
  - Sub-regional coordination among local housing planning efforts and the implementation of funding programs
- Met Council and key partners prepare to launch expanded strategy and new RFP for PRO Housing local subgrants
- Met Council plans and prepares resources to provide expanded technical assistance focused on upcoming cycle local comprehensive plan updates
- Met Council hires new 1.0 FTE Technical Assistance coordinator (temporary position) to provide direct technical assistance to communities updating their comprehensive plans in 2026-2028.

### *2027:*

- Subgrantee policy & planning activities launched in 2026 continue.
- Met Council makes first round of awards with PRO Housing 2.0 budget and strategy for PRO Housing local subgrants, awarding subgrants averaging \$50,000 or less to individual cities in the region and/or their programmatic partners in building infrastructure for and designing policy to invest in affordable housing development, preservation, wealth-building, and stability projects
- Key regional partners implement the planning and policy activities led by staff and consultants
- Administration and evaluation efforts related to local grants ramp up
- Met Council provides \$3Min Local Housing Incentive Account grants (minimum \$1.5M/year, in 2027 and 2028) to leverage the PRO Housing activities by supporting production and preservation of affordable rental and ownership housing throughout the metro area.

### *2028:*

- Subgrantee policy & planning activities launched in 2026 continue.
- Administration and evaluation of local grants continue.
- Met Council extends term of program coordinator (hired for Phase 1.0) for the years 2028-2030
- Met Council 1.0 FTE technical assistance provider completes 3rd, final year of support for housing elements in comprehensive plan updates.

### *2029:*

- Met Council follows up with communities who have not yet completed their housing elements in comprehensive plan updates
- Final year of PRO Housing local grants offered, depending on remaining funding balance

#### 2030:

- Met Council program coordinator completes program evaluation and grant administration follow-up tasks
- Documentation of lessons learned, prepared to inform next phase of work in 2031-2040 planning decade and the 2060 regional development guide – at Met Council and at key regional partners.
- Final reporting to HUD and for public dissemination

#### *Schedule for completion:*

The initial FY 2023 PRO Housing award (1.0) has begun to build necessary capacity in our region, beginning in 2024-2025, and this request (2.0) will enable the Met Council to fully staff the effort through 2030, which is critical to embed meaningful changes across our decade-long planning cycle. By utilizing our PRO Housing 2.0 funds to enhance staff capacity, the Met Council will collaborate across jurisdictions to extend effective zoning changes to all cities both within Hennepin and Ramsey Counties, and beyond to the entire seven-county region.

### **Addressing Barriers**

As described above, this proposal focuses specifically on overcoming capacity and knowledge barriers cities and townships face to:

- developing and implementing policy and zoning changes that improve availability and access to affordable housing
- making the best use of substantial new funding streams for affordable housing development.

Addressing these capacity barriers will break down policy barriers, advance best practices regionwide, and create infrastructure to make best use of new funding streams to create the most possible impact for meeting the housing needs of the region. A coordinated regional approach is vital to effectively deploy new funding and streamline building and land use requirements. Managing the new funds at the municipal level risks diminishing their collective impact. Furthermore, many cities, particularly in the suburbs, do not have dedicated housing personnel to develop and implement new programs or policies.

### **Lessons Learned from Similar Efforts**

This proposal builds on the successes and lessons learned from the Met Council's Thrive 2040 comprehensive planning process, during which the Met Council developed its first local planning handbook on housing to help cities and townships develop their comprehensive plans. The handbook combined local housing data and best practices that cities could use to meet the regional housing requirements in their comprehensive plan, including the development of new affordable housing. However, the Met Council lacked the capacity to tailor this technical assistance to the different types of cities or award funding for policy and program development. This proposal will better position the Met Council in the new Imagine 2050 planning cycle to offer targeted, hyper-local technical assistance and develop regionally-customized best practices, as well as award subgrants to help cities actually implement these new programs and policies.

## Building on Existing Policy & Planning

The Met Council's proposed policy and planning work to support affordable housing builds on past successes and current collaborative efforts with our Hennepin County, Ramsey County, and cities. Some examples include:

- In 2015, the ten-year regional development guide, Thrive 2040, specified the need for housing affordable to people living on extremely low-incomes (30% of AMI and below) for the first time. Cities throughout the metro region have used the Thrive 2040 housing policy plan to guide their own 2040 comprehensive plans; the Met Council's planning assistance team supports these comprehensive planning and regional coordination efforts.
- In 2025, the Met Council will adopt the Imagine 2050 regional development guide, which also includes guidance on deeply affordable housing. Met Council staff will support communities as they address housing needs in their land use and policymaking. This effort, already underway, is a once-in-a-decade opportunity to deepen housing strategies and make them more integral parts of each community's overall vision.
- The Imagine 2050 policy plan, as currently drafted, builds on the success of Thrive 2040 with a continued emphasis on identifying needs for affordability at different income bands, beginning with 30% AMI and below. It also emphasizes a variety of services and expanding types of housing, as identified by residents, including opportunities for ownership, housing stability services, housing for people of all abilities, and housing for the elder population.
- The Met Council adopted an Anti-Displacement Framework in 2024 that includes strategies to partner with cities, counties, and organizations in the region to generate data tools and best practices in mitigating the effects of displacement.
- Hennepin and Ramsey Counties have made significant investments to boost the connections between housing and transit including:
  - Hennepin County has collaborated on transit station area planning, housing analyses, and zoning code changes along both the Green Line Extension and Blue Line Extension corridors of the light rail system, in collaboration with five cities in each corridor.
  - Hennepin County led the interagency Penn Avenue Community Works effort in collaboration with Met Council and City of Minneapolis to advance a community-supported vision for housing, business, and transit along Penn Avenue in north Minneapolis before, during, and after construction of the C-Line Bus Rapid Transit Project. Hennepin County's capital investment in the Penn Corridor to support the interagency planning effort have exceeded \$40 million.
  - Ramsey County has and continues to invest in planning and infrastructure through its Critical Corridors Program to boost connectivity between housing, jobs, retail, services and transportation, as well as enhance pedestrian access and safety through redevelopment.
- Hennepin County has a track record of deep collaboration with urban, suburban, and exurban communities, including providing funds and technical assistance to 22 cities in support of 44 city-initiated land use planning efforts at the community and corridor scale through Hennepin County's Planning Grants program over the past 15 years.
- Hennepin and Ramsey Counties have both implemented new programs to support emerging and diverse developers. Many of the projects supported through these efforts include housing.
- To provide pre-development funding for environmental mitigations, Ramsey County is introducing a new site assessment grant program.

The Met Council deploys more than \$25 million in Livable Communities Act grants annually, intended to incentivize cities throughout the region to meet their affordable housing needs. Within this program, the Met Council recently launched a new grant opportunity to support local policy development meets

a range of community development and affordable housing goals. As noted in Exhibit C, the most recent awards were to cities in Ramsey, Hennepin, and Anoka counties for zoning code updates and accessory dwelling unit policy development, all intended to expand affordable housing development and efficient land use. Subgrants made possible by this FY 2024 PRO Housing proposal will be modeled in part on this increasingly in-demand program.

The Met Council and its partners have the internal infrastructure to ramp up and scale policy and subgrant activities quickly; the Met Council and its partners simply needs to hire more staff to serve the regional scope of this proposal. The Met Council serves seven counties, 181 cities and townships, and is responsible for guiding the growth and development of the region, and for three regional systems (wastewater, transportation, and parks and open spaces).

The Met Council and its partners have built deep relationships, networks, and communication channels to connect with municipalities, as well as community organizations, for profit and nonprofit developers, and other stakeholders. The Met Council's FY 2023 PRO Housing grant-funded work is beginning to add staff capacity to provide technical assistance and coordinate our efforts regionally. With a \$5M FY 2024 PRO Housing 2.0 award, the Met Council can rapidly build oour extensive relationships across the region to prevent a patchwork set of requirements and inefficiencies that could hamper development. Together, we'll create greater integration and cooperation to ensure maximum impact.

## **Roadblocks**

Even with a FY 2024 PRO Housing award, our region must overcome significant roadblocks, including:

A legal challenge to the City of Minneapolis's 2040 plan. While the challenge has been partially resolved, it has created confusion about how cities can meet their comprehensive planning requirements. It potentially will have the effect of constraining cities' willingness and ability to make bold plans for housing. This proposal recognizes that, despite this litigation, the region is nonetheless committed to thoughtful planning for housing, land use, wastewater infrastructure, and transportation, among other priorities.

Economic conditions that make building new housing challenging, with high costs and a high-interest rate environment.

Funding realities that, even with unprecedented public investment, are still not sufficient to fully meet the region's housing need for very low-income households.

## **Geographic Scope**

The Met Council's geographic authority is the seven-county Minneapolis-Saint Paul region and the full region is included in the scope of this grant. The Met Council's FY 2023 PRO Housing 1.0 award has a particular emphasis on Hennepin and Ramsey Counties – two of HUD's priority geographies – and we expect that that will continue with this grant, while also ensuring that funding and staff capacity is available throughout all other areas of the region.

As the regional planning agency for the seven-county metropolitan area (including 181 cities and townships in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington), the Met Council is responsible for guiding the growth and development of the region, including planning

for housing policy and for three regional systems: wastewater, transportation, and regional parks and open space. The local planning process launched by the statutorily required Imagine 2050 metropolitan development guide is underway, with the Met Council having adopted it in February 2025.

As part of the Imagine 2050 Housing Policy plan, 114 cities in the region will be allocated a Future Need for Affordable Housing to meet the needs of expected future residents. The Future Need for Affordable Housing allocation requires cities to guide higher density land use to increase the potential for low-income housing development. The allocation is calculated for all cities with forecasted growth and adjusted based on the city's current stock of affordable housing and the availability of jobs. Due to this adjustment, cities that have typically built less affordable housing have a higher allocation compared to those with a demonstrated history of providing affordable housing opportunities. Additionally, 63 cities in the region are receiving the new sales tax funds dedicated for affordable housing. For a lot of these cities this is the first time they have had to create planning and programming opportunities for affordable housing.

Both Hennepin and Ramsey Counties are and will continue to be key partners in the Met Council's housing policy and implementation work.

Hennepin County has 45 cities, 1.26 million residents, 900,000 workers, and 40,000 businesses. It has built partnerships, network, and communication channels to connect with each audience, as well as community organizations, for profit and nonprofit developers, and other stakeholder groups. The depth and breadth of its reach would be hard for other agencies to replicate. Within Hennepin County is the City of Minneapolis, the largest city in the state.

Ramsey County, the second most populous county in the metropolitan area, is home to more than 551,000 people; employs 320,000 workers; and includes 18 cities and one township. It is the most densely populated and racially diverse county in Minnesota and has the highest percentage of residents living in poverty among all Twin Cities metro counties. Over 65,000 households in Ramsey County spend more than 30% of their income on housing, thus making housing affordable to people living on very low incomes a top priority for the county. Within these households, most of whom are renters, roughly 45% are extremely cost-burdened and spend more than half of their income on housing. Ramsey County offers some of the region's most affordable neighborhoods. However, much of this "naturally occurring affordable housing" (NOAH) is the result of aging, unsafe housing stock where occupants may face overcrowding, exorbitant energy costs, and exposure to health contaminants. Across Ramsey County, 61% of the NOAH rental units are in buildings that are at least 50 years old, and only 8% are in buildings that are less than ten years old. Approximately six out of every ten affordable units are located within Saint Paul, the state capital and largest city in the county. Preserving currently affordable housing while improving its condition is a key priority for Ramsey County.

Geographic scope for subgrantees: In making subgrants to counties and cities in the region, the Met Council will prioritize reaching a broad set of geographies and will consider how well the scope of subgrantees' proposed work aligns with and meets ongoing regional housing policy goals. This geographic scope assessment will build on the Met Council's existing regional structures for coordinating regional housing policy and implementation. For example, the above figure shows the communities participating in the 2024 Livable Communities Act program. These cities and townships

all have committed to addressing their Future Affordable Housing Need in their comprehensive plans, and have identified the policies and programming they will seek to implement throughout the decade. Cities who apply for Livable Communities grants are asked to identify how the grant will benefit residents, with a priority for underserved populations incorporated into the Livable Communities grant scoring criteria. Livable Communities grant applicants are required to use the Met Council's Equity in Place-Based Decision Making dataset to describe the demographics of the project served and how the project addresses local and regional community needs.

## **Grantee and Partner Capacity**

### **Management and Staffing Plan**

At the Met Council, two new staff positions will be funded by the FY 2023 and FY 2024 PRO Housing awards. The Technical Assistance (TA) Coordinator (new position contingent on this PRO Housing 2.0 proposal) and Program/TA Coordinator (hired via PRO Housing 1.0 and proposed to continue for additional years via PRO Housing 2.0) will manage the majority of the proposed activities on a day-to-day basis and will report to the Senior Manager for Livable Communities and Housing, Sarah Berke. Berke will serve as the overall lead on project direction and coordination of grant program activities across the Met Council and its subrecipient partner agencies. Berke reports to Executive Director, Community Development, LisaBeth Barajas. Barajas will provide high-level policy direction to the project. Within the Community Development division, Angela Torres, the Senior Manager for Local Planning Assistance, will be a close collaborator for outreach to ensure the activities are available to communities throughout the region. Director of Finance and Administration, Heather Giesel, leads a team of twelve (12) grant management and financial management professionals who have experience administering federal grant awards as well as supporting the administration of grants that the Met Council awards for housing, community development, regional parks, and transportation investments. Giesel and her team, including a new senior grant administrator funded at 0.5 FTE through this grant, will oversee the administration, coordination with subrecipients, and reporting responsibilities of the grant.

### **Capacity**

#### **Lead agency role & capacity:**

The Metropolitan Council's Community Development Division will oversee implementation of the entire scope of this grant, including directly provided activities and the work of subgrantees.

#### **Project management capacity for launch and implementation:**

The Met Council has a total annual operating budget of \$1.42 billion and deep experience managing and implementing federal grants and federal housing programs, with the expert project management, quality assurance, financial and procurement, and internal control capacity required to quickly launch and implement a major project of this scope. The Met Council plays a statutory role in our seven-county region leading regional planning, including developing a regional development guide. The next guide, the Imagine 2050 plan, will be finalized over the coming year and informs each city's comprehensive planning and housing policy. Working with and coordinating among many partners is core to the Met Council's daily work and a core area of expertise. We do this all day, every day.

### **Leadership capacity and authority:**

As the regional planning body for the seven-county metropolitan area that includes 181 cities and townships, the Met Council is responsible for guiding the growth and development of the region, including planning for housing policy and for three regional systems: the regional wastewater system, the metropolitan transportation system, and the regional parks and open space system. The Met Council's size, constituencies, influence in land use and planning, and our collective taxing authorities make this partnership unparalleled by any other prospective regional partnership. The region's government entities have a long and collaborative history of working with each other and others in service to a shared mission.

While the Met Council intends to partner with other government entities (described below) for implementation, and our activities will be built on a foundation of current partnerships – including those underway with our first PRO Housing 1.0 award—there is no additional formal support needed for our implementation role.

### **Partner capacity:**

The Met Council also has an abundance of experienced local government partners engaged in housing development finance and affordable housing policy, including Hennepin and Ramsey Counties, who are subgrantees of our FY23 "PRO Housing 1.0" award. Counties in our region provide guidance to the cities located within their jurisdictions, including policy and planning support and have existing staff and internal systems in place to deploy federal funds including ARPA, CDBG and HOME, as well as local Housing and Redevelopment Authority levy funds, state-funded Local Affordable Housing Assistance, and PRO Housing dollars. Five more counties in our seven-county region also operate HRAs and CDAs. Two counties in our region – Dakota and Washington – serve as sub-allocators for the federal LIHTC program, as do two of the largest cities – Minneapolis and Saint Paul. While our capacity to design, plan, and remove barriers is not specifically dependent on the capacity of any one partner agency, we have many high-capacity partners.

### **Subgrantee capacity:**

As described above, many of our key partners in this region have strong organizational capacity and their own experience successfully managing large federal awards. Additionally, in all of our current Met Council Community Development grant programs, we have established practices by which all grantees are required to undergo training to make expectations clear for the grant administration and monitoring relationship with the Met Council. Grantees work with our dedicated Grants Administration to support these requirements throughout their grant period. For our Policy Development grant program, which is most similar to the subgrants to local communities that we intend to deploy in support of policy and planning activities with the requested grant funds, all applicants are required to identify their process of adopting a policy, scope of work, project staff and have a resolution of local support. Sub-recipients of this PRO Housing grant will go through a similar process and will have similar requirements. Their capacity to successfully deliver grant objectives will be evaluated as part of an application to our PRO Housing subgrant program.

## **Stakeholder Engagement and Public Participation Summary**

### **Key Stakeholders & Engagement**

In addition to the strong network of local governmental agencies, regional coalitions, public housing authorities, nonprofit partners, and private businesses, the Met Council's key stakeholders are the thousands of residents of the broader Minneapolis-Saint Paul region who are struggling to find or afford housing that is safe, healthy, and meets their family's needs. The Met Council's priorities include:

- Using our influence and investments to build a more equitable region
- Creating real choices in where we live, how we travel, and where we recreate for all residents, across race, ethnicity, economic means, and ability
- Investing in a mix of housing affordability along the region's transit corridors, and
- Engaging a full cross-section of the community in decision-making.

### **Resident engagement.**

To connect with individuals with lived experience of housing instability and the service providers who directly serve them, the Met Council has recently hosted a series of Community Exchange Meetings to inform its Imagine 2050 Housing Policy Plan. Audiences for these sessions have included local American Indian tribes, people with disabilities, an Islamic Youth Council, adult English Language Learners, and residents of affordable housing developments and manufactured housing parks. Attendees were paid a stipend for attendance and in exchange for sharing their knowledge and experience.

This application is a direct response to the housing needs that we heard during these Community Exchange Meetings. The Met Council aims to reform land use policies across the region to build and preserve the housing typologies that make it possible to find safe and affordable housing, live in the community of a person's choice, and in proximity to jobs.

### **Technical experts and advocates.**

The Met Council has also relied on feedback from a Technical Advisory Group (TAG) to develop highly specialized aspects of the Imagine 2050 Housing Policy Plan. The TAG was composed of housing experts from across the region who represent rural cities, counties, housing advocates, and affordable housing developers, with expertise in topics ranging from multi-family development and finance, to homeownership disparities, to land use planning, to supportive housing with services, in policymaking, advocacy, and implementation roles.

Additional stakeholders include all 181 cities in the seven-county region, especially those with unmet housing need, and Hennepin and Ramsey Counties, with whom we are already working closely as subgrantees to launch the initial phase of our FY 2023 PRO Housing work.

### **Cities in the region.**

The Met Council conducts an annual survey in which cities are asked to answer a series of questions concerning barriers to achieving their affordable housing goals and what assistance the Met Council can provide.

## **Incorporating feedback.**

In our 2024 survey, cities and townships identified that staff and resource limitations are a notable barrier to meeting their affordable housing goals, with several cities highlighting limited capacity to manage housing programs or initiatives. Regulatory issues, community resistance, and infrastructure challenges were also noted by multiple cities. Cities suggested the Met Council can provide education and technical assistance, share best practices, and award funds for innovative financing and housing development solutions. We asked specifically about cities' plans for deploying the new sales tax-funded affordable housing funds this year, and heard that many smaller cities did not yet have plans, or were seeking assistance in developing their strategies. These responses directly influenced the key barriers and strategies identified in this application.

Met Council has experience incorporating stakeholder and partnership engagement requirements into its grantmaking efforts. For example, in our ongoing Policy Development grant program, applicants are required to list their project partners and process, and to include an analysis of who will benefit most from the proposed policy and in what ways that will influence equitable development strategies and outcomes. Applicants who identify policy needs that reduce disparities, include community engagement and partnerships within their project teams are prioritized in our established funding criteria for that program. The Met Council plans to mirror this approach as it awards PRO Housing subgrants.

We are constantly working in partnership with many government entities, affordable housing providers, and builders and developers, particularly emerging BIPOC developers. This work in addition to our annual housing survey will continue through the duration of the grant and beyond to ensure that we are incorporating the needs of the stakeholders into the programming and processes of the grants and technical assistance.

We shared a draft of this proposal for verbal public comment during a public hearing at the Met Council Community Development Committee and posted it prominently on our website for a 15-day written public comment period. While we did not receive any public comments, a summary of these efforts was included as an attachment to our application.

## **Long-Term Effect**

### **Long-term Effect and Outcomes**

Succeeding in this work will mean that the Twin Cities region is equipped to grow into the future in a manner that ensures greater equity and that partners invest in housing stock that will meet the needs of current and future residents while reducing racial disparities and other barriers to fair housing choices.

By the end of the grant period, the Metropolitan Council and its future subgrantees will have:

- Built a high-capacity system for investing public resources in affordable housing activities across the region that encourages accelerated adoption of policy and planning best practices and improves housing choice from city to city and across counties.
- Adopted meaningful housing plan elements in communities' 2050 comprehensive plans throughout the region, ensuring that local leaders at all levels of government are equipped to plan for and implement effective housing policies.

- Adopted well-coordinated land use policies in communities' 2050 plans throughout the region that provide more housing choice, affordability, and flexibility for generational changes across more areas of the region – especially for “missing middle,” mixed-use, multifamily, and denser single-family development in areas that are accessible to transit and activity centers.
- Constructed housing at all price points, and especially housing that is affordable below 50% and 30% AMI, to meet the identified need of households in a growing and changing region, closing the housing supply gap and positioning the region to continue meeting its need in the coming decades. This identified need is currently estimated at 43,706 affordable units, including 21,667 at 30% AMI, 11,097 at 50% AMI, and 10,942 at 51-80% AMI, for the current 2021-2030 decade.
- Built an affordable housing finance system that is both better-resourced and better coordinated across the region, especially one that works better for single-family and “missing middle” housing development, and for new homeowners and emerging real estate developers who seek new opportunities to build wealth.
- Effectively used new public funding authorized by the 2023 legislature for the metro region's housing needs.

Overall, the Twin Cities seek to become a model region in terms of our ability to address longstanding barriers to housing production and preservation, while coordinating across jurisdictions, reducing disparities across protected classes and vulnerable populations, implementing plans that are designed with meaningful community engagement, and making the best use possible of an infusion of public investment in housing affordability.

### **Long-term effect on removing barriers**

All the grant activities will directly affect how communities in the Twin Cities region are equipped to plan for a variety of scenarios into the future—through the 2050 long-term planning cycle that is currently underway. They will also directly improve communities' capacity to implement these plans, building the policy, program, and partnership tools necessary to get closer to permanently closing the gaps in our housing stock and the disparities in housing in our region, over the course of decades. With this long-term perspective, the bulk of the proposed activities that would be supported by this grant are related to building the capacity for communities in our region to adopt plans and policies that will pay dividends in future years and decades by helping to build and preserve affordable housing. Through subgrants to coordinate land use policy with broader regional long-term visions and goals, we are creating market conditions that can sustain production needed long-term. Through grants to support the development of local programs and policy, we are building infrastructure that will support addressing housing challenges across market cycles and prepare the way for further private and public investment.

### **Model for others**

Our proposal builds on work in our region that is already a model for other communities. For example, the Minneapolis 2040 plan received national attention and accolades for its elimination of 1-unit-per-lot zoning restrictions citywide. The City of Saint Paul has also been implementing meaningful zoning and land use reforms, especially with a focus on 1-4 unit zoning changes, as it implements its 2040 plan. The metropolitan region is well known for collaboration across our seven counties and hundreds of municipalities. The structure of the Met Council, which includes coordinated planning and service delivery for housing, land use, wastewater, and transportation, is also a national model for a coordinated regional approach to long-range planning that integrates housing as a key consideration.

## Measurable Outcomes

Below is a summary of the success measures we seek and the specific desired outcomes for each of the grant's proposed activities.

*Consultant and staff time* for facilitation and coordination will advance shared learning across agencies and cities in the region, led and coordinated by the Met Council and its key regional partners via subgrants. Success measures will include:

- Cities and counties throughout the region invest revenue from the new 0.25% housing sales tax revenue in a coordinated way and learn from each jurisdiction's best practices.

*Technical assistance* from both consultants and expanded staffing positions, as well as *subgrants* to counties and cities, will support the development of land use policy development, ordinance development, plan books, predevelopment and demonstration projects. This will be led and coordinated by the Met Council. It will include strong coordination with the largest counties and the largest cities in the region, Minneapolis and Saint Paul, who have focused on both encouraging more multifamily development as well as more 2, 3, and 4-unit new development with their recently adopted zoning changes to implement their 2040 plans. It will also build on the work of those suburban communities who are already adopting innovative and effective land use and housing policies, especially in transit-oriented areas. Success measures will include:

- Cities throughout the region adopt housing plan elements in their comprehensive plans that meet regional policy objectives
- Cities have the capacity and resources to support housing development implementation for new policies they adopt.
- Cities guide land at sufficient densities to allow for multi-family development to meet the region's Future Affordable Housing need in the 2031-2040 decade.

*Consultant time* and a new *staff position* at Met Council, as well as *subgrants to key regional partners* to fund additional consulting and staff-driven efforts, will focus on technical assistance and funding system navigation. These activities will advance effective use and layering of housing development finance and funding sources to implement housing projects ranging from single-family to multifamily. Grants and technical assistance will also support efforts to close racial and ethnic homeownership disparities, and to ensure all community members benefit from increased prosperity when communities invest in housing as well as public transit, services, workforce development, infrastructure, and other community assets. Success measures will include:

- Cities throughout the region will have financial tools in place that support affordable housing development and make progress toward their allocation of Future Affordable Housing Need (defined through regional housing policy planning in the 2040 and 2050 cycles).
- Cities throughout the region will implement effective systems for coordination on funding for homeownership, missing middle scale development, and other kinds of housing development projects that currently face very different funding landscapes across city and county lines.

Throughout the Met Council and its county and municipal collaborators, housing policy and production goals will be defined and measured not just in terms of volume, but also in terms of how development builds prosperity for all impacted communities, how the harms of development can be mitigated with a priority for those who have not benefited from past investments, and how housing and land use policies can be used to increase meaningful choices of communities and housing types for people throughout the metro region. The Met Council and many of its key partners throughout the region have already begun to lay out ambitious strategies to address these goals. Success measures will include:

- Ongoing Met Council development of/commitment to anti-displacement policies/tools

- Ongoing implementation of community prosperity framework at Hennepin County
- Ongoing implementation of Economic Competitiveness and Inclusion policies at Ramsey County
- New and expanded county- and city-level focus on strategies for community prosperity, anti-displacement, and economic inclusion, throughout the seven-county metro region
- Decisions about local and regional public infrastructure investments are coordinated with meaningful community engagement and mitigation strategies for displacement, including a specific housing strategy

#### **Coordinating subgrants and long-term effect:**

In all our policy and planning support, we will prioritize alignment with the three key opportunities in our region that we have identified as the focus of our PRO Housing award. These key opportunities will form the basis for our subgrantee selection criteria and for evaluating the impact of these subgrants over time.

1. Unprecedented local revenue for housing: We will prioritize subgrants to create long-term strategies for counties and cities who are receiving the new infusions of sales tax funds through the Local Affordable Housing Aid program, and who plan to build out new programs or implement new policies that will guide the strategic investment of these funds in future years.
2. New and ongoing attention to housing in regional and local planning: We will prioritize funding for communities to learn from emerging best practices for housing as part of regional and local comprehensive plans. Our county-level partners will provide important sub-regional coordination of both policy and development funding efforts, and we will prioritize subgrant resources toward the most promising models for peer exchange, toolkit development, model ordinances, funding collaboration, and similar activities.
3. Zoning and land use policies that have smoothed the way for more affordable housing development and efforts to encourage development that builds community prosperity: We will prioritize subgrants and evaluate the performance of subgrantees in terms of the need for additional capacity to draft strong housing policies, as part of local comprehensive plan updates, and to implement policies and program infrastructure to address communities' highest-priority identified housing needs that emerge from the planning process.

We are confident that we will succeed in our vision to go broader and deeper on land use and zoning changes, making the most of the policy and funding momentum already underway in our region. PRO Housing funds will catalyze this “bigger and better” approach and will result in more housing, more affordable housing and denser housing in more of our communities.



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