



Approved Minutes Met Council Task Force

Thursday, December 17, 4:00 p.m. – 6:00 p.m.
Amherst H. Wilder Foundation, Auditorium A – 1st Floor
451 Lexington Parkway North - Saint Paul, MN 55104

Members present: Susan Arntz (**Co-chair**), John Knapp (**Co-chair**), John Adams, Peter Bell, Steve Dornfeld, Jim Erkel, Carol Flynn, Michele Foster, Scott Neal, Chris Gerlach, Bill Hargis, Adeel Lari, Acooa Ellis, Elizabeth Kautz, Dan McElroy, Jim Solem, and Ravi Norman.

Members not present: Shannon Watson and Sharon Sayles-Belton

Staff & staff support present: Pahoua Yang Hoffman, Sean Kershaw, Larry Dowell, and Ellen Watters

Citizens League members and special guests present: Kate Weyenberg, Kevin Terrell, Peter Coyle, Paul Williams, Todd Graham, Ray Schoch, and Libby Starling.

Proposed outcomes for this meeting

- Approve minutes from previous meeting.
- Debrief last meeting.
- Discuss housing and land use development issues as they relate to Met Council.
- Hear testimony from and conduct Q&A with housing, land use development panel.
- Agree on next steps.
- Evaluate meeting.

Minutes

Co-Chair John Knapp called the meeting to order at 4:05 p.m.

1. Welcome, Introductions, Approval of Minutes, Debrief of Previous Meeting

Introductions

Co-chair John Knapp started the meeting by noting the distinguished panel members and special guest, Guy Peterson, former community development director with the Met Council. After the welcome, Knapp informed the group that based on feedback received that the co-chairs should play a more active role in not only leading the discussion, but also overseeing the questions, he indicated would be moderating today's meeting with Susan assisting him during Q&A to ensure no one will be missed. He asked that all members ask their questions through the co-chairs. Knapp went over the proposed meeting outcomes.

Approval of Minutes

Co-chair Knapp asked if there were any questions or feedback on the minutes from the December 3rd meeting. Member John Adams moved to approve the minutes. Bill Hargis seconded the motion. A unanimous verbal 16-0 aye vote passed the motion to approve the minutes.

Debrief of Previous Meeting

Co-chair Knapp asked if there were any additional comments from the previous meeting's discussion. A member commented that he thought the conversation last time on transportation was

excellent and that the notes reflected well how complicated the issues are and how they are interconnected. Another member commented that he was late in attending the last meeting and only caught the panel discussion. After talking to other members and reviewing the minutes from the last meeting, he indicated he was overly harsh in his evaluation of the last meeting. Another member thought a strong case was made that CTIB may be overspending on projects that weren't as justified as the region itself might view. A last member commented that one issue that may not have been emphasized enough was the long lead-time on projects, which underscored the need for stability and long-range planning.

2. Data Presentation by Todd Graham, Principal Forecaster & Demographer, Met Council

Before getting into the policy discussion on housing and land use, co-chair Knapp welcomed Todd Graham, the principal forecaster from the Met Council to ground the group in the data, trends, and factors that are driving some of the housing and land use issues.

Mr. Graham took the podium and informed the group that his briefing would cover:

- Why and how the Met Council forecasts,
- How market forces and land plans are balanced in their calculus,
- The data inputs that he and Council staff considers, and
- Finally, what they find from this work.

Graham began his PowerPoint slides and started with why the Council forecasts. [See corresponding PowerPoint.] Graham explained that regional planning is a forward-looking enterprise and that any good plan will include expectations about the future. He added that the Council is called on to answer where and when growth is expected and how much growth. This work matters because the Twin Cities metro—both the Council and local governments—are involved in systems planning, infrastructure provisions, and services delivery and we all need to be planning for this same future. There is a concurrency expectation that local and regional infrastructure investments are going to happen together. Graham indicated this would be a successful view. A failure would be deployment of systems that are hardly used for the first 20 years or putting them in the wrong places. For his part, Graham explained that he wants to bring market reasonableness to the discussion: what do we really expect based on market analysis and valid regional economics.

Since there is no crystal ball into the future, the answers arrive via forecast models. Graham explained that the workflow at the Met Council includes a portfolio of models, but he will only cover three today. The three include a regional model for forecasting region-level economic activities and migration flows, a land use model for allocating locations: future land uses, households, and employment at the local level, and finally a travel demand model that receives the geographic distribution of where we think people, jobs, and destinations will be and predicts future network conditions. Graham added that over time, network conditions can change, accessibility can change, and so there is a cyclical information exchange between the last two models [slide 5 of the PowerPoint], which allows them to consider transportation and land use together.

Graham indicated that the land use model has been the biggest challenge for his team. His local modeling receives the region level forecast: how many people, households, and jobs. The puzzle to solve, according to Graham, is where those jobs will locate.

He spoke briefly on the regional model, indicating that it considers business conditions and competitiveness factors, and that economic growth will depend on workforce availability and productivity, access to markets, supply chains - all the pieces of the economy.

Graham went on to explain slides 6 and 7 on employment growth and population growth. At the Met Council, economic growth, workforce growth, and population growth are being forecasted simultaneously in the same model. Because economic opportunity is what draws people from the rest of the nation and the rest of the world, Graham explained that one would not have a complete

population model without factoring in the economic “magnetism.” Graham said that if one were to ask a non-Minnesota native what brought them here, the answer would likely be the economy, work opportunity, and education.

Graham went on to report that the region’s population would gain population at a steady rate of one percent per year. Cumulatively over thirty years, this will add up to 800,000 new residents, but already Minnesota has already captured or attracted 130,000 just four years into the 30-year planning horizon. Moving onto the household slide [slide 9], Graham indicated that the region will gain almost 400,000 new households and increasingly, that household growth is demographically skewed due to the aging of the population.

If the region gains 400,000 households and 500,000 jobs, the question was where those household and jobs would be siting themselves. Graham explained that at the start of the Thrive regional plan cycle, his team selected and implemented a new model that could bring some answers through analysis of the real estate markets including how real estate markets work, and specifically analyzing, loading to the model, and projecting Twin Cities data. If the region will gain 400,000 households, where will they end up living? What location will best satisfy their preferences? Graham described that the regional model he presented has households by *type of households*, which includes varying age groups, income levels, families or individuals living alone. He explained these are the basic dimensions that help group households into market segments. Graham added that households of different types do have observable preferences and behaviors and this will lead them to make distinct choices for their situations. The way his team segments allows them to make generalizations that capture a lot of the behaviors so that by year 2040, households and locations for each market segment are assigned to the places proportional with calculated preferences. These are limited by local prevailing rent, land supply, and real estate supply. The last bullet on slide 11 outlines the other problem Graham indicated they wanted to solve through the model which is what will developers build and where. Developers will look for projects and locations that will offer the greatest profit potential through high rent or through high sales prices while minimizing costs.

Graham mentioned that he was asked by Citizens League to talk about the data inputs that the Council considers. With this, he moved on to slide 12 and explained that the Council parses the region into 1200 neighborhoods and zones. For each of the zones, they are compiling starting point data on existing land use, existing housing stock with characteristics such as lot size, land consumption per unit, prices, etc. He added that this year, they are compiling population and employment levels as well as additional neighborhood attributes such as urban services availability, public transit availability, proximity to parks and waterfront (which can increase value), and proximity to heavy industry (which can decrease value). These are factors that go into real estate decisions from a homebuyer as well as from a developer perspective.

Graham mentioned that the most common question he gets from planners is how the Council’s local forecast relates to each city’s land plan. He responded that the Council’s forecasting of growth is to places that will be in demand. The local city’s land plan effectively serves as the envelope of possibilities. He explained that if a city specified in its plan that a zone can only be industrial, then the Council’s forecasting model would likely not project households there. They would have taken that into consideration and cited that as a constraint.

Graham talked about the current remarkable residential development trend is that homebuilding is weighted towards the preferences of the market segments or the demographic groups that are growing and forecasted to grow more. He turned to slide 17 that showed the number of senior citizens to grow by 150% whereas working age households with three or more people will only grow by 10%. He concluded that the growing senior citizen market segment would really define the new homebuilding in the coming decades. His next slide showed that we already have enough housing for working age families with kids. He added that most housing, about 70% to be added would be multi-family or attached housing with about 29% to come from single-family detached.

Graham reported that since senior citizens will want easier-to-maintain housing that is near areas they are familiar with and that will have the amenities they want and need, his slide 19 showed where most of the new housing developments would be located.

Graham reported that stacking all growth in the central cities would be impossible. The Council's actual forecast shows growth in all types of communities and all parts of the urban serviced center of the metro region as illustrated on slide 20.

Graham concluded that the future land uses, future location choices, future travel behaviors are all responsive to direction and choices we make through markets and government actions and this was where Graham thought his modeling team along with policy makers and planners could work together to explore scenarios. He added that if all the factors were weighed, market forces would be more powerful than most policies and that local cities would agree. This is reflected in their market-centered forecasting model, which is playing forward where growth is most likely to occur.

A member asked a question about make-a-map. Graham instructed members to visit and click on maps from left hand menu to get to make-a-map: <http://www.metrocouncil.org/data>. The member also asked whether the growth numbers shared were net growth. Graham responded that they were net growth numbers.

A member asked Graham whether there is any discussion anywhere about how we might re-direct trends that drive these numbers or does Graham just take the trends and work with them rather than say talking about the nature of the subsidies to help steer the trends or the idea that development impact fees might make a difference in the trends. The member wanted to know whether Graham was aware of corresponding discussions on this topic even if he himself was not part of them. Graham responded that the Council's impact, through capital investment or services, is a question that comes up in just about every Council committee meeting. He added that in some of the systems where the Council deploys resources that this does get factored into the model and it does have influence. Also, where they have defined urban services turns out to be highly influential. Urban services, according to Graham, are something that is really needed makes development practical.

Another member asked Graham if he looks at property tax policy. Graham responded no.

Graham had mentioned that after the projections of population growth and household growth were calculated, they are assigned to specific areas. A member asked Graham if the Council looks at the land classifications that cities adopted 10 years ago in their last comp plan to do this. Graham responded yes.

Another member asked Graham whether he factored in the cost of service delivery in his forecasting. When looking at the 100% increase in senior housing, she thought that this could be a huge cost. Graham responded that they have a simplified model of how real estate markets work and that they have not considered every variable. Graham thought the point she raised could be locally important but that they have not considered it. The member went on to say that while she appreciates the modeling and information, when comprehensive plans do not meet the criteria the Council has suggested, it's helpful to know that sometimes there is a direct cost to property owners and residents.

Another member asked how the models deal with mismatches in projections. Graham reiterated that the Council has a simplified model and they impose some simplified assumptions, including the assumption that everything they're forecasting at the regional level will get placed somewhere. Nothing will be forced outside the region. For each different market segment, they are estimating all possibilities of locations a household could choose to live in or an employer choose to site and evaluating the desirability of the location to the specific market segment while considering the price tag associated with that choice.

Graham explained that imbalances are not visible through the model and it probably would be visible looking at real, current conditions from economic sources and the census bureau. It's harder to forecast the imbalances.

A member commented that he thought the four main factors that contribute to where people decide to live were: crime, schools, taxes, and travel time to work. He asked if Graham agreed and wanted to know how these factors show up in the modeling, if at all. Graham responded that he agreed these were important factors but not all these factors are in his model. School quality was not something they thought they could forecast and therefore did not end up being one of the factors in the model. However, Graham reported that school quality seems to correlate with socio-economic factors, which is in the model. Crime was another thing they did not think they could forecast. Local tax differences were considered marginal compared to larger cost items like the cost of buying a house.

Another member asked to what extent the Council looks at land prices in the collar counties and Wisconsin as competition of where development will go. Graham responded that he had not analyzed this but mentioned a land price gradient map, which he did not bring with him.

Co-chair thanked Graham and encouraged him to stay for the duration of the meeting.

3. Housing and Land Use Panel and Q&A

Co-chair Knapp informed the group that as it had done before, the plan was to have a group discussion first followed by the panel presentation. However, he welcomed any suggestion from the Task Force. After reading aloud the questions that were sent ahead (to both the members and the panel), a suggestion was made to go right into the panel presentation. Members agreed with this suggestion.

While the panel was getting set up, a member commented that while there will be a large aging population, she was concerned about possibly overbuilding to meet that specific need. In the future, we may not have people interested living in those types of homes even with universal design. She cited large schools that later were no longer needed.

Knapp welcomed the panel members, all of whom joined at the start of the meeting and had the opportunity to hear Graham's presentation and the Q&A with members.

Peter Coyle, Larkin Hoffman

Mr. Coyle thanked the members for the opportunity and mentioned he was happy to share his perspectives from a land use practitioner's point of view. He mentioned his firm is well schooled in local governance and Met Council governance. He added that founding member Bob Hoffman and Charlie Weaver were part of the original group that helped the Met Council get traction in its early days.

Coyle commented that in the last ten years up to the current planning cycle, this has provided a unique opportunity to gauge development patterns including housing and how the Met Council has helped and/or hindered that development pattern. He referenced the explosive cycle of the 90s into the 2000s where housing was being constructed everywhere. One of the unfortunate results of that cycle according to Coyle was the land use plans that were approved by cities that were ultimately endorsed by the Met Council did not plan for nor accommodate the kind of growth that actually occurred. The Builders Association of the Twin Cities (BATC), his clients, actually had to initiate its own planning study in the 1990s because it did not believe the growth projections published by the Met Council as part of the comprehensive planning process. The BATC planning study showed that the Met Council's study did not correctly identify where there was going to be demands for growth. Because of a scarcity of land in the last development cycle, developers and builders were going to areas outside of the metro area where they could find land that was available, accessible, and affordable for which to build houses. This was bad for the region and for those companies.

Coyle thought the Met Council has a very important role to play in helping manage infrastructure that has been statutorily directed like wastewater and transportation. The Met Council when it acts as a policy implementer, it does a very good job fulfilling that role.

When the Met Council strays from this and acts as a policy developer, given that it doesn't have an elected body, it runs the risk of going over its head. There was evidence of this with good intentions but with bad effect when it published its growth projections last year, which created quite a furor for his clients and folks who are trying to build based on the projections. He also heard many cities were put off by those projections too since they did not think it reflected the reality of their communities. He realizes the Met Council was trying to do this in a consultative way, but it demonstrated that there may have been more intended by the growth projection than what was really meant to be – maybe just bad messaging. The housing policy plan for the Met Council reinforced the concerns by his clients and some cities since it was seen as another example of the Met Council is getting ahead of itself. Cities are already very good planning for their own growth. Coyle thought the role the Met Council best plays is to help them plan for that growth by giving them good information that bears on the region. When the Met Council tries to stray into the realm of directing/forcing/recommending how growth should occur, Coyle thought they go too far. He thought we were seeing that play out right now.

Builders will build a house wherever they can sell it but it is not just where they can make the best profit. Builders want to go where they can have a viable business opportunity that they can count on long-term. Coyle confirmed comprehensive plans were essential to this. Regional plans were also seen as essential. In addition to land supply, schools were another key factor. Coyle thought this was one of the biggest factors driving building in the region today. Property taxes, according to Coyle, have almost nothing do with where growth occurs. Schools matter and so does sewer prices. Transportation systems also matter. He thought that if the Met Council focused on managing sewer price and managing transportation systems, and acts as a consultant to cities and counties and help them best develop their plans to accommodate growth, he thought that would be a home run. Where cities fail is when they show growth opportunities in their comprehensive plans, but the land use designation noted is not really what they intend to use it for. He thought it was within the Met Council's mandate to hold cities accountable for what they say in their plans.

Paul Williams, Project for Pride in Living

Mr. Williams thanked Coyle for going first and added that he thought the private market is the important voice in all of this. Williams explained that his experience and background has been in inner city revitalization. He was born and raised not far from the meeting location and has spent much of his career funding the work to rebuild the core. In all the debates we have heard in the last couple of years, especially about concentrated poverty, and the notion that we have purposefully concentrated poverty is a little bit off base.

He thought we needed to pay much more attention to what the private market is doing or not doing as the real driver of what's going on in the housing marketplace throughout the region. Williams explained that currently, there are three workers for every retiree. By the time he retires in twenty years, it will flip completely to one worker for every three retirees. Part of the message Williams wanted to leave with the group is that affordable housing is a competitiveness issue. When one looks at the projections on population, in particular when one digs into projections of populations of color as a percentage of the total population, with all those retirements, what we're going to see is that lower income folks of color are increasingly going to be a large percentage of the workforce. The kids who are caught right now in the achievement gap is a factor since a workforce will have to be created from those lower income kids of color even if we retain and attract other groups. Right now the housing market is not working for these communities. A third of the Twin Cities households are cost-burdened, paying more than 30% of their income for housing. Housing costs are often upwards

of 40-50% of those families' budgets. Given this, Williams confirmed housing is an important aspect of the Met Council.

He thought housing was critical to education and cited poor performing schools having many more students moving throughout the year. Housing is also tied to health in terms of quality housing and jobs as it relates to transit. He did not think there was adequate work to create more resources to do more affordable housing in the suburbs. In the mid 90s, he was sitting on the Met Council in the early stages of the Livable Communities program, where they made investments in Excelsior & Grand in St. Louis Park, Burnsville Town Center, Ramsey Town Center – all trying to change the development pattern with a carrot approach to draw developers into a different development pattern. Williams explained that what they failed to do was emphasize how important affordable housing was. There was an affordable housing component, but it was 20%. They did not think about what scale was really needed, which should have been more in the 30-40% of median income. To those who think poverty has been intentionally concentrated, he gave examples of St. Paul Midway and Lake Street that are a world different and a world better because affordable housing has been part of the answer in those neighborhoods.

Williams's last comment was on affordable housing production. Adding all housing non-profits together, Williams reported that around 1500 units of affordable housing is produced a year as an industry. For the private sector, it is upwards of 20,000 a year. He cautioned that we must not kid ourselves that non-profit housing groups can solve the problem. One must follow the money and stimulate the private sector's development patterns in the hopes to move the needle on affordable housing.

Jay Stroebel, City of Brooklyn Park

Mr. Stroebel thanks the staff and members for the opportunity. Stroebel recently took the position of city manager for the city of Brooklyn Park after 10 years working for the city of Minneapolis. Brooklyn Park is the 4th largest city in the region with almost 80,000 people. They are also one of two majority/minority communities where they are 50% people of color. It is 85% built out with some room still for new development.

The Met Council has identified portions of the southern end of Brooklyn Park as racially concentrated areas of poverty. The Bottineau line will come up through Brooklyn Park with the maintenance station housed in Brooklyn Park along with five stations along the western side. There is also significant development along the 610 corridor with residential, commercial, and retail. 15-20 years ago, Brooklyn Park got a bad reputation because of a lot of crime but this year, they are on a trajectory to have the lowest crime rate since 1986 when there were 20,000 fewer residents. The concentration of affordable housing overlapped with the historic crime mentioned earlier which led to a pretty strong stigma of affordable housing. The stigma does not represent the entire city but does represent views of people who have lived there for a long time and is represented on the current city council. To that point, the city council has not allowed any new apartment buildings to be built in the city in the last 20 years with the exception of some luxury apartments near 610 that has no affordable housing units, some senior living facilities, and a youth homeless shelter – the first in the region. The median price for a home in \$180,000 and a year ago, about 60% of the housing stock was deemed affordable.

Concerns related to the Met Council that have been raised by his city/city council have included the Council not being an elected body. It was thought that this can skew for 50% of the people across the region in terms of the perceptions of the decisions made by the Council. As far as the modeling and affordable housing targets, his city council did not believe the Met Council took into consideration the existing market-rate affordable housing in cities like Brooklyn Park or Brooklyn Center. They also did not feel the Met Council considered the cost of maintaining those existing affordable housing. Some of his council members also agreed with comments raised earlier that the Met Council should stick to its core – sewer and transportation.

In terms of positives, Stroebel believed it was important to have an organization like the Met Council that has a focus on the region. The projections from the broad region to the neighborhood level were found to be extremely valuable for decision-making. In terms of affordable housing targets, he thought they were helpful to have the context but where they can be challenging is that it doesn't take into account local circumstances including the local politics. Concerning the affordable housing equation, Stroebel thought we needed to look beyond just the supply side.

A member asked if there was an argument to be made for a growth boundary. Mr. Coyle responded no. He referred to the mid 90s when there was a rigid line and how the market pretty quickly figured out the limits of that line and land prices skyrocketed inside the line. Development jumped the line and did what markets do and found a new cost model. This was bad for the region.

A member asked about minimum lot and structure size for affordable housing in Brooklyn Park but Stroebel, being new did not have the information on hand. Someone asked if this was a market distortion, and the member said it was complicated and did not know for sure.

Another member commented that people have choices about how and where to live and this is the central element on the demand side. On the supply side, the smaller the unit, the higher the cost per square foot. We can't build new cheap housing that meets all the rules. If local units of government have to pay the bills on the backs of property tax, there is incentive for them to control what happens on their land development so they can pay the bills. The consequence of this is to exclude people who incur or impose more costs than what they pay in tax.

The cost of building a house in the Twin Cities—the regulatory cost imposed—is in the range of 30%. Mr. Coyle talked about a client who is building a very generic housing project and before they even puts a shovel in the ground, they will have incurred \$20,000 in regulatory fees per lot. His clients believe cities view new development as a way to pay their bills. There are also huge disparities across the region.

A member asked whether it was true that the cost of developing affordable housing was more than market-rate housing. Mr. Williams said he did not know but his hunch was that this may be due to soft costs such as regulatory costs, accountants, and lawyers that are working with tax credit investors that can add to the cost. Affordable housing developers are also dealing with tougher, polluted sites and doing projects that the market won't do. The nonprofit affordable housing developers will never solve this problem on their own. Private developers will need to be engaged. Section 8 vouchers are great, but it is voluntary and not everyone will honor it. As a dispersal strategy, it is much more effective than building a 75-unit housing structure. Williams also noted the new Supreme Court ruling on fair housing and the recent HUD clarification on fair housing. He saw these as two important drivers that are going to be impacting all municipalities. The question that will be asked is what you have done to further fair housing so regardless of what people may think the role of Met Council's role ought to be, this will be a question each municipality will have to face in the coming years.

A member asked Mr. Williams whether he had suggested that housing be added as another Met Council systems plan. Williams responded no although he thought it was an important infrastructure asset in the region and that the Met Council should weigh in on housing, especially in relation to transit. The member asked a question of Mr. Stroebel, asking if he could elaborate further on the views of his city council as it relates to the make-up and structure of the Met Council. Stroebel responded that because of the politics involved, elected officials would naturally be suspect of the decisions being made by the Met Council given its appointment structure.

A member questioned whether we would have the affordable housing we do have if not for the Met Council. A response was that communities would have built affordable housing if nothing else to attract workers and employers.

A question was raised about the connections between transportation, housing, and jobs and what some of the barriers might be. Stroebel responded that transit on the one hand is a good thing because it provides mobility to an area but on the other hand, it drives up property prices on the line causing them to no longer be affordable to those who may need transportation the most. It makes it harder to put in affordable housing on the line.

A member asked each panelist what the Met Council should do more and less of. One responded that the Met Council should be the “truth squad” and hold cities to their comprehensive plan and have them be able to demonstrate they can do what they indicate in their plans.

Co-chair Knapp thanked the panel members.

Knapp informed the Task Force that staff has been working on a tool to capture what has been discussed and help the group focus. Knapp asked Pahoua Hoffman to explain the chart that was being distributed. Hoffman explained that the draft chart contained some criteria or principles that were lifted from the committee’s charge along with problem statements under the categories of funding, governance, and scope that have resulted from group discussions. The exercise over the holiday break was for members to review the criteria/principles and problem statements to make edit or additions to them as well as begin to insert possible solutions in the white boxes and see if they align with the criteria. Hoffman indicated she would send an electronic version out after the meeting.

With time left, a question was asked of Guy Peterson about how much money the Met Council has to put towards affordable housing. Peterson responded that it was around \$12-13 million a year plus a few more million from smaller pots of money. There was agreement this was very modest. To provide context, Mr. Williams commented that the modest 108-unit project his organization is working on already costs \$25 million.

Peter Bell mentioned he would remain involved but would be doing so remotely since he will be away for the winter.

4. Next Steps & Evaluation

Co-chair Knapp explained that the next meeting would be focused on regional development and a couple of speakers have already been confirmed. The members evaluated the meeting as follows: 5, 3, 4, 4, 4, 4, 4, 4, 4, 4, 3, 4, 4, and 4 for an average 3.92 Co-chair Knapp polled members on the next meeting dates to see who would not be present.

5. Adjourn

Co-Chair Knapp adjourned the meeting at 6:03 p.m.