



**DOWNTOWN
MINNEAPOLIS
NEIGHBORHOOD
ASSOCIATION**

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November 11, 2019

Ms. Andrea Brennan, Director of Housing Policy and Development
City of Minneapolis, CPED
105 Fifth Ave. S. - Room 200
Minneapolis, MN 55401

Re: Inclusionary Zoning Policy

Dear Andrea:

I am writing to you in follow up to your presentation at the DMNA Land Use Committee on November 5. This letter serves to summarize the feedback from the committee members.

The Land Use Committee fully endorses the City's goal of increasing the affordable housing stock in Minneapolis. Several committee members, however, did have concerns that the proposed inclusionary zoning policy could have the opposite effect on the construction of affordable housing, ultimately exacerbating the current shortage. Among the concerns expressed were that over-regulation of the marketplace could jeopardize private investment in housing, and the odds of policy failure would increase significantly if the housing market goes soft. Moreover, market-rate rents could increase as a result of this market constriction.

A related concern expressed by one member was that allowing developers to build significantly higher buildings through zoning changes and then imposing inclusionary zoning regulations could be a less effective strategy than negotiating with individual developers to add affordable units in exchange for additional floors.

The Land Use Committee has championed affordable and market rate home ownership, in conjunction with one of our core goals, the promotion of a stable, civically engaged residential neighborhood. In the downtown neighborhoods, home ownership means condominiums, and the committee is therefore particularly concerned that the draft inclusionary zoning recommendations have not adequately considered or addressed possible effects for condominium owners. Among the issues raised in discussion were: the difficulties of maintaining affordability after the initial sale; possible implications for higher HOA fees; and the negative effect that affordable units could have on value of market rate units. For example, through the calculation of real estate comps. One committee member suggested moving inclusionary language away from home ownership until the City can demonstrate a good rental history of developers working with the city. This would potentially save Minneapolis from losing good projects.

The committee assumes that the City will formally approve the proposed policy on the timetable given in the presentation, and hopes that it will have the intended effects. Because of uncertainty about its outcome, however, comprehensive evaluation is essential. Inclusionary zoning policies in other cities are a relatively new

phenomenon, and there is insufficient information available to fully assess their impact. The research that does exist gives good reason for skepticism. The committee would appreciate further information on how the City will monitor the policy's effects at regular intervals and otherwise evaluate its success or failure.

If you have any questions about this letter, please feel free to contact me at christie@thedmna.org or by phone at 320-583-4573.

Sincerely,

Christie Rock Hantge
DMNA Neighborhood Coordinator

CC: Joe Tamburino, DMNA Board Chair
Kevin Frazell, DMNA Land Use Committee Chair