



DULUTH
MINNESOTA

MAYOR'S HOUSING TASK FORCE MARCH 2020 REPORT

In fall 2019, Duluth Mayor Emily Larson convened the Mayor's Housing Task Force (MHTF) in response to a shortage of affordable housing in the city of Duluth, Minnesota. This report documents the MHTF's efforts and outlines the ideas it believes can help address the affordable housing shortfall.

The MHTF sought achievable, cost-effective ideas that can all help make the city more affordable for residents earning \$50,000 or less a year, a figure that represents approximately 50% of Duluth's households. This report provides information on the MHTF members and other stakeholders involved in the process, background on the process itself, and concludes with six recommendations that can assist Duluth in closing its affordable housing development gap.

The MHTF suggests that the mayor consider the following ideas:

- **Partner to Create a Housing Trust Fund**
- **Loan Guarantees**
- **Land Donations**
- **General Obligation Bonds**
- **Revenue Bonds**
- **Assistance for Homeowners to Improve Use of Existing Space and Create Additional Units on Their Property**

The MHTF believes that these six ideas offer a limited but positive contribution to a much broader community discussion on housing. This report and these ideas are not intended to be comprehensive or provide a definitive roadmap to address this daunting challenge. Instead, it provides ideas to encourage community discussion and seeks to inspire further dialogue focused on common solutions.



BROADER CONTEXT

A lack of affordable housing is by no means unique to Duluth. Cities across the United States face shortages of housing at all levels of income, and while an increase in development can meet parts of this need, providing housing for residents who are at or below the median income is a particular challenge. Historically, private for-profit investment has been insufficient, in and of itself, to meet the needs of lower to middle income people for quality affordable housing. This gap has traditionally been filled by various forms of public and nonprofit investment. Reductions in federal investments in recent decades, however, have exacerbated the shortage of affordable housing both nationwide and in Duluth, challenging local communities to intensify their efforts in this area. The MHTF acknowledges this broader context and recognizes that local resources alone may not be able to close the current gap in affordable housing development. Nonetheless, the MHTF believes that the City of Duluth, along with private and nonprofit stakeholders, have an obligation to identify local resources that can help address this shortfall to the greatest extent possible.

Duluth's housing need is acute. City staff, drawing on a 2019 Maxfield housing study update, estimates the city will need an additional 3,800 affordable units over the next ten years. At its current rate, the city is on pace to develop 1,200 units of this type of housing during that time period; doubling that rate to 2,400 would require up to \$12 million per year in additional value (both through direct financing or other tools that reduce interest rates or other costs). While this investment alone will not solve all housing issues in Duluth, it would be a significant start.

Past studies have traced high construction costs in Duluth to a variety of factors, most notably site preparation, suggesting a need for public sector support to make some projects viable. However, as City of Duluth Planning and Development Division staff explained to the MHTF, there are limits to the current tools available to the public sector. Given the scope of the challenge, the City of Duluth brought together public, private, and nonprofit sector partners to participate on the MHTF. Many participants work in areas affected by the housing market but have not been deeply involved in previous policy debates, underscoring the broadening reach of Duluth's housing challenges. Together, the MHTF worked to develop unique revenue ideas for the City of Duluth to further explore as potential tools to address the affordable housing shortage.



THE TASK FORCE'S ROLE

The MHTF held seven monthly meetings from September 2019 to March 2020 to discuss methods to fill this gap and address Duluth's affordable housing shortage. In order to guide the MHTF toward specific, actionable conclusions, city staff established the following goal, problem statement, and definition of affordability prior to the first meeting:

GOAL:

Identification of sustainable, co-invested funding mechanisms for affordable housing developments in Duluth.

PROBLEM STATEMENT:

The current and projected housing needs of the community exceed local housing funding and development capacity. Absent state and federal policy and funding leadership, how can the City of Duluth co-invest with private partners to create new financial resources to advance affordable housing development at greater than current rates?

WHAT WE MEAN BY AFFORDABLE:

Housing available to a family earning \$50,000 or less a year.

The MHTF acknowledges the massive scope of Duluth's affordable housing challenge and the wide range of strategies that could help promote affordable housing. This task force is just one effort amid an array of major initiatives across the country to address these issues. In order to arrive at tangible outcomes, the city established a narrow scope, and the MHTF acknowledges there are serious housing issues beyond this scope. Many additional strategies to address Duluth's affordable housing shortage have support from members of the task force but were not within the scope of this effort and are therefore not included in this report. The MHTF encourages community members to collaborate and explore other creative potential solutions to add to Duluth's housing stock.

TASK FORCE PARTICIPANTS

The Mayor’s Housing Task Force consisted of 12 members selected by the mayor in consultation with city staff. Task force members work for or serve on organizations that are involved in the housing market, either directly or indirectly, and were drawn from a variety of organizations and sectors to provide a range of perspectives on housing challenges in Duluth. The MHTF was co-facilitated by Tony Sertich, President of the Northland Foundation, and Elissa Hansen, President & CEO of The Northspan Group, Inc. Mayor Emily Larson and several city Planning and Development Division staff members regularly attended the meetings. Additionally, a group of experts in housing policy and community development were invited to attend each meeting to share their perspectives and participate in idea generation. Tables 1 through 3 outline these various groups.

TABLE 1: Task Force Members

NAME	ORGANIZATION	REPRESENTING
Laura Thorsvik	Essentia Health	Health Care
Deb Otto	Bremer Bank	Banking
Stephanie Cummings	Wells Fargo	Banking
Michael Boeselager	St. Luke’s	Health Care
Dan Markham	Kraus Anderson	Construction/Development
Lynn Nephew	HRA Board	Public Sector - Housing
Lee Stuart	CHUM	Homelessness Services
Joel Sipress	City Council	Public Sector - City
Sarah Wisdorf	Lake Superior Area Realtors	Realtor/Development
Laura Birnbaum	St. Louis County	Public Sector - Homelessness
Jeremy Hogleund	BCBS of Minnesota	Insurance Industry
Don Ness	Ordean Foundation	Foundations

TASK FORCE MEMBERS

Table 2: City of Duluth Elected Officials and Staff

NAME	TITLE
Emily Larson	Mayor
Noah Schuchman	City Administrator
Chris Fleege	Director, Planning & Economic Development Department
Adam Fulton	Deputy Director, Planning & Economic Development Department
Ben VanTassel	Manager, Planning & Development Division
Jason Hale	Senior Housing Developer
Theresa Bajda	Planner II
Amanda Anderson	Admin Info Specialist
Phil Jents	Communication & Policy Officer

ELECTED OFFICIALS AND STAFF

TABLE 3: Local Housing Experts and Stakeholders

NAME	ORGANIZATION	REPRESENTING
Chris Belden	Duluth Transit Authority	Director of Planning & Grants
Jeff Corey	1Roof Community Housing	Executive Director
Jill Keppers	Duluth HRA	Executive Director
Pam Kramer	Duluth LISC	Executive Director
Karl Schuettler	The Northspan Group, Inc.	Research Director & Consultant
Lenelle Hrabik	Duluth HRA	
Cindy Weiske	Duluth HRA	
Kody Thurnau	Minnesota Housing	

EXPERTS AND STAKEHOLDERS

TASK FORCE MEETING SUMMARIES

The MHTF held seven monthly meetings from September 2019 to March 2020. Each of these meetings had specific goals that aimed to move the group toward a final report and recommendations by March 16, 2020.

MEETING	DATE	GOALS
1	September 4	Provide broad context on affordable housing and Duluth's market
2	October 30	Share details on strategies to address affordable housing shortages
3	November 20	Idea generation and start of consensus workshop
4	December 9	Continued consensus workshop and preliminary direction
5	January 27	Share draft report and challenge perceptions
6	February 24	Re-ground members with their charge and achieve final consensus
7	March 2	Present final report and accompanying materials to mayor

SEPTEMBER 4, 2019

At the initial meeting, MHTF members and additional stakeholders introduced themselves, while Mayor Emily Larson provided background on the group's formation and the facilitators explained the group's structure and task. The city shared its annual budget and a document of best practices identified by city staff. Adam Fulton gave an overview of existing local, state, and federal funding resources for affordable housing development. Participants posed a series of questions for which they sought answers by the December meeting. Those questions are available in Appendix 01. Together, they laid the foundation for staff and expert presentations on a variety of resources at the second meeting of the MHTF.

In between meeting one and two, the co-facilitators also sent a survey to get a better feel on knowledge and further questions from the task force. The survey and responses can be found in Appendices 02 and 03.

OCTOBER 30, 2019

At the second meeting of the MHTF, staff and experts gave a series of presentations on the Duluth housing market, the scope of the affordable housing challenges, and approaches used in Duluth and nationally to address these challenges. The presentations drew on the direct experience in affordable housing policy from attendees in the room.

- Ben Van Tassel and Jason Hale of the City of Duluth gave an overview of city demographics and housing market statistics
- Mayor Larson gave an overview of a trip to a National League of Cities conference held in Detroit in April 2019 that focused on affordable housing
- Jeff Corey of 1Roof Community Housing gave a presentation on financial models and fees
- Jason Hale and Adam Fulton of the City of Duluth gave a presentation on current efforts to support affordable housing
- Pam Kramer of Duluth LISC presented on fund development

These presentations sought to give MHTF members a deeper understanding of the city's housing issues and potential processes to address them.

NOVEMBER 20, 2019

The third meeting of the MHTF sought to move the group from a phase of information gathering to one of idea generation. The meeting began with several updates from city staff on the extent of Duluth's need for affordable housing. Jason Hale gave an overview of the 2019 update to the Maxfield Research study on Duluth's housing demand. This study was an update of a 2014 study that established the number and types of units necessary for Duluth to meet its demand.

Next, Ben Van Tassel provided a housing scenario that established a gap that the city needs to fill in affordable housing, which showed the city would need an additional \$12 million annually in resources to double its current rate of affordable housing development. This scenario, the assumptions that underlie it, and several additional scenarios are available in Appendix 04.

The group then held a series of breakout discussions on possible ideas, which nested into five distinct categories:

- Fees and other funding opportunities
- Levy/bonding
- Social impact funds and multi-party leverage
- Financial tools
- Additional recommendations from the experts

The MHTF tasked city staff with researching the 27 ideas that emerged from the idea generation session and presenting on them at the December meeting. Appendix 05 contains the generated ideas.

DECEMBER 7, 2019

City staff presented on the 27 ideas generated by the MHTF at the November meeting. Staff provided an idea generation feasibility analysis which gave perspective on the likely timeline for the implementation of each proposal, the idea's ability to create a financial impact, and the complexity or risk exposure for the city in implementing each. This document is available in Appendix 06.

The facilitators then initiated a process by which the MHTF members vetted the proposed ideas and moved the group toward consensus. Members had the ability to vote for up to five ideas and could give multiple votes to a single proposal. The voting process went through two rounds and included an opportunity between the rounds for members to make cases for individual ideas. This led the MHTF to coalesce around eight of the 27 ideas. Vote one and two are available in Appendices 07 and 08.

JANUARY 27, 2020

Jason Hale gave an extensive presentation on the five ideas that received the most support in the second round of voting in the December meeting. He discussed the pros and cons of each idea, shared background research on the feasibility of implementation, and provided examples from other communities when possible. The MHTF asked Hale questions and debated the merits of several of the ideas.

FEBRUARY 24, 2020

The facilitators began by reviewing the MHTF's work to date to ensure shared understanding around the process and remaining tasks before completion of its work. Karl Schuettler of The Northspan Group, Inc. reviewed changes to the draft document based on discussion at the January meeting, and facilitators encouraged MHTF members to put the language in their own words. Subsequent discussion refined the framing of the report and discussed each of the ideas. As a result, MHTF members removed two of the ideas that they believed were more worthy of consideration by a proposed Housing Trust Fund (one of the ideas), but outside the context of their immediate charge. The group reached consensus around six ideas for the final report.

MARCH 2, 2020

The MHTF achieved consensus on its final recommendations. Meeting facilitators provided updates on changes to the report and shared a PowerPoint overview of the task force's efforts, and MHTF members recommended a series of edits to finalize the report and presentation content. Task force members Lynn Nephew and Dan Markham volunteered to present the report to a Committee of the Whole meeting of the Duluth City Council on March 23. Mayor Larson thanked the MHTF for its efforts and previewed how her administration would proceed to address Duluth's housing challenges.



TOP TASK FORCE IDEAS

Of the 27 ideas generated by task force participants, six rose to the top as those that the City of Duluth could pursue to address its housing shortage. For each of the ideas, city staff background research provided information on implementation timeline from the point at which the city would decide to pursue certain ideas, likely financial impact, and complexity of implementation (whether due to political, staffing, or start-up effort challenges). The MHTF sought to select ideas that protected taxpayers or private guarantors of funding and emphasized the importance of due diligence and underwriting standards to ensure any new tools limit risk exposure and establish consistent standards for ongoing housing project support.

The MHTF recognizes the need for additional due diligence, study, and consideration of variables beyond the scope of expertise on the task force. The goal of the MHTF was to bring a diverse set of stakeholders into discussions around Duluth's housing market and present creative ideas to start community dialogue. The MHTF recognizes the complexity of economic, community, and political dynamics that may make these ideas difficult, if not impossible, but we feel that these are ideas worth further consideration, study, and discussion.

PARTNER TO CREATE A HOUSING TRUST FUND

Implementation Timeframe: 0-6 months plus ongoing support

Financial impact per project: TBD

Complexity: Moderate

While this idea was not among the 27 that emerged from the initial idea generation phase, several task force members emphasized the value of ongoing cross-sector collaboration and the importance of financial backing for these efforts. This model, known as a housing trust fund, has been used successfully in numerous cities across the country (see examples from Charlotte and the Minnesota Housing Partnership) and would collect funds from public, private, and non-profit sources to channel investment into affordable housing projects at the discretion of a fund manager. By itself, a housing trust fund is not a revenue source, but it can direct funding toward established goals.

The creation of a housing trust fund requires two steps. First, a committee of trustees must form to determine how to manage the fund and form a plan for facilitation of its meetings, establishment of its goals, and implementation of its goals through various potential tools. Second, public, private, and nonprofit, and community advocacy partners must direct dollars into the fund so that it has enough resources to make a meaningful impact. Conditioned on equitable commitments from the city and private and philanthropic partners, CHUM Executive Director and MHTF member Lee Stuart committed \$100,000 of her organization's funding to help seed the fund. CHUM's challenge calls for a broad range of stakeholders to contribute to the proposed trust fund.

A housing trust fund could serve as a vehicle for numerous housing funding mechanisms. For example, the fund's trustees could support interest-free revolving construction loans and unit guarantees, both of which the MHTF discussed at length, if they believed they were the most effective available tools. It could target specific community needs such as a significant waiting list for Permanent Supportive Housing or other groups who were outside the scope of the MHTF's charge. Additional ideas generated by the MHTF could also conceivably direct resources into or use the fund.

LOAN GUARANTEES

Implementation timeframe: 6 months-2 years

Financial impact per project: \$100,000-\$1,000,000

Complexity: High

A loan guarantee reduces long-term risk to financiers and developers by relying on the guarantor to assume the developer's debt obligation should the project default. Governments have a long history of creating loan guarantee programs to drive investments into perceived areas of need, with current examples including programs targeted at small businesses through the Small Business Administration. This guarantee reassures those who finance projects that they will not lose their investments if the project defaults and allows them to lend at lower interest rates. These lower rates can lead to savings of several million dollars over the length of a mortgage for large projects, thereby making them far more feasible for developers. The guarantee does not pose an up-front cost to the city but would require commitment of resources in the event of a default. Task force members voiced strong interest in this tool given its ability to streamline development processes and lower costs for developers at little to no cost to the city so long as projects succeed.

LAND DONATIONS

Implementation timeframe: 2+ years

Financial impact per project: \$100,000-\$1,000,000

Complexity: Low

Land donation or land banking is a process in which the city would obtain purchase options for or donations of property. These land acquisitions help to limit development costs for land assembly and expedite timelines. DEDA and the HRA have both successfully used this tool in the past, and the city's recent creation of Rebuild Duluth is another example of a program that aims to gather and position lots for development. The Cuyahoga Land Bank in Cleveland, Ohio is a national example of a land bank that has had a considerable impact on local housing development. Tax write-offs to facilitate donations to the land bank could help drive participation. Task force members recognized past success with land banking in Duluth and elsewhere and saw this tool as a relatively low-cost way to help developers set the stage for development.



GENERAL OBLIGATION BONDS

Implementation timeframe: 6 months-2 years

Financial impact per project: \$1,000,000-\$10,000,000

Complexity: High

A general obligation bond would be backed by the general fund of the city or HRA and operate much like an increase or reallocation of the city's current levy to focus on housing. The MHTF explored the idea of increasing the city's levy to support the housing trust fund, but swiftly determined that even a significant increase in the annual levy would yield only very modest returns, and bonding provided a stronger vehicle. General obligation bond backing would require the city to either adjust the current budget to ensure repayment, raise the levy to provide a direct funding stream, or otherwise obligate a source of revenue to the bonds. General obligation bonds could contribute directly to a housing trust fund. Task force members saw this tool as a straightforward method to dedicate funds directly to affordable housing development.

REVENUE BONDS

Implementation timeframe: 6 months-2 years

Financial impact per project: \$1,000,000-\$10,000,000

Complexity: High

Revenue bonds would use the income stream from a specific project to back investment into the project. Because they draw on a specific pool of funds, revenue bonds would likely face fewer political obstacles than general obligation bonds; in the opinion of city staff, they could be more lucrative. In order to have leverage, revenue bonds would require the city to have a stake in these developments; use of this tool would require the city to work out the details of this arrangement. As with general obligation bonds, task force members appreciated the tool's ability to directly create housing.

ASSISTANCE FOR HOMEOWNERS TO IMPROVE USE OF EXISTING SPACE AND CREATE ADDITIONAL UNITS ON THEIR PROPERTY

Implementation timeframe: 0-6 months

Financial impact per project: \$0-\$100,000

Complexity: Low

The city currently allows accessory dwelling units, but the general public is often unaware of these opportunities and the processes necessary to create them, either through new construction or use of existing structures. Regulations also complicate flexible uses of large homes such as rental of rooms or other arrangements that are not either traditional homeownership or rentals of units within a structure. Efforts to streamline the permitting and planning process could lead more homeowners to take advantage of this opportunity to create revenue for themselves and add units to the city's housing stock. This recommendation would be cost-free outside of staff time devoted to education and marketing. Task force members saw this recommendation as a low-hanging opportunity to create additional affordable units.

NEXT STEPS

The MHTF's goal was to identify sustainable, co-invested funding mechanisms for affordable housing developments in Duluth. Its purview did not include implementation steps or follow-up mechanisms. The city and its partners can now take the ideas and implement them as they see fit. The MHTF encourages its members to remain engaged with the city to work toward actionable outcomes.

Regardless of the direction the city takes to address its housing challenges, accountability will be essential to future success. The MHTF expects that the city will continue to report to the city council on a semi-regular basis to detail steps taken and progress toward meeting the city's housing goals.

MHTF does not seek to duplicate the efforts of existing organizations operating in areas that directly or indirectly address housing issues in the area. MHTF members and interested members of the public can engage with the Duluth Housing and Redevelopment Authority, Duluth Economic Development Authority, One Roof Community Housing, Local Initiatives Support Corporation (LISC), Churches United in Ministry (CHUM), Center City Housing, the Metropolitan Interstate Council (MIC), the Affordable Housing Coalition, and a variety of other organizations to advance housing development and related priorities in the city. These additional venues for housing development discussion and action are vital to ongoing housing development given the scale of the challenge and the inability of any one tool or group to solve it.

CONCLUSION

Over the course of seven months, the MHTF worked through a carefully planned process to develop a thorough understanding of Duluth's affordable housing market, consider a range of potential solutions, and build consensus around a set of ideas.

The MHTF suggests that the mayor consider the following ideas:

- **Partner to Create a Housing Trust Fund**
- **Loan Guarantees**
- **Land Donations**
- **General Obligation Bonds**
- **Revenue Bonds**
- **Assistance for Homeowners to Improve Use of Existing Space and Create Additional Units on Their Property**

The task force recognizes the scope of the challenges facing the city and that no one solution, and perhaps not even all these solutions working in concert, can fully address Duluth's affordable housing shortfall. However, the MHTF believes that these ideas provide a starting point for further community dialogue and exploration of solutions. The MHTF thanks the mayor for her willingness to engage with a broad range of stakeholders and looks forward to working with her to guide these ideas into concrete city programs and policies. Through cross-sector collaboration, the MHTF believes stakeholders can make more good homes available to Duluthians at price points that do not create unnecessary burdens.

APPENDICES

Appendix 01: Questions Collected from Task Force Members at the First MHTF Meeting

Appendix 02: Mayor's Affordable Housing Task Force Follow Up Survey Questions

Appendix 03: Mayor's Affordable Housing Task Force Follow Up Survey Responses

Appendix 04: Housing Scenario 11.20.19

Appendix 05: Idea Generation 11.20.19

Appendix 06: Idea Generation - Feasibility Analysis 12.9.19

Appendix 07: Scorecard Vote 1 of 2 12.9.19

Appendix 08: Scorecard Vote 2 of 2 12.9.19

Appendix 01: Questions Collected from Task Force Members at the First MHTF Meeting

Q: What is the scope of the work we are trying to accomplish?

Q: Are there affordable units to buy instead of construct?

Q: Is there an available land resource analysis?

Q: Could existing homes be maintained and occupied, such as condemned homes, etc.?

Q: What are the different programs available and could some background be provided?

Q: What does a \$50,000 per year income look like broken down for housing?

Q: What is a baseline rental amount for the area?

Q: What does the Housing Indicator Report look like?

Q: Do we need to think about the average family size?

Q: What demographics are driving the housing crisis?

Q: Can we see a pro forma for a housing development?

Q: Should the universities be included in this conversation per the amount of off campus students?

Q: What are the occupancy requirements for rentals?

Q: What are housing trends?

Q: What has the City done following industry best practices? What makes sense for Duluth?

Appendix 02: Mayor's Affordable Housing Task Force Follow Up Survey Questions

1. What do you believe is the biggest affordable housing challenge?
2. What do you believe is the biggest affordable housing opportunity?
3. What are you still unsure about in this process?
4. After reviewing the questions brought up at our first meeting, what do you still feel you need to know or have questions about?
5. Would you like to host one of our meetings at your location? If yes, where do you propose and what month?

Timestamp	What do you believe is the biggest affordable housing challenge?	What do you believe is the biggest affordable housing opportunity?	What are you still unsure about in this process?	After reviewing the questions brought up at our first meeting, what do you still feel you need to know or have questions about?	Would you like to host one of our meetings at your location? If yes, where do you propose and what month?
10/3/2019 18:11:19	Lack of affordable housing and funding all around	Public/Private partnerships	Level of recommendations/action steps to be made - this will likely shake out as we move forward	I look forward to diving more into some of the data that other cities' task forces have collected as well as their recommendations etc - I'm sure more questions will come.	Yes - would depend on the date and room availability
10/4/2019 7:15:33	The belief that this issue can be solved by providing inexpensive houses/dwellings. It's more about developing a community and accesibility to transportation, work, grocery stores, pharmacy, healthcare, childcare and other services. MB	Develop a comprehensive plan for communities. MB	What our task force is charged with doing.	Is there a community model that would be comparable for our geography, demographics and region?	Yes, St. Luke's campus conference room. Spring/summer of 2020.
10/21/2019 10:54:43	Availability and inventory	Availability and inventory	Current funding sources	Funding sources and how they are used and leveraged.	Yes, our LSAR office on Grand Ave. Most months will work, just depends on the day. We just finished remodeling our space!
10/21/2019 14:09:07	lack of housing stock, not all landlords/property managers follow Housing First principles	collaborating and committing actual dollars to address the need - looking at Housing Trust Funds and other initiatives that have proven successful in other cities.	I noticed that you mentioned people are sending data questions your way. I'm wondering if there will be time to discuss what we've learned from the examples you've sent us from other housing task forces' work? I haven't sent any questions thus far as I've been waiting until we meet to discuss/ask etc.	I would like to know how we are to define "affordable" - \$50K is significant and many of the people who are on our priority list are far below this income threshold. I'm concerned that the definition of "affordable" is much to high.	I'd be happy to host at the Government Services Center if the date works. Just let me know!
10/29/2019 6:42:02	Lack of units available to those looking for housing within a certain (affordable) price range and funding options to build new developments that would open up these needed units	Reducing red tape and cost to build new units, creating a sustainable coalition that can help with funding	Overall funding options available, action plan and designated accountable leaders so we all know what exactly is expected of us and how we can contribute	Current funding options	
10/29/2019 14:35:57	Rental housing for low to middle income workers	Land becoming available via the Medical District projects			

HOUSING SCENARIO

The numbers provided below have a number of assumptions that include:

- In the next ten years the city will have a demand for 3,800 affordable units
- The city will continue to utilize Low Income Housing Tax Credits (LIHTC) and other tools that it currently has been at the rate of about 120 units/year (or 1,200 in 10 years) without any new investments or tools
- Looking at recent projects that received assistance modeling tools, assistance needed will be approximately \$100,000/affordable unit.

Given these assumptions, if the city were to double its production of affordable units (additional 2,400 units total) in the next 10 years we need a solution that provides value of:

- **\$12 Million A Year**

It is important to note that this is not \$12M in cash but in value which could include the example of lowering interest rates, or other tools, that are not cash contributions.

Here are some other scenarios:

	Continued annual production rate	Additional units through new tools	10-year total new units built	Funds needed per year
Increase by 50%	120 Units	60 Units	1,800 Units	\$6M
Increase by 100% (double)	120 Units	120 Units	2,400 Units	\$12M
Meet estimated 10-year need	120 Units	260 Units	3,800 Units	\$26M



MAYOR'S HOUSING TASK FORCE

IDEA GENERATION 11.20.19





FEES AND OTHER FUNDING OPPORTUNITIES	LEVY / BONDING	SOCIAL IMPACT FUNDS AND MULTI-PARTY LEVERAGE	FINANCIAL TOOLS	EXPERTS
<ul style="list-style-type: none"> Incentives for unions or employers to promote housing assistance to drive home ownership ex. unions paying a members home down payment Waive or amortize infrastructure and permitting fees (new development or renovation) Make local labor competitive Do not require performance bonding for qualified contractors ex. streamlined check and balances, lower fees for qualified contractors Alignment of local and state building codes to improve affordability and speed Establish interest free revolving construction loan Raise awareness for available funding options ex. Comfort Systems had a renovation program, if you don't qualify for the thier program, MN Housing also have one 	<ul style="list-style-type: none"> Designated levy surcharge for Housing Trust Fund ex. "x" percentage of the levy would be designated to HTF Re-allocate current levy money from "lower priority" items to the Housing Trust Fund General obligation bonds for HTF which would be backed by the City's general revenue Revenue bonds for specific projects backed up by income stream 	<ul style="list-style-type: none"> Opportunity Zones Affordable Housing Fund/Expand Trust Fund Land donations or Accessory Dwelling Unit donation Pair with Housing Support program dollars 	<ul style="list-style-type: none"> Loan Guarantees ex. a goal of reducing long-term risk to financiers and developers Unit Guarantees ex. the City would sign a master lease for a set amount of units regardless of occupancy Yield preservation support Assisting homeowners adding units to their property ex. a homeowner builds an additional unit in a large side yard Lock in prices for future projects City processes, financial stakeholder ex. the City could become a financial stakeholder 	<ul style="list-style-type: none"> Maximize the tax levy to what is politically achievable ex. tourism (legislative action), property, special/ other Debt tools, what is affordable for the city and significantly lowers costs to the consumer Maximize fees to what is politically achievable All into an Affordable HTF as dedicated renewable sources of funding HRA max levy, capture gain each year \$40,000/year DEDA levy, whatever is palatable State HTF, match Bonding for affordable housing Debt tools should significantly lower cost to consumers ex. 0-1% loans, from banks or foundations, etc. Vacant/abandoned property ex. board up fees, make them substantial College housing fee ex. \$100 per semester Inclusionary Zoning, % units or fee to affordable HTF County Participation, \$1 tax forfeit properties for development or re-development of affordable housing Waive utility hook-up fees Relax parking requirements Land Donation Opportunity Zone

















MAYOR'S HOUSING TASK FORCE IDEA GENERATION - FEASIBILITY ANALYSIS



TIMING		\$ IMPACT		COMPLEXITY/RISK EXPOSURE	
	0-6 mo.	\$	\$100,000	★	low complexity
	6 mo. - 2 yrs.	\$\$	\$1,000,000	★★	moderate complexity
	2+ yrs.	\$\$\$	\$10,000,000	★★★	high complexity

IDENTIFIER	IDEA	DESCRIPTION	TIMING	\$ IMPACT	COMPLEXITY/ RISK EXPOSURE	NOTES
FEES & FUNDING OPPORTUNITIES						
A	No Performance Bonds for Contractors	ex: streamlined check and balances, lower fees for qualified contractors.		\$	★★★	<p>*Performance bonds typically add cost of between 1-2% of the construction contract price (ex: approx. \$450k for \$30M in hard cost).</p> <p>*Waiving the bond requirement or lower fees for contractors would likely require devising some system to qualify contractors (financials/assets, previous project experience, etc.)</p> <p>*This could be a component of a larger strategy.</p>
B	Alignment of local & state building code	May help improve affordability and speed		\$	★	*This could be a component of a larger strategy.
C	Waive or amortize infrastructure and permitting fees	New development or renovation		\$	★	<p>*If fees were to be waived, a new source to pay for permitting/inspections would need to be identified to cover these costs.</p> <p>*Permitting fees depend on project size but can exceed \$100k on larger projects.</p>
D	Establish interest free revolving construction loan	Similar to Brownfield Revolving Loan Fund that City manages; only fund would evolve from potentially local sources		\$\$	★	*A fund could be limited for certain uses (like hazardous material abatement, site work, alternative energy, etc.) or could be unrestricted.
E	Incentives for unions or employers to promote housing assistance	To drive home ownership. Ex: Unions contributing to a members home down payment		N/A	★	<p>*This would help would-be homeowners purchase a home, but it would not create additional units. It may have the unintended effect of raising prices further by increasing the demand.</p> <p>*This does not create additional funding resources to create new units.</p>

F	Make local labor competitive			\$	★★	<p>*The cost of labor is largely contingent upon external market forces (supply of workforce, cost of commodities/materials, general economic conditions) and thus difficult to control.</p> <p>*"Making local labor competitive" implies the reduction of the cost of labor that the contractor/s pass through to the developer/builder, and ultimately to the housing buyer/renter. This could be achieved in the following ways (generalizing):</p> <ul style="list-style-type: none"> -reduce costs of materials (for local government involvement see letter N). Local suppliers/builders could create cooperative/consortium to leverage economies of scale and reduce their costs for goods. -reduce cost of contractor services: <ul style="list-style-type: none"> -increasing the supply of skilled workers/new contractors to the local market. Various governmental and organizational partners are working on this opportunity). -reducing worker wages or company profits (reducing wages is counter to the efforts the City and other organizations to increase the number of jobs with higher paying jobs. Reducing profits would be extremely complicated/contentious, and probably illegal).
G	Raise awareness for available funding options	Ex: Comfort Systems had a renovation program. If you don't qualify for their program, MN Housing also has one		N/A	★	<p>*This could be accomplished relatively quickly at low cost.</p> <p>*Creation of new units and/or additional funding would be minimal in greater scheme.</p>
LEVY & BONDING						
H	Designated levy surcharge for Housing Trust Fund	Ex: "x" percentage of the levy would be designated to HTG/Re-allocate current levy money from "lower priority" items to the Housing Trust Fund/Maximize the tax levy to what is politically achievable (tourism, property, special/other)		\$\$	★★★	<p>*Though these are separate ideas, they each involve adjustments to the levy and could result in similar amounts of both funding and political challenges.</p> <p>*Could contribute to Housing Trust Fund.</p>
I	General Obligation Bond	Which would be backed by City's or HRA's General revenue		\$\$	★★★	<p>*Depending on the approach, this would likely produce the same outcome as increasing/re-allocating the levy. Issuing G.O. bonds would require that the City or HRA either: 1) adjust the budget to ensure repayment from existing funding sources; 2) increase the levy to provide a new payment source; or 3) create and obligate some new revenue source to the G.O bonds.</p> <p>*Could contribute to Housing Trust Fund.</p>

J	Revenue Bonds	utilized specific projects backed by income stream		\$\$\$		*Revenue bonds could be less politically challenging than G.O. bonds and contribute greater amounts of funding.
FINANCIAL TOOLS						
K	Loan Guarantees	Reduces long-term risk to financiers and developers		\$\$		*The amount of money this could save developers depends on the rate market and terms of the loan. A rudimentary example to show the concept: a \$10M loan at 5.5% (market rate) for 30 years would result in \$10.4M in interest. The same loan at 4.5% (lowered by the guarantee) would result in \$8.2M in interest.
L	Unit Guarantees	Ex: City signs a master lease for a set amount of units regardless of occupancy		*reduces risk		*This could be leveraged to get developers comfortable with building if they are unsure about the stability of the market or worried about absorption; it will not directly create additional revenue/funding sources unless there was a fee associated with the guarantee.
M	Yield Preservation Support			\$\$		*The legality of providing such "gap insurance" may depend on who is setting and committing for future values (i.e. whether it is backed by private insurance policy or the faith and credit of the City). *Presumably, if the City were the "support", it would either need to own some policy for the specific project, or pledge some funding source/asset as collateral.
N	Lock in prices for future projects			\$\$		*This would involve the City guaranteeing private entities (developers/contractors) access to commodities at a certain price point by leveraging its purchasing power via reduced interest rates/pricing. *It is likely not legally viable as currently contemplated.
O	Assisting homeowners adding units to their property	Ex: A homeowner builds an additional unit in a large side yard		\$		*While accessory dwelling units are generally allowed, there is education, marketing, and access to cash that would need to be part of this effort. *Some work to streamline and simplify the permitting/planning process might be needed.
P	City processes, financial stakeholder	Ex: The City could become a financial stakeholder		\$\$		*Refine process through DEDA and determine legality. *Could contribute to Housing Trust Fund.
SOCIAL IMPACT FUNDS & MULTI-PARTY LEVERAGE						
Q	Land Donations	Obtaining purchase options to property and the timing and cost of purchasing land for development can raise costs.		\$\$		*DEDA and HRA have assembled, donated, and purchased land for developments in the past. *Land assembly and holding costs should be considered when creating a land bank.

R	Accessory Dwelling Unit donation	Developing a program that would see individuals/organizations to contribute funds to a private property owner to construct an accessory dwelling unit on an already inhabited property.		\$\$	★	*The success of such a program would hinge on ability to secure large donors.
S	Pair with Housing Support Program dollars			\$	★	*This is essentially leveraging existing or potential future funding sources to assist with operating cash flow. *This does not directly create new units or additional funding.
T	Opportunity Zones			\$\$	★	*While Opportunity Zones can result in substantial tax benefits to developers/equity groups, they are voluntary and controlled by the private sector. *Opportunity Zones are restricted to designated census tracts and are already available for interested parties. *Other than encouraging projects in Opportunity Zones, we have no influence over their use, nor can we provide additional value through that specific tax vehicle.
U	Relax parking requirements			N/A	★★★	*The City of Duluth has some flexibility regarding parking requirements for housing (Downtown has no parking requirements, multi-family requirement can be reduced to .9/1 (space per unit) if near a transit line. *Recently, parking "issues" have been a result of lender requirements on larger development projects, not City requirements.
EXPERTS						
V	Maximize fees to what is politically achievable	Develop new fees that would contribute to affordable housing fund.		\$	★★★★	*Could contribute to Housing Trust Fund.
W	Vacant/abandoned property fees	Begin to charge more for vacant and abandoned property owners.		\$	★★★★	*Current fee to register a property is \$500 for the first year and this increases by \$500 each year. If this fee were doubled, it could raise between \$200K- \$400K/year. These funds would have restrictions and likely need to be spent on mitigating vacant/blighted properties.
X	College housing fee			\$\$	★★★★	*Last year there were 21,000 students at UMD, CSS, and LSC. If 2/3rds live within the City and they were charged a \$100 fee each semester; it would result in \$2.8M. *Could contribute to Housing Trust Fund.
Y	Debt tools that significantly lower cost to consumers	Ex: 0-1% loans from banks or foundations		\$\$	★	*Housing Trust Fund

Z	Inclusionary zoning, % of units or fee to affordable HTF	This option would be an added requirement to ensure affordable housing occurs in developments; or could potentially raise funds to put towards affordable housing.		\$	★★	
AA	County partnership to reduce tax forfeit properties	Ex: Offering tax forfeit properties for \$1 for affordable housing		\$	★	*The county currently provides property at 20% of value for affordable housing. This would be a further reduction.



MAYOR'S HOUSING TASK FORCE IDEA GENERATION

TIMING		\$ IMPACT		COMPLEXITY/RISK EXPOSURE	
	0-6 mo.	\$	\$100,000	★	low complexity
	6 mo. - 2 yrs.	\$\$	\$1,000,000	★★★	moderate complexity
	2+ yrs.	\$\$\$	\$10,000,000	★★★★★	high complexity

IDENTIFIER	IDEA	TIMING	\$ IMPACT	COMPLEXITY/ RISK EXPOSURE	NUMBER OF VOTES
FEES & FUNDING OPPORTUNITIES					
D	Establish interest free revolving construction loan		\$\$	★	5
LEVY & BONDING					
H	Designated levy surcharge for Housing Trust Fund		\$\$	★★★★	3
I	General Obligation Bond		\$\$	★★★★	5
J	Revenue Bonds		\$\$\$	★★★★	5
FINANCIAL TOOLS					
K	Loan Guarantees		\$\$	★★★★	7
L	Unit Guarantees		*reduces risk	★★★★	2
M	Yield Preservation Support		\$\$	★★★★	1
N	Lock in prices for future projects		\$\$	★★★	3
O	Assisting homeowners adding units to their property		\$	★	3
P	City processes, financial stakeholder		\$\$	★★★	1
SOCIAL IMPACT FUNDS & MULTI-PARTY LEVERAGE					
Q	Land Donations		\$\$	★	3
R	Accessory Dwelling Unit donation		\$\$	★	2
T	Opportunity Zones		\$\$	★	1
U	Relax parking requirements		N/A	★★★	1
EXPERTS					
W	Vacant/abandoned property fees		\$	★★★★	2
X	College housing fee		\$\$	★★★★	1
Y	Debt tools that significantly lower cost to consumers		\$\$	★	2
Z	Inclusionary zoning, % of units or fee to affordable HTF		\$	★★★	2
AB	Partner with LISC to optimize Housing Trust Fund				1



MAYOR'S HOUSING TASK FORCE IDEA GENERATION

TIMING		\$ IMPACT		COMPLEXITY/RISK EXPOSURE	
	0-6 mo.	\$	\$100,000	★	low complexity
	6 mo. - 2 yrs.	\$\$	\$1,000,000	★★	moderate complexity
	2+ yrs.	\$\$\$	\$10,000,000	★★★	high complexity

IDENTIFIER	IDEA	TIMING	\$ IMPACT	COMPLEXITY/ RISK EXPOSURE	NUMBER OF VOTES
FEES & FUNDING OPPORTUNITIES					
D	Establish interest free revolving construction loan		\$\$	★	12
LEVY & BONDING					
H	Designated levy surcharge for Housing Trust Fund		\$\$	★★★	4
I	General Obligation Bond		\$\$	★★★	11
J	Revenue Bonds		\$\$\$	★★★	10
FINANCIAL TOOLS					
K	Loan Guarantees		\$\$	★★★	17
L	Unit Guarantees		*reduces risk	★★★	5
N	Lock in prices for future projects		\$\$	★★	3
O	Assisting homeowners adding units to their property		\$	★	7
SOCIAL IMPACT FUNDS & MULTI-PARTY LEVERAGE					
Q	Land Donations		\$\$	★	14
EXPERTS					
AB	Partner to create a Housing Trust Fund Coalition		\$\$	★	4