MEMORANDUM

TO: Forward 2040 Advisory Committee
FROM: Julie Farnham, Senior Planner
DATE: April 26, 2017
RE: Information Packet for May 3, 2017 meeting

The May meeting will focus on the Housing element. Staff will provide an overview of requirements for this element and trends and existing conditions related to housing. We will also discuss issues, opportunities, and challenges to be addressed in the Housing element update.

Note a light dinner will be provided at the meeting.

Enclosures:
- Meeting Agenda
- Housing Element Checklist
- List of existing housing programs offered by the City of Bloomington and HRA
- April 5, 2017 Meeting recap

Housing Element
The 2008 Housing Element set a solid foundation to meet, and in some cases, exceed, the minimum Metropolitan Council requirements. Staff has begun updating the required data tables, figures, and maps to reflect existing conditions and new development forecasts. One of the primary changes with this update is the requirement to describe housing affordability relative to three income groups (< 30% Area Median Income (AMI); 31-50% AMI; and 51-80% AMI) rather than the two groups required in 2008 (50% AMI and 80% AMI).

The focus of the 2008 Housing Element was on preserving and maintaining the existing housing stock while identifying opportunities to add new housing options through redevelopment. These goals remain relevant and will be brought forth into the Forward 2040 plan. However, the update will provide a more robust discussion of affordability and meeting the needs and preferences of Bloomington’s changing demographics.

At the meeting, staff will provide a brief overview of the 2008 housing element (document is online at this link blm.mn/2008housing) and the Met Council’s minimum requirements for the Housing element.
Background: Existing Conditions and Trends

The City hired Maxfield Research & Consulting to prepare a *Comprehensive Housing Needs Analysis* to describe the current housing stock and market in Bloomington and assess future housing needs through 2040, although affordable housing needs are only required to be projected to 2030. Data used in their analysis was derived from a variety of sources, including: US Census, ESRI (a national demographics service provider), Met Council, and City of Bloomington (e.g., building permit data). Complicating matters, not all data is available for the same years. This is largely due to the fluidity of the housing market and income levels (affordability) coupled with the objective of providing the most current data.

The analysis that follows attempts to provide the foundational information to understand the scope of conditions and issues relative to housing. This overview is largely compiled from the *Comprehensive Housing Needs Analysis* draft report, which was recently provided to staff for review. Dates of the data are provided for clarification. It’s a lot of information, but it will provide helpful background for the staff presentation and discussion of opportunities and challenges at the meeting.

**Bloomington Demographics**

Following are the key demographic changes that have implications on housing needs and demand.

*Bloomington Demographics Changes*

**Population**

- The largest gains are forecast for the population age 65 and older (over 100% increase to 2040).
- While experiencing a slight decline, the population in the key family-forming and home owning cohorts (ages 25-64) make up the largest proportion of the City’s population today (55%) and in the future (46% in 2040).

**Households**

- Household growth is expected to outpace population growth, reflecting the trend toward smaller household sizes.
- Household size in Bloomington decreased from 3.7 persons per household in 1970 to 2.3 pph in 2010. Household size is projected to decline only slightly through 2040.
- Between 2016 and 2040, forecast increase in households = 4,877.
- Breakdown of HH type in Bloomington in 2017:
  - Living Alone = 32.2%
  - Married without Children = 30.7%
  - Married with Children = 16%
Between 2010 and 2017 the “Other” households increased 18.4% in Bloomington
Between 2010 and 2017 “Married with Children” households decreased 17.1% in Bloomington

_Bloomington Employment and Income Characteristics_

Where Bloomington employees live (US Census - 2014 data)

- Live and work in Bloomington – 10,895 (24.5%)
- Live in Bloomington; work outside City – 33,544 (75.5%)
- Work in Bloomington; live outside the City – 87,818 (89%)
  - Mpls (11%); St. Paul (6.4%); Burnsville (3.7%); Eagan (3.2%); and Eden Prairie (3.1%)

Top Jobs in Bloomington

- The 2016 average earnings for all jobs/industries in Bloomington = $69,361.
- Three of the top five ranked jobs (by number of employees) had average earnings below the 2016 citywide average earnings.
  - Retail (13.2% of all jobs) = $34,808
  - Administrative & Support (11.4%) = $46,310
  - Accommodation and Food Services (9%) = $26,690
- Two of the top five ranked jobs have average earnings well above the 2016 citywide average earnings.
  - Professional, Scientific, and Technical (10.3%) = $113,226
  - Government (7.8%) = $73,766
- Over 50% of all jobs in Bloomington have average earnings less than $63,902; the 2017 median household income (see more below).

Forecast Job Growth:

- Forecast employment by 2040 = approximately 20,000 new jobs
- The highest growth rate is expected in Health Care & Social Assistance job types. An individual making average earnings in this job type can afford to rent in Bloomington, but may not be able to purchase a home without other household income (another wage earner).
- Two other occupations expected to grow are Computer System Analysts and Software Developers, which provide relatively high incomes (Professional, Scientific, and Technical job category).

Household Income

- In 2017, the Bloomington median household annual income = $63,902; though it varies by age cohort and housing tenure as described below.
- Adult age groups with median HH income less than $63,902:
  - 25-34 = $60,300
  - 65-74 = $59,845
+75 = $39,419

- Median income in age cohorts <35 and 65+ are below median
- Median income in age cohorts from 35-64 are above median
- Over 43% of households had median incomes over $75,000
- Household median income generally peaks in the 45-54 age group ($84,842)
- Bloomington median income is forecast to increase 16% by 2022

**Homeowner HH Income:**
- Median household income of all homeowners in Bloomington = $79,511 [\$15,609 above median household income of \$63,902]
- Over 94% of households with incomes above $150,000 are owners
- 36% of households with incomes below $15,000 are owners (likely seniors whose homes are paid for)

**Renter HH Income:**
- Median 2017 household income of all renters in Bloomington = $41,978 [\$21,924 below median income of \$63,902]
- Over 50% of residents with incomes below $35,000 are renters; rising to 64% for those with incomes below $15,000.
- In 2015, 14.9% of all renters had incomes less than $15,000. These households qualify for deep subsidy rental housing.

**Bloomington Housing Supply**

**Existing Housing Supply**
- Total number of housing units in 2016 = 38,116
  - 66% owner-occupied
    - Down from 68.9% in 2010 and 71% in 2000
  - 34% renter-occupied
- Housing Type
  - Approximately 52% are single-family detached homes (owner and renter occupied)
  - 48% are attached units (duplex, 4-plex, apts, townhomes, condos)
- Housing Age
  - Majority of housing (64%) was built between 1950 and 1980.
  - 9% of existing housing was built after 2000.
  - Median year built (SF) = 1970, thus median age = 46 years.
  - Median age of market rate rental (in larger developments) = 49 years.

**Recent construction in Bloomington**
- Between 2010 and 2016, 1,620 new housing units were built:
  - 116 single family (7.2%)
  - 36 duplex and townhome (2.2%)
  - 1,468 multi-family (90.6%) – reflects increased demand for senior and rental apts
Housing Tenure (2017):
- Households that are home owners = 67.8%
  - Many have lived in their homes for 20, 30, or over 40 years
- Households that are renters = 32.2%
- Proportion of renters to owners increased slightly between 2010 and 2017.
  - May reflect reticence to buy during the Great Recession.
  - Trend: increase in number of “lifestyle renters” [those who can afford to own, but choose to rent].

Future Housing Demand

- Forecast household growth is common indicator of the amount of housing needed, because “household” is often defined as an occupied housing unit. Thus, household growth roughly equals demand for new housing units.
- Bloomington is forecast to add 4,877 households through 2040
  - +951 by 2020
  - +2,288 between 2020 and 2030 [aging baby boom]
  - +1,638 between 2030 and 2040

Demand is also affected by a host of other factors, including: the quality of the existing housing supply; changing preferences; needs related to demographic shifts; and availability of land for new housing development. It is important to note estimated demand may exceed forecast household growth. That is the case in Bloomington, where estimated demand through 2030 (shown below) exceeds forecast household growth through 2040 (shown above). The future household forecast is related to forecast population growth. While these forecasts factor in variables such as birth rates and in/out migration of residents, they mostly reflect straight line projections based on past trends. While housing demand also considers trends, it attempts to reflect more subjective preferences and future income, both of which are too individualized to accurately project. Further, demand is limited by land supply, which is tight in Bloomington.

The Comprehensive Housing Needs Analysis estimated demand for 6,076 units of various types of housing through 2030 as follows:

- For-sale housing demand through 2030 = 948 units:
  - Single family = 227
  - Multi family = 721
- Rental housing demand through 2030 = 1,913 units
  - Market rate = 849
  - Affordable = 745
  - Subsidized = 319
- Senior housing demand through 2030 = 3,215 units
  - Market rate = 2,485
  - Subsidized = 730
**Takeaways:** Given the City's aging population, demand for senior housing will be strong in the coming decades. Demand also remains for affordable rental housing.

**Affordability**

Definitions of “affordable” housing:
- The Federal government considers housing affordable if a households housing costs don’t exceed 30% of gross household income
- However, income varies by age; some generalized, age-specific considerations:
  - Younger households (25-54) typically need to keep housing costs to 25-30% of income, given relatively high living expenses in early years of career, setting up house and family forming (e.g., child care, school/programs, work wardrobe, furniture, transportation).
  - Older households (55-74) may be able to devote 40% of HH income to housing, given typically lower living expenses (home paid off etc).
  - Senior households (75+) needing support services often spend up to 90% of income on housing/care.

**Cost Burdened:** a household is considered cost burdened if they spend more than 30% of HH income on housing.
- Moderately cost burdened = HH spending 35%-49.9% of HH income on housing
- Severely cost burdened = those spending 50% or more of HH income on housing

**Affordability rule of thumb:** Housing is considered affordable if costs are no more than 3.0-3.5 times median income (this assumes average, not high, level of outstanding debt)
- Median household income in Bloomington in 2017 = $63,902, but varies by tenure:
  - Median income for homeowner = $79,511
  - Median income for renters = $41,978

**Affordable Ownership**
- Households in Bloomington meeting median annual income ($63,902) can afford home priced at between $191,700 and $223,600.
  - 57% of owner-occupied housing is valued at or above $200,000
  - 35% valued at or above $250,000
- In 2016, the median estimated owner-occupied home value in Bloomington was $261,800 and median sales price was $232,000. However, this varies between detached single family homes and multi-family townhomes/condos. It also varies between east and west Bloomington, as shown below:

<table>
<thead>
<tr>
<th>Bloomington Median Sales Price - 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>House Type</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Single Family</td>
</tr>
<tr>
<td>Townhome/Condo</td>
</tr>
</tbody>
</table>

- Based on rule of thumb, HH income needed to afford median sale priced ($232,000) home in Bloomington = $66,286 to $77,333.
Less than half of job types in Bloomington have average income of at least $66,286. Thus, many single earner HH could not afford median priced home.

- In 2016, 51.6% of Bloomington HH have incomes of at least $66,286
  - These are in the 35-64 age group with median incomes ranging from $75,872 to $84,842.

### Affordable Rental

Affordability in rental housing is based on household income relative to the Area Median Income (AMI). The maximum affordable rent varies by household size and the number of bedrooms in the unit (studio to 4 BR). The comprehensive plan update must describe the amount of housing affordable to the three income categories, shown below with the corresponding maximum rent (cost range takes into account the variables mentioned above).

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Maximum Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% or less AMI</td>
<td>$431-$695</td>
</tr>
<tr>
<td>31-50% AMI</td>
<td>$751-$1,158</td>
</tr>
<tr>
<td>51-80% AMI</td>
<td>$1,202-$1,854</td>
</tr>
</tbody>
</table>

### Bloomington Rental Units - 2017

<table>
<thead>
<tr>
<th>Class</th>
<th>Year Built</th>
<th># Units</th>
<th>Ave Market Rent</th>
<th>Needed Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2000 – present</td>
<td>1,159</td>
<td>$1,639</td>
<td>$59,004-$68,839</td>
</tr>
<tr>
<td>B</td>
<td>1980-1999</td>
<td>2,363</td>
<td>$1,166</td>
<td>$41,976-$48,972</td>
</tr>
<tr>
<td>C</td>
<td>1959-1979</td>
<td>5,284</td>
<td>$1,024</td>
<td>$36,864-$43,008</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>8,806</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Note: Bloomington rents are lower than Edina and Eden Prairie; higher than Richfield
- 60% of all rental units are at least 38 years old
- 63% of rental units are affordable to HH earning 50% of AMI
- 2016 vacancy rates are below what’s considered healthy – 5%.
  - Market rate rental vacancy rate = 2.7%
  - Affordable or subsidized rental units = 0%
- Median income for age cohorts between 25 and 75+ range from $39,419 to $84,842

**Take aways:** Most households in Bloomington have median incomes high enough to afford the average market rent of some existing rental housing. However, many jobs in Bloomington don’t pay enough for a single person to afford the average market rent. Thus the household would need two incomes to afford some market rate rentals.

### Summary of Existing Programs, Plans, and Resources

The City currently provides a number of programs related to housing. The purpose of the programs ranges from providing subsidies to make housing affordable (e.g., housing vouchers) to various loan and grant programs for home improvements. The City’s Housing and
Redevelopment Authority (HRA) also partners with other agencies and private developers on larger-scale redevelopment projects including housing, such as the Penn American redevelopment district.

A list of City and HRA programs is provided in the attachments. In addition, the City’s Environmental Health Division has been monitoring foreclosures for nine years (since 2008). Monitoring is done twice a year and helps identify vacant properties, nuisance and maintenance violations, and ensure buildings are secured from illegal entry. The number of foreclosures has dropped significantly since the peak during the Great Recession in early 2012 (293) to the most recent (33). It is noted that in fall 2016 inspections, 14 foreclosed properties were identified as vacant.

Challenges and Opportunities

To assist staff with the housing element, discussion at the advisory meeting will focus on issues, opportunities and challenges that may affect the City’s housing supply over the next 20 years.

The staff technical work group identified the following items to consider:

- **Changing needs and preferences**
  - Smaller housing sizes – increased demand for smaller units?
  - Mobility limitations – increased demand for “universal design”; “8-80 Communities”
  - Desire to “age in place”
  - Potential for some to be “stuck in place” due to soft resale market
  - Accommodating multiple generations in same unit/lot
    - Accessory dwelling units (ADU’s)
  - Desire for alternative living styles
    - House/roommates – “Golden Girls”
    - Co-housing w/shared common space
  - Desire for convenient access to amenities and transit
  - Desire for low maintenance living

- **Limited land to accommodate new development**
  - Focus will be on infill and redevelopment
  - High land and construction costs
  - Low vacancy – pent up demand (particularly for rental housing)
    - 2016 rental vacancy rate = 2.7%; 5% vacancy rate considered “healthy”
    - No vacancy in affordable or subsidized rental units
  - “Lifestyle renters” – households who can afford to own, but choose to rent; potentially reducing the amount of housing available to those with fewer choices.
  - Teardowns – to date, this hasn’t been a major issue in Bloomington. However, it is a growing concern in other cities, including Edina. While replacing old,
dilapidated homes provides many benefits. One of the primary concerns with tear downs is the loss and replacement of older, affordable homes with newer, more expensive homes.

- **Affordability**
  - Preservation of existing naturally occurring affordable housing (NOAH)
  - Lack of adequate and consistent funding
  - Fair housing and inclusionary policies

- **Aging housing stock**
  - Increased need and demand for maintenance and rehabilitation
    - Existing City/HRA home improvement programs

- **Accommodating special needs**
  - Seniors (assisted, memory care)
  - Disabilities
  - Mental illness
  - Homelessness

**May 3 Advisory Committee Meeting**

At the meeting, staff will provide an overview of the information provided in this memo. The focus of the discussion will be on the challenges and opportunities and how they might be addressed in the Housing element update. It will be helpful to consider what the City has direct control over (for example, regulations related to minimum dwelling size) and what the City can only influence indirectly (for example, market preferences and outside funding).
Bloomington HRA Housing Programs/Activities:

- Housing Choice Voucher (Section 8) Program. The HRA’s 551 voucher Section 8 program has been in operation for over 30 years. This tenant-based program is the largest affordable housing program administered by the HRA. The program’s jurisdiction is the City of Bloomington. Over 120 landlords in the City participate in this program. The waiting list is approximately 3-5 years long is closed to new applications. https://www.bloomingtonmn.gov/cd/hra/affordable-housing

- Rental Homes for Future Homebuyers. This program is designed to assist families make the transition from renting to owning their own home. The participant family rents one of 21 single-family homes from the HRA for a maximum of five years. As the family’s income increases, a portion of their rent is put into escrow for use as a down payment for the purchase of their first home. The waiting list is open to new applicants with a wait time of 2-3 years to be served.

- Assisted Rental Housing Program. This program is comprised of 26 former Public Housing units that have been converted to Project-Based Section 8 Vouchers (PBV). The units include 20 single-family homes owned by the HRA and six townhome units which are privately owned. Participants are selected off the HRA’s Section 8 waiting list.

- Single-Family Housing Rehabilitation Loan Programs. The HRA presently operates three rehab loan programs available to homeowners in the City, described below:
  
  o CDBG Rehab Loan Program. This program has been in operation for over thirty years and provides loans to about 30 homeowners per year to make needed repairs and improvements to their home. The loan maximum is $35,000 and the interest rate is currently 2% with no monthly payments and is offered city-wide. This deferred loan is payable when the home is sold or title is transferred. The program is presently accepting applications. Income limits of 80% of AMI apply. This program is funded by the City’s CDBG grant and repayments of old loans.
  
  o Neighborhood Loan Program. This loan program is offered city-wide and has the same loan maximum and terms of the CDBG loan program. However, the income limit for this program is 100% of AMI. The Neighborhood Loan Program is presently accepting applications and serves about 30 homeowners per year. The program is funded by the use of City and HRA levy funds.
  
  o Curb Appeal Loan Program. The new initiative is designed for homeowners to make exterior improvements to their home that will improve the appearance of the targeted neighborhood. Eligible improvements include siding, windows, roofs and driveways. The maximum loan amount is $10,000 and the interest rate is 0%. The 2016 target neighborhood is bound by American Blvd. on the North, Portland Ave. on the West, Old Cedar Ave. on the East and the Minnesota River on the South. Applications are being
accepted for homeowners in the target area who have incomes of 100% of AMI or below. The program is funded by the use of City levy funds.

- Loan programs web page: [https://www.bloomingtonmn.gov/home-improvement-loans](https://www.bloomingtonmn.gov/home-improvement-loans)

- Home Energy Squad Enhanced. The HRA partners with the Center for Energy and Environment (CEE) to offer the Home Energy Squad Enhanced program at a reduced cost to Bloomington homeowners. The program is for all homeowners who want to make sustainable energy improvements to their homes. At the visit, energy experts will install energy saving items such as programmable thermostats, door weather-stripping and CFL light bulbs, with a typical value of $50. A blower door test of the home will also be completed. The test will help prioritize major energy improvements that could be done, such as adding insulation or window replacement. [https://www.bloomingtonmn.gov/home-energy-squad-enhanced](https://www.bloomingtonmn.gov/home-energy-squad-enhanced)

- Community Development Block Grant (CDBG) Program. The HRA administers the CDBG program on behalf of the City. The activities funded by the program include the single-family rehab loan program, Senior Community Services Household & Outdoor Maintenance for Elderly (HOME) program, West Hennepin Suburban Land Trust and fair housing activities.

- Redevelopment Activities. The HRA helps the city to redevelop through focused efforts and key partnerships. The most current activity is the Penn American redevelopment district. This mixed-use redevelopment of former car sales lots includes housing, grocery, retail and a hotel. Future phases of in this district could see additional rental housing, including an affordable component. The HRA typically partners with developers to complete such redevelopment projects. These efforts are funded with a variety of sources, included HRA levy funds, federal/state/county grants and loans and private financing. [https://www.bloomingtonmn.gov/bloomington-housing-and-redevelopment-authority-hra/redevelopment](https://www.bloomingtonmn.gov/bloomington-housing-and-redevelopment-authority-hra/redevelopment)

- Housing Improvement Area (HIA) Program. The HIA program is a financial tool for improvements in condominiums and townhomes. Administered by the HRA, HIA’s are City-funded loans that enable condo and townhome associations to complete needed improvements to common areas of their development that they are otherwise unable to finance. Funding for HIA loans is limited and will be awarded on a competitive basis. [https://www.bloomingtonmn.gov/housing-improvement-area](https://www.bloomingtonmn.gov/housing-improvement-area)

- Blighted Properties Program/Lots for Sale. The HRA has a pool of finds available for the acquisition and demolition of substandard residential homes. Once the lot is cleared of the blighted home, the lot is then sold to a buyer for the construction of a new owner-occupied home. The HRA works closely with the Environmental Health division to identify homes for possible acquisition. [https://www.bloomingtonmn.gov/residential-lots-sale](https://www.bloomingtonmn.gov/residential-lots-sale)

**City of Bloomington Housing Programs/Activities:**

- Rental Housing Licensing and Inspection Program. The rental housing inspection program consists of inspecting all licensed rental dwelling units, including: single-family homes,
townhouses, condominiums, duplexes, multi-family buildings, housing with services dwellings and accessory dwelling units. Environmental Health Inspectors annually inspect both the interior and exterior of all rental dwelling units within Bloomington. They also respond to complaints concerning rental properties and systematically inspect the exterior of rental units throughout the year. Bloomington requires that every dwelling unit being rented must have a rental license prior to renting. The focus of the rental inspection program is to maintain the quality and stability of rental dwelling units which will preserve the value of land and buildings throughout Bloomington. Rental housing conditions that adversely affect or are likely to adversely affect the life, safety, general welfare and health of renters can be corrected and prevented by enforcing minimum standards within the city.

https://www.bloomingtonmn.gov/environmental-health-division/rental-housing-inspection-program

- Time-of-Sale (TOS) Housing Inspection Program. The (TOS) program provides potential purchasers with information about the condition of a dwelling and requires the correction of immediate hazards. A Time-of-Sale (TOS) Housing Inspection must be completed and a Time-of-Sale (TOS) Housing Evaluation Report must be filed with the City of Bloomington for all single and two-family dwellings, condominiums, townhouses and mobile homes offered for sale. Multi-family rental buildings of four (4) or more units are not included.

- Home Improvement Fair. The City hosts a Home Improvement Fair every other year, typically in February. The most recent Fair was held in 2016. The event provides guests with the opportunity to visit over 60 vendors from the home improvement industry and also attend any of the multiple how-to seminars presented throughout the day. The event in City Hall attracts over 1,500 visitors.

- Residential Property Compliance Program. In order to monitor neighborhood conditions and identify signs of decline in their earliest stages, the City established the Residential Property Code Compliance Program, consisting of resident complaint investigations and systematic inspections. Environmental Health conducts systematic inspections of all residential areas within Bloomington. Each property is inspected for violations of the City’s Code and, if observed, orders are issued for those violations. A property that is issued orders is given a reasonable time period to comply with the orders.
  https://www.bloomingtonmn.gov/residential-property-code-compliance

- Rental Housing Collaborative. The Rental Housing Collaborative is a city-wide group for managers, owners and other interested persons involved with rental property. The Bloomington HRA facilitates the group with strong involvement from Bloomington Police and the City’s Environmental Health Division. The group meets several times per year for presentations on a variety of topics, including legal issues, fair housing, best practices and tenant selection. It is also an opportunity for local owners/managers to network with each other and develop good working relationships with City staff.
  https://www.bloomingtonmn.gov/rental-housing-collaborative
Crime-Free Multi Housing. Coordinated by the City’s Police Department, The Crime Free Multi-Housing Program is a partnership between the Police Department, rental property owners and managers, and tenants. The purpose is to provide a safer living environment, and reduce crime and nuisance problems in rental properties. [https://www.bloomingtonmn.gov/police-links/programs/crime-free-multi-housing](https://www.bloomingtonmn.gov/police-links/programs/crime-free-multi-housing)
Forward 2040 Advisory Committee
Meeting Agenda
Wednesday May 3, 2017
6:30-8:30 pm
McLeod Conference Room
Bloomington Civic Plaza

1. Housing Element - Requirements and Discuss Issues, Opportunities, and Challenges
   *(90 minutes)* – Julie

2. Questions *(15 minutes)*

3. Next Steps (5 minutes)