2021 Housing Action Plan
Introduction and Background

Purpose
This Housing Action Plan (the “Plan”) provides both short-term and long-term policy guidance regarding strategies to assure creation and preservation of affordable housing as well as the revitalization of existing housing and preservation of neighborhoods. Additionally, this Plan fulfills regulatory requirements regarding the acceptance of 2021-2030 LCA Affordable Housing Goals from the Metropolitan Council as well the creation of a municipal fair housing policy.

Introduction
The City has been committed to housing variety since its first comprehensive planning efforts in the late 1970s. The 2040 Comprehensive Plan continues that tradition with one of its guiding principles stating that “the City of Woodbury will encourage the development of a diversity of housing to accommodate people of all ages, income levels and family status. The City will identify areas for residential growth in a range of types, styles and affordability while maintaining high quality building standards and amenities.” This Plan is the main housing implementation step of Woodbury’s 2040 Comprehensive Plan.

This Plan recognizes the important link between the City’s diverse housing stock and the varied employment base in the community. The Plan also provides strategies to proactively address blight within all areas of the City.

This Plan provides housing policy guidance both to the City of Woodbury as well as the Housing and Redevelopment Authority in and for the City of Woodbury (the “Woodbury HRA”). The Plan was adopted by the City on April 14, 2021. Previous Housing Action Plans may continue to be used as a reference regarding specific housing programs, affordability definitions and benchmarks for achieving housing goals, but this Plan builds off of and replaces all previous Housing Action Plans.

Background and Historical Context

Housing in Woodbury Prior to 2006
Woodbury’s planning documents have long made the case for the importance of housing diversity. The November 1980 Comprehensive Plan Summary Report notes from a philosophical perspective that “in view of the difficulties in finding affordable housing in today’s economy, the City has a responsibility to allow housing for low and moderate income persons.” Specifically, the report continued “modest cost housing is desirable for Woodbury since it can provide for: 1) a balanced community, 2) living units for many persons who will work in Woodbury as it grows, and 3) living units for younger and older persons who have roots in Woodbury.” Many of the topics in this document from 40 years ago continue to be relevant today.

Much of the housing planning in Woodbury prior to the 2000s was facilitative in nature and relied on planning and zoning tools such as the use of the PUD tool or density bonuses. To a limited extent, the City has used the tax increment financing (TIF) tool to assist with affordability at two senior housing locations. These two TIF Districts were created as part of the development approval process for Woodbury Senior Living and Quarry Ridge Senior Living (now known as Stonecrest of Woodbury).
The City’s land use and zoning definitions allow for multi-family residential uses within the R-4 zoning district subject to a conditional use permit. This approach, combined with Woodbury’s commitment to a 50-50 split between single-family and non-single-family residential set the stage for the diverse array of apartments, townhomes, twin homes, and single-family homes that are in Woodbury today.

The impetus for planning work related to affordable housing in the 1990s came from the local employers who wanted to ensure that the City had a viable laborshed and saw affordable housing as an economic development priority of the City. This led to the Woodbury EDA, prior to the formation of the HRA, beginning the practice of issuing a housing property tax levy which was first used to acquire the land where the Views at City Walk, a 45-unit affordable housing apartment building was subsequently developed by CommonBond Communities following a RFP process.

The City of Woodbury adopted its first Housing Action Plan on June 30, 1996 in response to the Metropolitan Livable Communities Act. In 2001, the City commissioned a Housing Task Force to review the progress for developing affordable and life cycle housing. The Housing Task Force included representatives from the business community as well as residents-at-large. The task force’s Housing Action Plan of 2001 which was adopted by the City Council included several programs and financial strategies to encourage affordable housing and housing maintenance. One strategy was to use the Economic Development Authority’s HRA powers to levy funds in support of housing programs.

In the early 2000s, the Woodbury Community Land Trust (WCLT) was formed. This standalone 501(c)(3) organization was created by community leaders in an attempt to construct housing in which the non-profit organization would own the land underneath homes that were built and sold to homeowners. This separation of ownership between the structure and the land was viewed as a way to reduce the costs of homeownership. While this model has worked elsewhere in the region, the timing of the Great Recession caused the WCLT to crumble and it closed prior to achieving its first development project as originally proposed within the City Walk development. Separate from the WCLT, the Lake Elmo-based Two Rivers Community Land Trust did acquire and rehab one property in Woodbury Heights that was sold to a family using the land trust model.

**Housing in Woodbury, 2006 - Present**

Following the closure of the WCLT, the Woodbury HRA was formed in 2006 so that Woodbury could have a coordinating body regarding affordable housing as well as to maximize the number of potential bank-qualified conduit bond issuers. In addition to its financial role, the HRA facilitated the development of the 2007 Housing Action Plan.

With the creation of the HRA, Woodbury rolled out four loan programs in 2009 that have evolved over time and subsequently been condensed to two programs: the Woodbury First-Time Homeownership Program and the Neighborhood Reinvestment Fund. Both are designed as loan programs with a three percent interest rate. The First-Time Homeownership Program is designed not as a down payment assistance program; but, rather as a monthly payment reducer. By offering a $25,000 second mortgage, the first mortgage holder typically will waive or reduce the need for private mortgage insurance which can lead to significant, ongoing monthly savings.
The Neighborhood Reinvestment Fund provides capital to existing Woodbury homeowners to finance non-luxury improvements, address code deficiencies or invest in energy-efficiency.

As noted within the 2007 Housing Action Plan, the original HRA levy was $350,000 with anticipated annual increases until the levy reached a stabilized $525,000 amount. At the time, the $525,000 stabilized levy amount was anticipated as the amount needed to operate a housing loan program and pay administrative and operating costs. Several fiscal realities have allowed the HRA levy amount to be lowered to and remain at $250,000 while allowing the housing loan programs to remain viable.

**Education, Communications and Definitions**
This Plan does not ask the question of whether or not affordable housing is needed in Woodbury; but, rather, how it can be achieved. Woodbury’s comprehensive plans have long included the guiding principle that “the City of Woodbury will encourage the development of a diversity of housing to accommodate people of all ages, income levels and family status. The City will identify areas for residential growth in a range of types, styles and affordability while maintaining high quality building standards and amenities.”

Many public policy documents refer to affordable housing without clearly defining the term. In Woodbury, most federal and state affordable housing programs limit the income of the beneficiary households to either 60 percent or 80 percent of the area median income. However, local programs such as the Woodbury HRA loans have long had a higher income limit given that Woodbury incomes tend to be higher than the region as a whole. This Plan does not establish a definition of affordable housing but rather notes that specific programs and implementation strategies will be tailored to serve different metrics.

From a statutory perspective, the City’s HRA is governed by Minnesota Statutes, Section 469.001 through 469.047 although a wide range of federal and state laws and rules provide additional as well as complementary guidance.

Given the existence of the Metropolitan Council’s Livable Communities Act grant programs (LCA), this Plan and its policy language regarding fair housing need to be adopted prior to the acceptance of any additional LCA grants serving the community. The adoption of this Plan also acknowledges the LCA affordable housing goal for Woodbury for the 2021-2030 decade. This goal is an aspirational goal that is assigned to the City based on Woodbury’s share of the overall regional need for affordable housing.
Housing Guiding Principles

This Plan is an implementation step of the City’s 2040 Comprehensive Plan. As such, the housing guiding principles as stated in the housing chapter of the 2040 Comprehensive Plan also serve as the guiding principles for this Plan. They are:

1. Provide a variety of housing styles, sizes and prices that lets people of all ages and incomes live in Woodbury today, adapts to future changes in demographics, and meets local labor force needs.
2. Continue Woodbury’s commitment to providing balance between single-family and multi-family homes.
3. Encourage a high standard of property maintenance.
4. Promote quality housing developments that respect the natural environment.
5. Provide a fair share of the region’s need for quality affordable housing.
6. Integrate affordable workforce housing into the larger community.
7. Support and create housing opportunities for senior citizens.
8. Ensure that Woodbury’s high density residential developments shall have access to open space areas as well as park and recreation amenities consistent with the other land uses that have become a hallmark of the community identity.

The City Council reviewed and discussed nine policy sections as part of the development of this Plan over the course of 2020 and 2021. This Plan recognizes that housing policy is a dynamic topic and there are other components of housing policy outside of these nine areas. The following pages describe these policy sections and the needed implementation steps in detail.

1. Woodbury HRA Loan Programs
2. Woodbury HRA Fund Balance
3. Maximizing the Housing Choice Voucher Tool
4. Land Banking
5. Tax Increment Financing and Tax Abatement
6. Rental Licensure and Code Enforcement
7. Use of the Density Bonus Tool
8. Compliance with the Livable Communities Act
9. Compliance with Fair Housing

These three rental townhome developments in Woodbury offer examples of affordable rental communities developed using the federal low income housing tax credit tool.
Section 1—Woodbury HRA Loan Programs

Overview
The main outcome of the 2007 Housing Action Plan was the establishment of HRA loan programs that would serve both low- and moderate-income households looking to become first-time homebuyers in Woodbury as well as low- and moderate-income homeowners in Woodbury needing access to capital to update their homes, address deferred maintenance, address a code violation or undertake energy efficiency improvements. The HRA loan programs became operational in 2009 and since then more than $6 million in loans have been issued assisting more than 250 Woodbury families. It has been a long-stated goals that the HRA loan programs become a self-revolving loan pool, but at this point in time there are not yet enough annual principle and interest payments for the loan pool to self-revolve and an annual HRA property tax levy continues to be needed.

Policy Review
The Neighborhood Reinvestment Fund was established at the end of 2018 in an effort to combine the former Woodbury Home Improvement Fund and Woodbury Goes Green into one program offering low-interest term loans to Woodbury property owners who are looking to make exterior or interior improvements to their homes and who earn no more than 125 percent of the Woodbury median income. Increased collaboration between housing staff and code enforcement staff has led to a successful implementation of this loan program which will benefit the City in the years to come as community’s housing stock ages.

The Woodbury First-Time Homeownership Program has been operational since 2009 and offers low-interest deferred loans to first-time homebuyers. As a pre-implementation step to this Plan, the Board of the Woodbury HRA authorized a new component to the program offering a zero-percent interest rate to first-generation homebuyers.

The HRA loan programs require full manual underwriting as part of their application review process which has led to a default rate of less than one percent, a rate significantly less than industry standards.

Implementation

1. Prioritize the marketing and utilization of the Neighborhood Reinvestment Fund and Woodbury First-Time Homeownership Program through new marketing and communications strategies to reach audiences and potential borrowers who may not be aware of the programs.
2. Evaluate the potential to create a new HRA loan program that would provide assistance to homebuyers that are first-time buyers in Woodbury, but who have previously owned a home. This type of program is sometimes referred to as a “step-up program”.
3. Research if the required minimum contribution of 3.50% of the purchase price for Woodbury’s First-Time Homeownership Program is a barrier to entering the Woodbury marketplace.
Section 2—Woodbury HRA Fund Balance

Overview
The cash assets of the Woodbury HRA are held within the HRA Fund, a special revenue fund of the City of Woodbury. As the HRA has issued loans since the inception of the loan programs in 2009, the amount of revenue from principal and interest payments, along with conduit bond allocation issuance fees and other earned income streams, has led to a cash fund balance at the end of 2020 of approximately $1.8 million. This amount is separate from the amount of notes receivable from previously issued loans. A certain amount of cash must be on-hand to pay for the issuance of future loans as well as staff and operational expenditures.

Policy Review
Several potential housing-related programs referenced in this Plan would likely require funding from the HRA’s fund balance and future budgetary resources. A new policy is needed to provide direction regarding the minimum amount of cash-on-hand needed to sustainably manage the HRA’s budget, as well as to provide guidance to the HRA Board regarding appropriate amount of the HRA property tax levy.

Implementation
The Audit and Investment Commission will be tasked with reviewing and approving a policy that helps guide the Woodbury HRA’s Board of Commissioners when considering an annual HRA property tax levy. This policy work shall be complete in mid-2021 prior to the annual budget workshop that is held every September.

This policy will review historic trends in revenues and expenditures, the demand for the HRA loan programs, projections of future revenues and expenditures, and the cost of potential future new programs of the HRA. These considerations will be used to create guidelines for the appropriate fund balance in the HRA Fund as well as triggers and criteria for establishing the annual HRA property tax levy.
Section 3—Maximizing the Housing Choice Voucher Tool

Overview
The federal housing choice voucher—sometimes referred to as the Section 8 voucher—is one of the most cost-effective affordable housing tools in the country. However, the federal formula for allocation of vouchers to public housing authorities (PHAs) around the country has not been updated to reflect current population and demographics of communities. As such, the Washington County Community Development Agency which serves as the PHA for all Washington County communities does not have enough vouchers to meet the needs of low-income residents in the county.

Policy Review
On occasion, the Metro HRA, as operated by the Metropolitan Council, offers communities the opportunity to add project-based housing choice vouchers to a rental community. This Plan recognizes that there may be an opportunity in the future to create a pilot program whereby the HRA would fund either real property improvements or maintenance activities at an existing rental community in Woodbury, and the owner of the rental community would in turn agree to accept a certain number of project-based housing choice vouchers to increase the quantity of vouchers in the community.

Implementation
The City shall monitor the availability of housing choice vouchers in the community and identify potential pilot programs to leverage this tool.

The Views at City Walk received four project-based housing choice vouchers as part of its initial development financing. These vouchers help ensure a continued and predictable income stream to the project therefore ensuring both long-term affordability and promoting a commitment to maintenance and reinvestment in the building.
Section 4—Land Banking

Overview
One of the largest financial barriers in the development of affordable housing in Woodbury is high land values. The comprehensive plan system established by the Metropolitan Council requires that the City plan for a sufficient amount of acreage in the community to be guided at density levels that allow apartments and other high density multifamily projects. A challenge with this approach is that once a city guides land for future high density development, the value of the land immediately increases, and often times real estate speculators purchase the property for purposes of investment. This often results in the land being too expensive for affordable housing developers from a development pro forma perspective.

Policy Review
Under land banking, the City could acquire parcels of property in the near term that are not currently guided for high density uses and that are not currently served by utilities for relatively low acquisition costs and hold the properties until they are ready to be served by utilities. In this manner, the City could then sell the property in the future for the purpose of developing affordable housing with the goal of making its money back but not necessarily realizing a significant profit. Land banking is not an allowable expenditure for HUD funds or other housing resources and would require the use of HRA fund balance. As such, if the Council is interested in pursuing land banking as a way to facilitate the development of more project-based affordable housing than the typical two-to-three projects per decade that Woodbury has historically seen, the HRA fund balance could be effectively leveraged.

Implementation
Land banking is not an eligible use of the typical federal and state affordable housing funding sources. Given that any potential land banking would require a capital-intense use of HRA fund balance, this Plan recommends the following two implementation steps:

1. Ensure that land banking is considered as a potential use of HRA funds when the Audit and Investment Commission studies the HRA’s fund balance.
2. City staff should be opportunistic to identify opportunities for land banking for the purposes of developing affordable housing, especially if acquisition of potential sites could offer multiple public policy benefits.

While the City has never undertaken a formal land banking approach, the Woodbury HRA has on occasion facilitated via land acquisition the development of affordable housing such as the Views at City Walk.
Overview
Tax increment financing (TIF) and tax abatement are both statutory tools in Minnesota that can be used to provide gap financing for the creation of affordable housing. While Woodbury has used TIF twice in the past to assist with the development of affordable housing (Woodbury Senior Living and Stonecrest of Woodbury), the City’s current policies do not allow tax TIF or tax abatement solely for the purpose of affordable housing.

Policy Review
The City has observed over the past several years that it is increasingly difficult for affordable housing projects in Minnesota to secure the funding from federal, state, and regional funders without some type of local match. Specifically to Woodbury, some of the City’s go-to tools such as density bonuses, conduit bond issuances, and the use of the PUD tool are often not viewed by the funding agencies as local match. While Woodbury tries to maximize the availability of pass-through federal funds as well as dollars available to the Woodbury HRA, the reality is that most communities in the metro turn to TIF as a funding source. TIF not only leverages funding from the school districts and the county, but when administered in a measured and careful approach, it can be made available and shaped to meet community needs. While staff anticipates that TIF would be the most commonly requested public financing tool, there are circumstances under which tax abatement could potentially be used to facilitate the development of affordable housing.

Implementation
Taking a measured approach regarding the potential use of TIF and/or tax abatement for affordable housing purposes, this Plan envisions that the Economic Development Commission would review a revised TIF Policy to allow for measured use of housing TIF or tax abatement. The revised TIF Policy will continue to emphasize that any use of TIF and/or abatement is at the sole discretion of the City Council and is not a matter of right. The following three tests will be needed, at a minimum, to allocate TIF or tax abatement to a housing project:

a) the proposed housing projects prioritize renting to households earning incomes of 50 percent of area median income or less (stricter than state statute);

b) additional public policy goals would be met such as but not limited to removal of blight, assembly of multiple parcels, construction of needed public infrastructure, benefit to the Woodbury parks system, etc.; and

c) the City’s Financial Advisor concurs that the project would not be financially feasible but-for the TIF or tax abatement funding.

In addition the implementation step referenced above, this Plan also recommends that the Economic Development Commission consider updates to the TIF Policy based on lessons learned from the 2019 creation of TIF District #15.
Section 6—Rental Licensure and Code Enforcement

Overview
As the City ages it becomes increasingly important to evaluate the role of Code Enforcement as a strategic tool to encourage property maintenance improvements occur in a similar pattern on both individual rental properties and owner occupied units. The City’s current ordinance governing rental licensure does not provide for the licensure of individual housing units that are rented; rather it focuses on units that are held in common ownership (apartments and rental townhome communities). As such, staff has only limited data regarding where housing units in the community are rented vs. owned. Staff has identified an early trend of deferred maintenance practices on individual rental units. While not currently a widespread issue, as the community ages, the City may find that landlords are not completing necessary property maintenance improvements in a timely or consistent manner.

Policy Review
Following an environmental scan of rental licensure programs in other communities, staff has concluded that no two communities undertake the task in exactly the same manner. Feedback from adjacent and similar communities in the region identified the benefits of obtaining local contact information of rental property owners for property maintenance purposes, establishing clear processes for applying for and administering licenses, and taking small incremental steps rather than large regulatory actions. While some older or more urban communities operate a more robust rental licensure program, the recommendation of Woodbury staff is to reduce or delay the need for more robust programs in the future.

Implementation
This Plan recommends that the two primary implementation steps below be researched and evaluated with the intention that they become operational by mid-2022. Significant legal review, stakeholder outreach, and communications work is needed prior to implementation. Further, additional code enforcement staff will be required; however, this Plan assumes that much of the cost of additional staff will ultimately be borne by the fee revenue connected to rental licensure.

1. Create a new single-family and townhome rental licensure program that requires an annual registration and self-certification by the owner of rental properties that all major systems of the residential dwelling in question are fully functional. The annual self-certification process will require photos.
2. Evaluate and update as needed the current ordinance establishing the rental licensure program regarding Woodbury’s apartment and rental townhome communities to ensure that common spaces within the communities are in compliance with the International Property Maintenance Code.
3. Identify strategies of how and when the City can advocate for tenants in need of assistance.
Section 7—Use of the Density Bonus Tool

Overview
Woodbury has been effective at facilitating the development of affordable rental communities on several occasions via the use of a density bonus, as outlined within the comprehensive plan as well as CD-COMDEV 3.23, the City’s Density Policy. The tool has most recently been used to facilitate the development of both the Legends of Woodbury as well as The Glen at Valley Creek. Density bonuses are a land use tool rather than a financial incentive, but given that additional density within a project can lead to the ability for a project to create greater net operating income, density bonuses can in fact be just as valuable, if not more, than a financial subsidy.

Policy Review
The current Density Policy establishes a structure for the City Council, at its sole discretion, to offer density bonuses when one or more of the four public policy benefits are being achieved:

1. Affordable housing and/or assisted living units;
2. Greenway dedication;
3. Sustainable design; and
4. Redevelopment of exception parcels

As part of the Gold Line Station Area Master Planning process, there is an ongoing policy discussion related to the use of both density and density bonuses along this transit corridor, as it relates to both market-rate housing and as a strategy to facilitate the construction of affordable housing. There is potential for a new transit-oriented development (TOD) density bonus category to be added to the Density Policy.

Implementation
This Plan recommends that the Planning Commission review the Density Policy following the completion of the Gold Line Station Area Master Plan to determine whether the Density Policy should be amended to create a new TOD-related density bonus category.

Table 4-2 of the 2040 Comprehensive Plan identifies which residential land use districts may provide an opportunity for use of the density bonus tool.
Section 8—Compliance with the Livable Communities Act

Overview
For a city to receive grant funds from the Metropolitan Council’s Livable Communities Act (LCA) family of grant programs, a city must adopt a resolution enrolling in the program, acknowledge their decennial affordable and lifecycle housing goals, update their housing action plan, and adopt a fair housing policy. At its September 30, 2020 Council Meeting, the City Council adopted Resolution 20-174 re-enrolling in LCA and acknowledging Woodbury’s 2021-2030 LCA housing goals.

Policy Review
For the 2021-2030 decade, the LCA housing goals for the City of Woodbury are to create an additional 574 to 1,043 units of affordable housing and 1,555 life-cycle housing units. LCA funds provide a unique source of gap funding for housing, economic development, and infrastructure projects. The City has successfully utilized the tool in the past for projects such as the development of:

1. Urban Village Master Plan;
2. Construction of tunnel underneath Radio Drive on the south side of Bailey Road; and
3. Stormwater improvements benefitting the Views at City Walk.

Implementation
Given the adoption of Resolution 20-174 the remaining implementation steps needed in order to be able to access LCA grants during the 2021-2030 decade are:

1. The implementation of this Plan; and
2. The adoption of a standalone fair housing policy.

The Views at City Walk is an example of an affordable rental community that received LCA funding. In this particular case, the funding helped to finance stormwater management.
Section 9—Compliance with Fair Housing

Overview
The implementation section of the Housing Chapter of the 2040 Comprehensive Plan identifies the need for the City to have a standalone fair housing policy. Such a policy would memorialize the federal and state fair housing laws, identify how the City can serve as a resource in this regard to its residents, and direct staff to provide referrals to relevant state agencies and local non-profits in a manner similar to the City’s fair housing web page which is accessible via www.woodburymn.gov/fairhousing.

Policy Review
In addition to the City’s desire to leverage LCA funds from the Metropolitan Council, the City, as a recipient of Community Development Block Grant and HOME Investment Partnerships Program dollars from the US Department of Housing and Urban Development is required to affirmatively further fair housing. Specific to Woodbury, the most specific federal fair housing regulations are found within 24 CFR 570.601 which is an enforcement tool of Public Law 88-352 (also known as Title VI of the Civil Rights Act of 1964) as well as Public Law 90-284 which is the federal Fair Housing Act.

Implementation
This Plan recommends that a standalone fair housing policy be adopted by the City by the end of 2021 in a manner and format consistent with the content of the City’s fair housing web page as accessed via www.woodburymn.gov/fairhousing.

This screenshot from the City’s fair housing web page identifies the federal and state protected classes that fair housing laws protect.
Conclusion and Acknowledgements

The 2040 Comprehensive Plan identifies several public policy areas that represent future trends and emerging technologies. Specifically, Chapter 2 of the 2040 Comprehensive Plan notes that “rather than speculate on how or when these technologies and trends will impact the future of Woodbury, this plan intends to lay the policy framework to be adaptive, aware and forward thinking as clarity on these trends and technologies occurs.”

In a similar fashion, this Housing Action Plan identifies that there will be changes to state law, new approaches to housing finance, the potential for new partnerships, innovation in construction methods, and more, that while unforeseen during the drafting of this Plan, will impact housing in Woodbury. As such, the Plan concludes by emphasizing the need to be flexible and adaptable with regard to housing policy in the years ahead.

This 2021 Housing Action Plan was researched, discussed and evaluated during both 2020 and 2021 prior to its ultimate adoption including City Council workshop sessions in March and October of 2020 as well as February of 2021. During the course of this process, the following officials and staff were instrumental in its review and adoption:

Mayor Anne Burt
Councilmember Andrea Date
Councilmember Steve Morris
Councilmember Jennifer Santini
Councilmember Amy Scoggins
Councilmember Kim Wilson
City Administrator Clint Gridley
City Planner Eric Searles
Code Enforcement Officer Scott Gay
Community Development Coordinator Karl Batalden
Community Development Director Janelle Schmitz
Senior Code Enforcement Officer Matt Novak