

Chapter 2 - Housing



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Housing

Introduction

A variety of housing choices is important for the vitality of Minnetonka. Beyond providing shelter, housing establishes the look and feel of the community; and its location affects other land uses, access and location of the transportation systems, municipal service delivery and access to employment opportunities, and strength of the school system.

This chapter of the Minnetonka Comprehensive Guide Plan describes the City's role to achieve its goals of:

- » Strengthening neighborhoods by improving and preserving the existing housing stock;
- » Promoting new affordable and market-rate rental and for-sale housing;
- » Encouraging diversity in the types, sizes, and prices of housing units available in Minnetonka; and
- » Creating partnerships with other agencies to ensure the longevity of affordable housing.

This chapter provides a brief overview of housing trends in Minnetonka and includes an analysis of existing housing conditions. Based upon the trends and analyses, a forecast of future housing needs is presented along with goals and actions for increasing affordable housing. The chapter concludes with a description of implementation strategies to be used by the city to achieve the goals and policies

Local Perspective

Minnetonka is expected to reach a population of 61,500 by 2040, with nearly 28,300 households. The anticipated increase of nearly 7,637 new residents comprised of 4,698 new households over the next two decades will create the demand for a diverse range of housing options. This range of housing will be important to both the existing residents and for the attraction of new residents to the community.

The city of Minnetonka's Economic Improvement Program (EIP) is the city's long-term plan for housing, economic development, redevelopment, and transit programs that promote economic vitality for the citizens and businesses of Minnetonka. The EIP covers a broad range of community development activities, including housing, and identifies available funding sources for each activity. The EIP is updated every year and supports the goals and strategies identified in the comprehensive plan.

Regional Perspective

The Minneapolis-St. Paul metropolitan area is expected to grow an additional 273,000 households by 2040. Minnetonka, classified as a suburb, will be expected to accommodate 4,698 new households of this future regional growth over the coming years. The city welcomes and is fully committed to developing innovative new housing strategies and opportunities to address and collaboratively meet the needs of the region.

The METRO Green Line Extension Light Rail Transit (LRT) also known as the Southwest Light Rail Transit, is a planned LRT extension of the existing METRO Green Line that will extend from downtown Saint Paul through Minneapolis to Saint Louis Park, Hopkins, Minnetonka, and Eden Prairie with an anticipated revenue service date of 2023.

Overview of Housing Trends

Development Conditions

Minnetonka is a desirable community in which to live. Its natural environment, good schools, and homes on large lots contribute to the attraction of Minnetonka as a great place to live, work and play. As such, the demand for these community attributes has led to increased home values that have risen to the point that most single-family homes, despite their age, are not affordable to low and moderate income families. Additionally, land values continue to increase substantially, making it difficult for developers to build affordable and mid-priced single-family homes. Minnetonka is a fully developed city with little vacant or underdeveloped land available for new housing development. With the combination of increasing land values and little developable land, most of the affordable homes in the community are rental units and for-sale condominiums and townhomes. The city is experiencing an uptick in higher density redevelopment in response to housing demand for for-sale and rental product.

Aging of the Population

One of the biggest demographic shifts affecting Minnetonka is aging of the resident base, specifically adult households ages 55-64 in Minnetonka referred to as the “baby boomer generation” (the large generation of people born between 1946 and 1964). In Minnetonka, this group was comprised of an estimated 5,214 households in 2016 with a median income of \$107,639. It is anticipated that many in this group will age into their “empty nester” and/or retirement years over the next 5-10 years. Based on the current trends, these households will continue to age in place, remaining in their single family homes. Others may consider senior housing alternatives such as condos, age restrictive senior cooperatives, or active senior rental housing opportunities. To prepare for the rapid

increase in the senior population, the City will need to work with and encourage developers and housing providers to develop a variety of housing types at various costs and rents with features that cater to the diverse and changing desires and needs of its senior population. The shift in demographics will be most visible at the local level of government, where residents have the greatest ability to affect services, and where there is substantial contact with service providers.

Jobs/Housing Balance

Minnetonka has a strong and expanding business community with businesses projected to employ 63,200 employees by 2040. However, given the very limited production of new housing units in the community over several years, paired with low turnover rates in the existing housing stock with many seniors aging in place, much of the Minnetonka-based workforce resides elsewhere. This relates in part to housing affordability, certainly, as documented in this report. However, scarcity of housing is perhaps more the issue. While Minnetonka's housing stock, its rentals specifically, is relatively affordable, the fact is they are at near full capacity, with vacancy rates at 2.0% or lower for much of the apartment stock. Meanwhile, there is limited supply of home purchase opportunities in Minnetonka due to rising values and low turnover rates. In addressing future housing plans, the City should work to improve this jobs / housing balance through infill construction, redevelopment at higher densities, and the provision of life-cycle housing products which are sensitive to the needs of the current and future resident and worker base.

Where We Have Been

Much of Minnetonka's single-family housing stock was built between 1950 and 1970 while most multi-family housing was built in the 1970s and 1980s. As the housing stock continues to age, additional maintenance and repairs will be needed in order to keep homes in adequate condition and to preserve neighborhood character. Older homes may need to be updated in order to attract younger families to the community. Also, as both Minnetonka's population and housing age, older residents may require increased support through funding and in-kind service programs that will help them to maintain and make necessary repairs to ensure that their homes are safe, accessible, energy efficient, and habitable. Additionally, while not all older homes are affordable, older homes tend to be the more affordable housing stock in Minnetonka. The preservation of these homes is critical to providing homeownership opportunities for those who could normally not afford to live in the community.

Where We are Today

Households and Housing Stock

Minnetonka had an estimated 23,825 housing units in 2015 that provided homes for over 22,000 households. Table 2-1 illustrates the housing units by type in Minnetonka in 2015. The housing stock is comprised primarily of single family units comprising 56 percent of the housing stock with multifamily comprising of 31 percent of the housing stock.

Table 2-1 Housing Units by Type

Housing Units by Type	Units	Percent
Single Family (one unit detached)	13,308	56%
Townhomes (single family attached)	2,535	10%
Duplex, Triplex and Quad	607	2%
Multifamily (5 -19 units)	502	2%
Multifamily (20 units or more)	6,818	29%
Mobile Home	41	<1%
Other (Boat, RV, Van)	14	<1%
Total	23,825	100%

Source: (US Census/ACS Survey Data, 2015), City of Minnetonka

Age of Housing Stock

Table 2-2 illustrates the age of the existing housing stock in Minnetonka on 2015. Only 5.5% of the housing stock was built between 2000-2015, compared to 12.1% for the Primary Market Area (PMA) and 14.6% for the metro area. Minnetonka’s housing features a large number of homes constructed in the 1970’ and 1980’s, including both single family homes and larger multi-unit buildings. A majority of the larger multifamily buildings were built in the 1980’s.

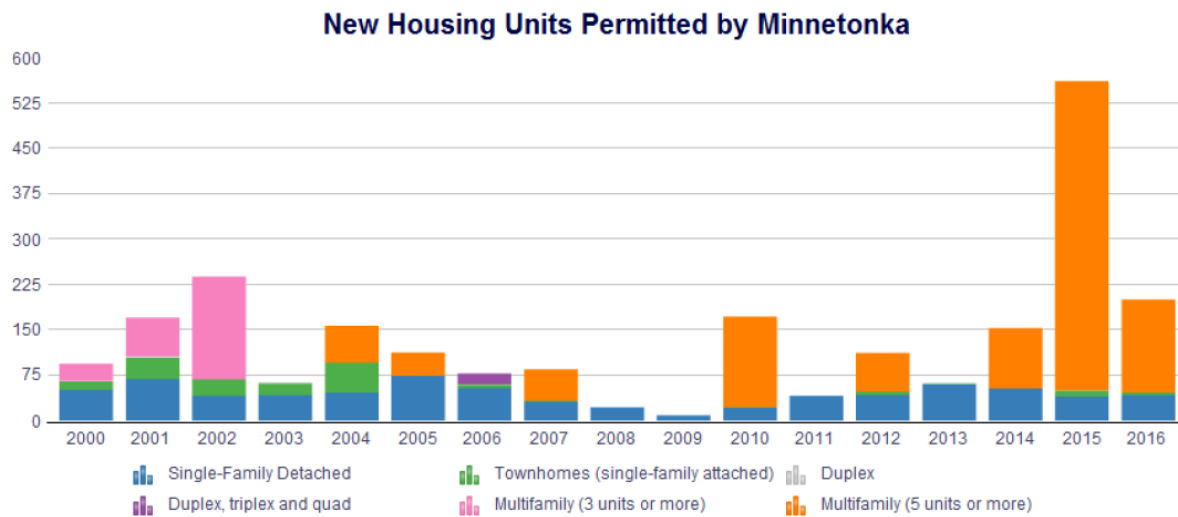
Table 2-2 Age of Housing Structures

City of Minnetonka		
	2015 Estimate	Percent
YEAR STRUCTURE BUILT		
Total housing units	23,825	
Built 2014 or later	24	0.1%
Built 2010 to 2013	84	0.4%
Built 2000 to 2009	1,221	5.1%
Built 1990 to 1999	3,356	14.1%
Built 1980 to 1989	6,415	26.9%
Built 1970 to 1979	4,336	18.2%
Built 1960 to 1969	3,181	13.4%
Built 1950 to 1959	3,797	15.9%
Built 1940 to 1949	504	2.1%
Built 1939 or earlier	907	3.8%

Source: (US Census/ACS Survey Data, 2015), City of Minnetonka

A summation of building permit activity for Minnetonka for 2000 through 2016, sourced from the Metropolitan Council Residential Building Permit Survey, Figure 2-1 demonstrates the considerable ramp-up on new construction apartments, as well as senior housing, in Minnetonka over the past 2+ years. This trend indicates both renters and buyers have demonstrated a strong positive response to these new developments, which have resulted in a quick lease up or sellout period.

Figure 2-1 New Housing in Minnetonka Since 2000



Housing Values

Single Family Housing

Land values and new construction costs greatly influence the cost of production of new single family housing in Minnetonka. There have been relatively few new home sales in Minnetonka in recent years, with 20 recorded sales in 2016 and 23 recorded sales in 2015. New construction of single family housing in Minnetonka is focused at the high end of the market. In 2016, the average price for a new construction home was \$950,455 that sold for an average of \$969,000. Additionally, the average size of a new construction home in 2016 was 4,320 square feet.

The average resale price of homes sold in Minnetonka has increased substantially since 2000. In 2000, 35 percent of single family homes sold were priced under \$200,000. By 2006, only four homes sold for under \$200,000. Between 2006 and the 2016, the average resale price of single family homes increased from \$286,000 to \$432,980, a 51 percent increase (Table 2-3). In 2017, only five homes sold for under \$200,000, and there were 107 single family homes sold that were priced between

\$200,000-\$300,000 (less than 1% of the single family housing units in the city).

Homes considered affordable by the Metropolitan Council are those affordable to families earning 80 percent of the metropolitan area’s median income and adjusted for household size. In 2017, the Area Median Income (AMI) was \$85,800. Thus, a family of four, earning 80 percent of the AMI, would be able to afford a home sold at \$235,000.

Table 2-3 Average Sale Price by Home Type Since 2012

	2012	2013	2014	2015	2016	2017 1st Half
Single Family	\$353,502	\$401,291	\$410,561	\$421,192	\$432,980	\$467,691
Townhouse	\$230,165	\$254,095	\$245,783	\$262,017	\$281,015	\$265,649
Condo	\$113,247	\$132,251	\$143,149	\$154,647	\$160,760	\$176,102
Total	\$297,159	\$336,704	\$328,675	\$356,334	\$355,574	\$386,083

Source: MLS. Area Association of Realtors-Northstar MLS - 2017

Multi-family For Sale Housing

The average value of Minnetonka’s multi-family for-sale homes (i.e. condominiums and townhomes) in 2006 was \$227,675. In 2016, the average sale price for a townhouse was \$281,015 while condos sold for \$160,760. Multi-family homes contribute to the bulk of the city’s affordable for-sale housing stock because they are generally more affordable than Minnetonka’s single-family detached homes. Multi-family for-sale homes are approximately \$212,047 less than the average sales price for single-family detached homes. Older units (those built between 1960 and the 1990s) are the most affordable. Very few new condos and townhomes have been constructed over the past 10 years. However, new production of condos is desired by older adults and active seniors seeking alternatives to single family homes. Young buyers (many single persons and couples) are seeking smaller and more affordable for sale product types. Table 2-4 illustrates the number of home sales by product type between 2012 and 2016.

Table 2-4 Number and % of Home Sales by Product Type, 2012 to date; City of Minnetonka

	2012	2013	2014	2015	2016	2017 1st Half
Single Family	549	569	517	614	642	314
Townhouse	142	152	166	153	204	89
Condo	118	117	149	121	172	65
Total	809	838	832	888	1,018	468
Single Family	67.9%	67.9%	62.1%	69.1%	63.1%	67.1%
Townhouse	17.6%	18.1%	20.0%	17.2%	20.0%	19.0%
Condo	14.6%	14.0%	17.9%	13.6%	16.9%	13.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: MLS. Area Association of Realtors-Northstar MLS - 2017

There are approximately 188 contract-based-for-sale housing units in Minnetonka (within seven developments). These include indexed units

with affordability requirements that were established as part of a development agreement.

Housing Tenure

In 2016, Minnetonka was home to an estimated 16,476 (72.5%) home owners and 6,241 (27.5%) renters. By comparison, an estimated 30.9% of metro area households rented their housing. Minnetonka was home to an estimated 1.7% of the metro area’s renter households in 2016, and 2.0% of the region’s homeowners (Table 2-5)

Table 2-5 Housing Tenure Data, City of Minnetonka and Twin Cities Metro Area

Housing Tenure Data City of Minnetonka and Twin Cities Metro Area						
Area / Housing Type	2010		2016		Change, 2010-2016	
	No.	Pct.	No.	Pct.	No.	Pct.
Minnetonka						
Owner Occupied Units	16,076	73.4%	16,476	72.5%	400	2.5%
Renter Occupied Units	5,825	26.6%	6,241	27.5%	416	7.1%
Total Occupied Units	21,901	100.0%	22,717	100.0%	816	3.7%
Twin Cities Metro Area						
Owner Occupied Units	782,475	70.0%	814,595	69.1%	32,120	4.1%
Renter Occupied Units	335,274	30.0%	364,682	30.9%	29,408	8.8%
Total Occupied Units	1,117,749	100.0%	1,179,277	100.0%	61,528	5.5%
<i>Sources: US Census; ESRI Business Information Solutions</i>						

The home ownership rate for Minnetonka seniors is slightly greater than that for the Twin Cities metro area as a whole; especially among seniors under age 75. **Error! Reference source not found.** illustrates that an early 48% (10,462 households) of the Minnetonka household base in 2010 were ages 55+. An estimated 54% of the city’s home owners and 32% of its renters were age 55+. Home ownership rates typically decline as householder’s age. In Minnetonka, we note that about 87% of households aged 65 to 74 owned their homes (2,247 households) in 2010, compared to 70% of those age 75+ (2,111 households). This statistic from 2010 could be considered a pre-cursor of demand for independent senior housing concepts in Minnetonka.

Table 2-6 Senior Tenure by Age of Householder-2010, City of Minnetonka and Twin Cities Metro Area

Senior Tenure by Age of Householder – 2010												
City of Minnetonka												
	55-64			65-74			75+			Total 55+		
	Own	Rent	Total	Own	Rent	Total	Own	Rent	Total	Own	Rent	Total
Number of Households	4,267	602	4,869	2,247	341	2,588	2,111	894	3,005	8,625	1,837	10,462
Homeownership Rate	88%			87%			70%			82%		
Twin Cities Metro Area												
	55-64			65-74			75+			Total 55+		
	Own	Rent	Total	Own	Rent	Total	Own	Rent	Total	Own	Rent	Total
Number of Households	162,595	34,355	196,950	85,347	17,988	103,335	67,268	30,734	98,002	315,210	83,077	398,287
Homeownership Rate	83%			83%			69%			79%		

Source: U.S. Census-2010

Multifamily Housing

Minnetonka had approximately 7,100 total rental housing units in 2017.

This includes the following product types:

- » 4,406 market rate apartments (buildings w/10+ units)
- » 686 age-restricted senior rental units
- » 564 affordable apartment units (contract based affordable @ <60% of AMI)
- » 1,444 (approximately) rental units in small buildings of <10 units, including rented SF homes, townhomes, etc.

Market Rate Multifamily Housing

In today's market, large numbers of households are choosing to rent, rather than buy. This is occurring for various reasons, both economic and lifestyle related. Generally, renting is less expensive than purchasing a home in Minnetonka. The average rent for a two bedroom apartment in 2016 was \$1,292 and the average sales price for a home in Minnetonka was \$355,000, which would result in a mortgage payment of roughly \$2,100 plus taxes. Additionally, millennials experiencing high college debt have less saving available for a down-payment to purchase a home and less monthly income to allocate to housing. Younger households tend to rent versus purchasing a home due to job mobility early on in their career.

There are a number of lifestyle factors that also make renting the preferred alternative for a diverse range of household groups. This includes:

- » Maintenance Free Living
- » Smaller Households
- » Preference for New Housing Product
- » Lifestyle Appeal of High Amenity Modern Apartments

» Preference for Dense, Walkable, Urban Locations

A recent study by Marquette advisors estimated potential demand for approximately 2,800 new general occupancy rental housing units over the next 20 years, or an average units a year to meet projected demand.

Affordable Multifamily Housing

Generally, there are two types of affordable housing in Minnetonka: “Naturally occurring affordable housing” (NOAH) available through the private market that is not publicly subsidized and housing that is affordable through receipt of public subsidy.

There are various definitions of “affordable” and housing costs are subject to change as a result of supply and demand. The general rule of thumb used by the U.S. Department of Housing and Urban Development (HUD) and other agencies defines housing as “affordable” when a household pays no more than 30 percent of its annual income on housing (including utilities). It is important to note that income definitions vary depending on the number of people in the household. A common metric used in defining affordability is a 4-person household. Because housing costs vary widely by region, affordability is often described relative to the local “Area Median Income” (AMI), which reflects the midpoint of the region’s income distribution. Household income thresholds for the three AMI categories in the Twin Cities are shown in Table 2-7 .

Table 2-7 Household Incomes and AMI Ranges

Income Category	AMI Range	Maximum Income Threshold	30% HH Income	Affordable Monthly Housing Costs
Extremely Low Income	0%-30%	\$27,100	\$8,130	\$675
Very Low Income	31%-50%	\$45,200	\$13,560	\$1,130
Low Income	51%-80%	\$68,000	\$20,400	\$1,700

Source: US Department of Housing and Urban Development/Metropolitan Council

In 2016, the city had a total of 564 contract based units affordable at <60% AMI in subsidized apartment buildings in the city and a total of 4,950 NOAH units in market rate buildings which were affordable at <80% AMI. In 2016, more than 75% of the rental stock within the city was considered affordable at <80% AMI, with nearly 90% of the affordable housing categorized as naturally occurring (Table 2-8).

Demand for affordable housing remains steady as sustained low vacancy rates and strong demand is continues to impact rent in Minnetonka and the region.

Table 2-8 Affordable Rental Housing Supply by Neighborhood and % of AMI (2016)

City of Minnetonka					
Affordable Rental Housing Supply by Neighborhood and Pct. of AMI (2016)					
Neighborhood	30% of AMI	50% of AMI	60% of AMI	80% of AMI	Totals (<80% of AMI)
Cedar Lake	71	614	701	124	1,509
Glen Lake	316	0	101	3	420
I-395 McGinty	0	0	195	256	452
Minnetonka Blvd CR 101	0	0	0	0	0
Minnetonka Mills	0	0	0	0	0
Ridgedale	0	542	516	248	1,306
Shady Oak Excelsior	0	0	0	0	0
Shady Oak Opus	52	570	164	101	887
TH7 & CR 101	169	288	463	20	940
Williston TH7	0	0	0	0	0
TOTALS	608	2,014	2,140	752	5,514

Sources: Marquette Advisors; Housing Link

Senior Housing

Senior Housing is typically defined as an age-restricted housing product specifically designed for seniors age 55 and greater. Over the past several years, the market has developed a wide variety of product types with varying levels of service that are provided. For seniors, the choice of product depends on level of care needed on a case-by-case situation, in addition to the household income levels and financial assets. The following senior housing products are in demand:

- » Active Adult or Adult-Few Services Properties
- » Independent Senior Living or “Congregate Senior Housing”
- » Assisted Living
- » Memory Care
- » Residential Care Homes

Minnetonka features a total of 2,922 age-restricted senior housing units. This includes 694 owners units (condos and co-ops) and 2,228 rental units. Minnetonka’s senior housing is primarily market rate. The rental inventory includes a total of 114 contract based affordable senior units, including 42 units at Westridge, 62 units at Beacon Hill, and 10 units that were recently completed at Cherrywood Pointe. Additionally, there are nine contract based affordable ownership units at Applewood Pointe.

Table 2-9 Current Supply of Senior Housing by Product Type:

Product Type (ownership)	Number of units in 2017
Adult/Few Services (Co/ops)	141
Adult/Few Services (Condos)	551
Product Type (rental)	
Adult/Few Services (condos/co-ops)	0
Independent Senior Housing	552
Assisted Living	329
Memory Care	145
Residential Care Homes	59
Other Senior	1,138

Source: 2017 Maxfield Research

For Sale Housing

In Minnetonka, 48% of the households (10,462) were ages 55 and greater in 2010. Additionally, this group was 54% of the city’s home owners and 32% of its renters in the community. This statistic from 2010 illustrates the increasing demand for independent senior housing in Minnetonka.

As seniors age, they may no longer desire, or be able or willing to maintain their single-family homes. Some prefer to move to housing that offers them greater freedom from maintenance and/or offers support services. Seniors and/or their caregivers or adult children typically begin to consider senior housing alternatives as they age into their 70’s - some earlier, some even later, depending on their health/mobility, care needs, and finances.

Additionally, a majority of seniors own their homes mortgage free and can use equity for downsizing to invest in a new ownership product that better meets their needs. In 2017, the average sale price in Minnetonka was \$369,331. At this price, the sale could derive approximately \$343,000 (assuming a reduction of realtor commission and moving expenses). If this equity was invested into an interest bearing account with a 3% annual return, it would produce an income of \$10,300 annually, (about \$860/month) which could be used to offset the cost of living without spending down assets. However, recent trends also indicate that many seniors are “aging in place” which poses a challenge for prospective first time homebuyers looking to purchase an affordable home in the city.

Rental Housing

Minnetonka’s senior housing is primarily market rate rental housing, with approximately 2,228 units in 2017. Based on analysis by Marquette Advisors, there is a considerable demand for independent and adult-few services housing in comparison to memory care and assisted living. Projects show that there will likely be demand for 608 senior units in Minnetonka over the 2022-2027 timeframe as indicated in Table 2-10 .

Table 2-10 Minnetonka Senior Housing Demand Summary by Product Type/Service Label

Product Type/Service Level	Short Term Demand (1-5 yrs)	Long Term Demand (5-10 yrs)
Adult /Few Services & Independent	370	320
Assisted Living	192	199
Memory Care	97	89
Total	659	608

Source: Marquette Advisors

Cooperatives

Minnetonka has a total of 143 adult condo/co-op units, with two major developments that opened in 2017 (Applewood Pointe and Zvago). The market for this project remains strong as the two recent projects were fully occupied within months of opening. It is anticipated that interest in condos and co-ops will remain high as seniors look to reinvest equity from the sale of single family homes.

Future of Minnetonka

Population

Minnetonka was home to an estimated 51,752 residents in 2016, up from 48,734 in 2010.

According to ESRI estimates, the city has grown by an average of 336 new residents per year since 2010, reflecting an annual growth rate of 0.7%. ESRI forecasts suggest that Minnetonka will grow by an average of 422 persons/year to 53,863 residents in 2021. Longer-term forecasts by the Met Council predict the population growth rate in Minnetonka will accelerate somewhat between 2021 and 2030, adding an average of 460 residents per year, and then slowing to 350 residents per year from 2030-2040. Minnetonka is forecast to account for 1.4% of metro area population growth between 2016-2021, increasing to 1.8% between 2021-2030, before falling back to 1.3% of regional growth from 2030-2040 (Table 2-11).

Table 2-11 Population, Household, and Employment Growth Trends, 2000-2040

Population, Household, and Employment Growth Trends, 2000-2040 Minnetonka, Primary Market Area and Twin Cities Metro Area										
	<i>U.S. Census</i>				<i>ESRI</i>		<i>Met Council</i>			
Population	2000	2010	2016	2021	2030	2040				
Minnetonka	51,102	49,734	51,752	53,863	58,000	61,500				
Primary Market Area	340,753	353,533	373,090	390,617	409,150	432,930				
Twin Cities Metro Area (7 Counties)	2,642,056	2,849,567	3,008,704	3,160,935	3,388,950	3,652,060				
	<i>U.S. Census</i>				<i>ESRI</i>		<i>Met Council</i>			
Households	2000	2010	2016	2021	2030	2040				
Minnetonka	21,267	21,901	22,717	23,602	26,600	28,300				
Primary Market Area	141,050	150,116	157,683	164,777	178,850	189,050				
Twin Cities Metro Area (7 Counties)	1,021,454	1,117,749	1,179,277	1,238,956	1,353,653	1,458,747				
	<i>U.S. Census</i>				<i>Met Council</i>					
Employment	2000	2010	2016	2020	2030	2040				
Minnetonka	51,276	44,228	44,788	54,400	58,900	63,200				
Primary Market Area	210,404	289,814	311,202	336,304	348,824	368,714				
Twin Cities Metro Area (7 Counties)	1,607,916	1,544,613	1,704,360	1,791,080	1,913,050	2,032,660				
Population, Household, and Employment Growth Trends, 2000-2040 Minnetonka, Primary Market Area and Twin Cities Metro Area Annual Growth Rates										
	2000 to 2010		2010 to 2016		2016 to 2021		2021 to 2030		2030 to 2040	
Population	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Minnetonka	-137	-0.3%	336	0.7%	422	0.8%	460	0.9%	350	0.6%
Primary Market Area	1,278	0.4%	3,260	0.9%	3,505	0.9%	2,059	0.5%	2,378	0.6%
Twin Cities Metro Area (7 Counties)	20,751	0.8%	26,523	0.9%	30,446	1.0%	25,335	0.8%	26,311	0.8%
Households										
Minnetonka	63	0.3%	136	0.6%	177	0.8%	333	1.4%	170	0.6%
Primary Market Area	907	0.6%	1,261	0.8%	1,419	0.9%	1,564	0.9%	1,020	0.6%
Twin Cities Metro Area (7 Counties)	9,630	0.9%	10,255	0.9%	11,936	1.0%	12,744	1.0%	10,509	0.8%
Employment										
Minnetonka	-705	-1.4%		0.2%	2,403	5.4%	450	0.8%	430	0.7%
Primary Market Area	7,941	3.8%	93	1.2%	6,275	2.0%	1,252	0.4%	1,989	0.6%
Twin Cities Metro Area (7 Counties)	-6,330	-0.4%	3,565	1.7%	21,680	1.3%	12,197	0.7%	11,961	0.6%

Sources: US Census Bureau; ESRI Business Information Solutions; Twin Cities Met Council

Households

Household growth is a particularly relevant gauge of an area’s housing needs because households, by definition, represent occupied dwelling units. In 2016, Minnetonka had an estimated 22,717 households, up from 21,901 in 2010. The city grew by an average of 136 households per year between 2010-2016, accounting for about 1.3% of metro area growth during this timeframe. Minnetonka is predicted experience an uptick in household growth. After averaging 136 households/year between 2010-2016, Minnetonka household growth is projected to increase to 177 per year between 2016-2021 and 322 per year from 2021-2030, before pulling back to 170 per year between 2030-2040. Minnetonka is forecast to account for 1.5% of metro area household growth between 2016-2021, increasing to 2.6% between 2021-2030, and then declining to 1.6% of regional growth from 2030-2040 (Table 2-11).

Household Size

In 2000, the average household in Minnetonka comprised 2.40 persons. This had declined to 2.27 persons per household in 2010, then held fairly steady through 2016. Going forward, the average household size in Minnetonka is forecast to decline to 2.18 persons in 2030, before leveling off (Table 2-12). This trend relates in part to a variety of factors:

- » Declining birth rates
- » The aging of the current household base (i.e. Minnetonka residents “aging in place,” with more becoming “empty nesters”)
- » Smaller households (on average) moving to Minnetonka – especially 1 and 2-person households

Table 2-12 Average Number of Persons per Household

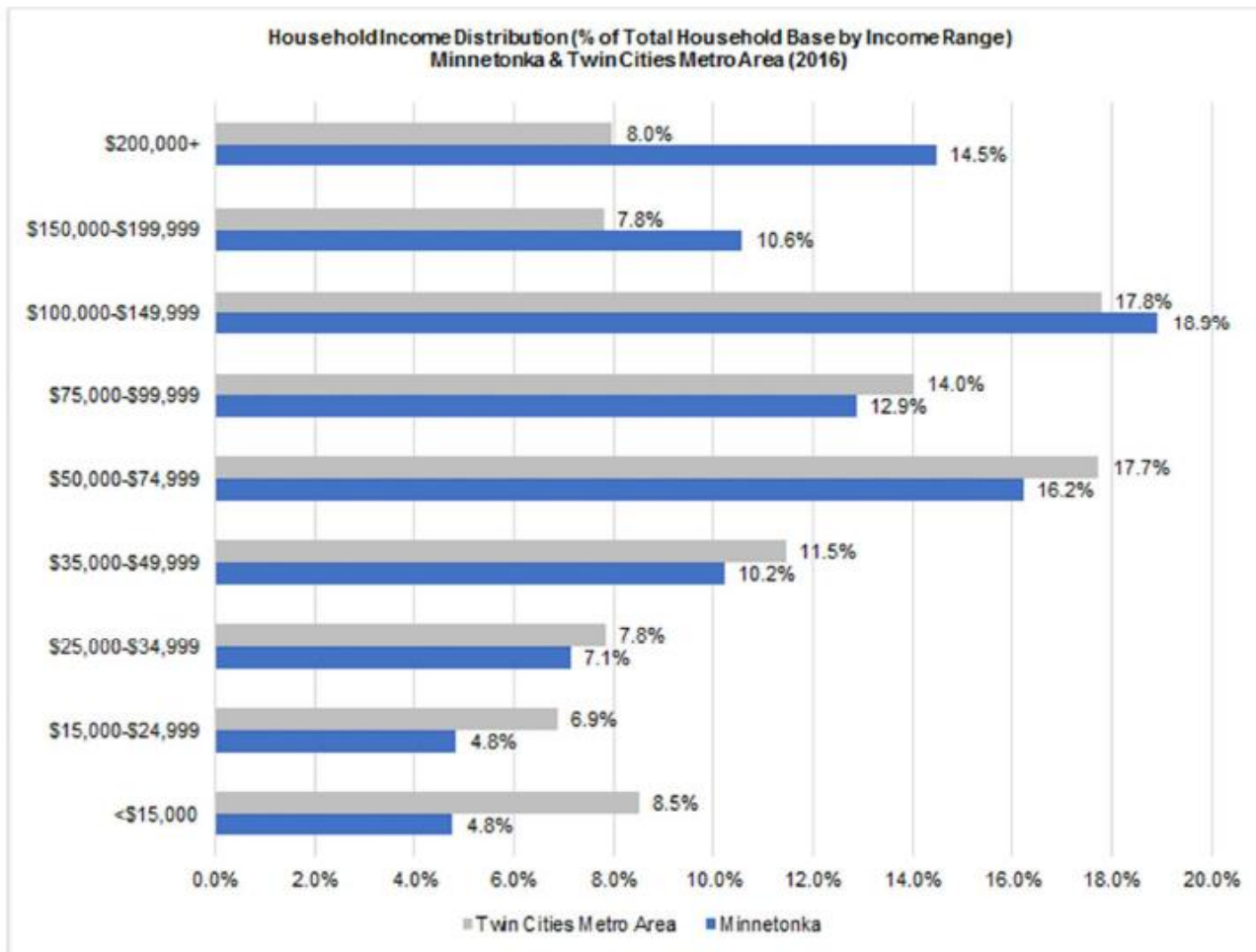
		Avg. # of Persons per Household					
		2000	2010	2016	2021	2030	2040
Minnetonka		2.40	2.27	2.28	2.28	2.18	2.17
Primary Market Area		2.42	2.36	2.37	2.37	2.29	2.29
Twin Cities Metro Area		2.59	2.55	2.55	2.55	2.50	2.50

Sources: US Census Bureau; ESRI Business Information Solutions; Twin Cities Met Council

Household Income

Minnetonka, on average, is an affluent community. The median household income for the Minnetonka resident base in 2016 was estimated at \$86,559, compared to the metro area median income of \$67,795. The median household income in Minnetonka is projected to increase to \$99,801 in 2021, reflecting a 15% increase over five years. This compares to a similar increase of 16% for the Metro Area. Minnetonka has a concentration of upper-income households in Minnetonka. For example, 14.5% of Minnetonka households earned more than \$200,000 in 2016, compared to 8.0% of metro area household (Figure 2-2).

Figure 2-2 Household Income Distribution, Minnetonka and Twin Cities Metro Area (2016)



Analysis of Affordable Housing Need

Affordable housing is an increasingly scarce resource in Minnetonka. Many Minnetonka residents and city leaders have expressed a need to provide opportunities to encourage and ensure that there is affordable housing within the city. The following section of the Housing Chapter describes the importance of affordable housing in Minnetonka and city initiatives and strategies to increase opportunities for affordable homeownership and rental housing units for low- and moderate income households.

The U.S. Department of Housing and Urban Development (HUD) defines housing as affordable when a household spends no more than 30 percent of its annual income on its housing needs. Households that pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording other necessities such as food, clothing, transportation and medical care. Additionally, HUD has defined “moderately cost-burdened” households as those paying 35% or more of

their income for housing, and “severely” burdened households are paying more than 50% of their incomes on housing.

The Metropolitan Council has further defined affordable housing as:

- » Rental housing that is affordable at incomes at or below 80 percent of the area’s median household income.
- » Owner-occupied housing that is affordable at incomes at or below 80 percent of the area’s median household income.
- » In 2017, the area median income (AMI) for a household of four is \$86,000. Under these limits, a household of four can earn up to \$71,900 to qualify for affordable housing.

According to the Metropolitan Council, Minnetonka had approximately 24,223 housing units (70% ownership and 30% rental) in 2016 that provided housing for 23,367 households. Approximately 39% of housing in Minnetonka was considered affordable to households with incomes below 80%. However, 42% of households earning less than 80% AMI were considered cost burdened. Additionally, there were 555 publicly subsidized units in the community, of which 45 were reserved for seniors. (Table 2-13).

Table 2-13 Metropolitan Council Housing Unit Data

Total housing units ¹= 24,223

Total households ²= 23,367

Table 1 Affordability in 2016 ³

Units affordable to households with income at or below 30% of AMI	Units affordable to households with income 31% to 50% of AMI	Units affordable to households with income 51% to 80% of AMI
783	1,485	7,269

Table 2 Tenure in 2016 ⁴

Ownership units	Rental units
16,759	7,464

Table 3 Housing Type in 2016 ¹

Single-family units	Multifamily units	Manufactured homes	Other housing units
16,288	7,921	0	14

Table 4 Publicly Subsidized Units ⁵

All publicly subsidized units	Publicly subsidized senior units	Publicly subsidized units for people with disabilities	Publicly subsidized units: All others
555	45	0	510

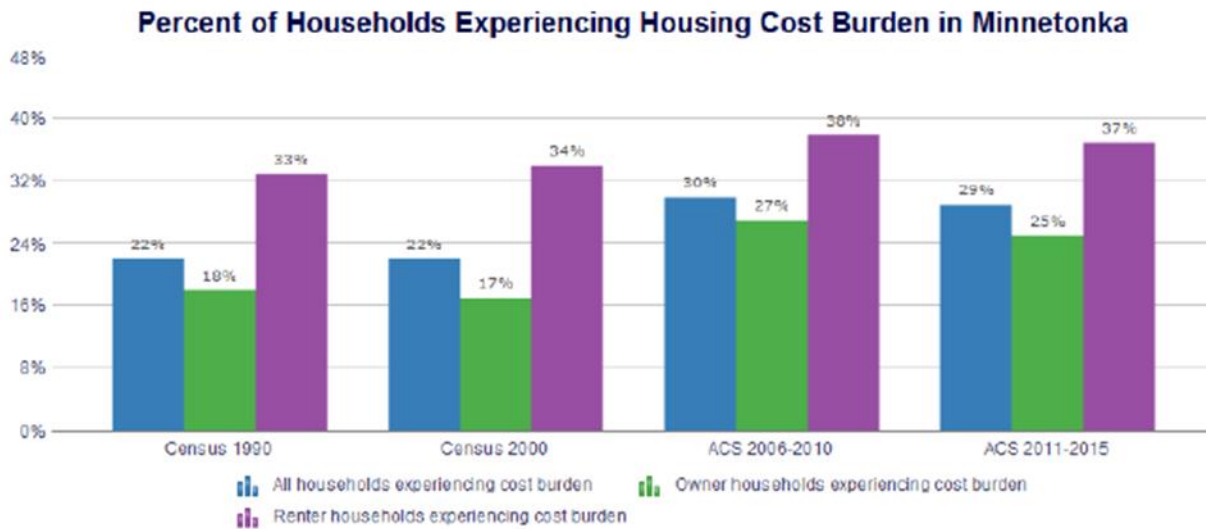
Table 5 Housing Cost-Burdened Households in 2016 ⁶

Income at or below 30% of AMI	Income 31% to 50% of AMI	Income 51% to 80% of AMI
1,092	1,466	1,409

Source: Metropolitan Council 2016

In 2015, the Metropolitan Council estimated that 29% of all Minnetonka residents experienced an “excess housing cost burden”. This was up 22% from 2000. An estimated 10% of owners and 19% of renters had “severe housing cost burden” with housing costing more than 50% of their incomes (Figure 2-3).

Figure 2-3 Percent of Households Experiencing Housing Cost Burden in Minnetonka



Source: Metropolitan Council 2017

Affordable Housing Allocation

The Metropolitan Council has forecasted the region and each community’s need for affordable housing between 2021-2030. The region’s total need is 37,900 and Minnetonka’s portion of affordable units was determined to be 1,064 units. Table 2-14 demonstrates the Affordable Housing Need Allocation:

Table 2-14 Affordable Housing Need Allocation (2021-2030)

Affordable Housing Need Allocation (2021-2030)	
At or Below 30% AMI	508 units
From 31% to 50% AMI	412 units
From 51% to 80% AMI	144 units
Total Units	1,064 units

Source: Metropolitan Council

Summary of Existing Housing Need (Appendix A - Existing Tools)

Based on the data and analysis above, the following housing needs are identified as priorities for the community. The implementation section includes discussion of the tools and strategies identified to address these needs:

- » Preservation of naturally occurring affordable housing with all bands of affordability
- » Preservation of existing owner-occupied housing
- » Link housing, jobs, transit, and support services

- » Infill Development and Redevelopment
 - Production of mix of rental housing at all bands of affordability and market type
 - Active Adults “Baby Boomers”
 - Senior Housing with Services
 - Housing for Young Professionals “Millennials”
 - Production of new owner occupied housing types
 - Single Family
 - Townhomes
 - Condos
 - Cooperatives
- » Land Use guided for increased density at TOD locations

Future Housing Need Implementation Tools (Appendix B)

Minnnetonka is expected to grow to 61,500 residents and 28,300 households by 2040. In response the city will need to address the future housing need through new high density residential zoning at 12 units/per acre in key village centers and Transit Oriented Design (TOD) opportunity areas within the city, including:

- » Opus Station Area – TOD
- » Shady Oak Station - TOD
- » Ridgedale
- » I394/McGinty
- » Cedar Lake
- » Minnetonka Mills
- » Minnetonka Blvd/CR 101
- » Hwy 7/CR 101
- » Glen Lake

(Reference Land Use Chapter Maps)

[Add land use projections]

Station Area Planning – Southwest Housing Gaps Analysis

The planned Green Line Extension light rail line and planned station areas have the most potential for change, including the potential for more housing and redevelopment. In 2014, Marquette Advisors conducted a housing study for the Green Line Extension corridor to detail current

conditions and project housing needs once the line opens. The report recommended new residential development for the two Light Rail Transit (LRT) stations located in Minnetonka. In total, the study recommends 500 new housing units in the Shady Oak Station area and 500-600 new units in the Opus Station Area. Since the study was published, the city approved three new projects (The RiZe, Dominion Apartments, Mariner) that provide a total of 1,060 units (537 affordable at 60% AMI). It is anticipated that additional redevelopment will occur at the two station areas following the Southwest LRT full funding approval.

Shady Oak Station Area

The Shady Oak Station Area currently contains 285 units of housing (within ½ mile) which is affordable to households earning 30-60% AMI. Additionally, there are another 450 units between ½ to 2 mile south of the station that are affordable at 60-80% AMI. The Southwest LRT Housing Gaps Analysis (2014) identified the need for approximately 500 new units near the station over the next 10-15 years (Table 2-15). Long term redevelopment potential exists due to the industrial character of the area, although redevelopment of this area is complicated and expensive due to existing uses.

Table 2-15 Shady Oak Station Area – Recommended Residential Development

Shady Oak Station Area – Recommended Residential Development					
Product Type/Affordability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	0	0.0%
Rental 30-60% AMI	0	0	0	0	0.0%
Rental 60-80% AMI	0	0	75	75	15.0%
Rental 80-100% AMI	0	0	75	75	15.0%
Rental 100%+ AMI	200	0	150	350	70.0%
For-Sale (entry level)	0	0	0	0	0.0%
For-Sale (high-end)	0	0	0	0	0.0%
Total Units	200	0	300	500	100.0%
<i>Source: Marquette Advisors</i>					

Source: Marquette Advisors

Opus Station Area

The Opus Station area currently contains 402 units of housing (within a ½ mile) which is affordable to households earning 30-60% AMI, and another 365 units affordable at 60-100% AMI. The Southwest LRT Housing Gaps Analysis (2014) identified the need for approximately 500-600 new units near the station over the next 10-15 years (Table 2-16). Long term redevelopment potential exists but development will depend on land availability and land use change of time.

Table 2-16 Opus Station Area – Recommended Residential Development

Opus Station Area -- Recommended Residential Development					
Product Type/Affordability Range	Short Term (3-5 Yrs)	Mid-Term (6-10 Yrs)	Long Term (10-15 Yrs)	Total	Pct.
Rental <30% of AMI	0	0	0	0	0.0%
Rental 30-60% AMI	0	0	0	0	0.0%
Rental 60-80% AMI	0	0	0	0	0.0%
Rental 80-100% AMI	0	80	40	120	20.0%
Rental 100%+ AMI	0	180	160	340	56.7%
For-Sale (entry level-mid market)	0	0	140	140	23.3%
For-Sale (high-end)	0	0	0	0	0.0%
Total Units	0	260	340	600	100.0%
<i>Source: Marquette Advisors</i>					

Source: Marquette Advisors

2040 Housing Goals and Implementation Strategies

Housing Goal 1. - Housing Preservation

» Preserve the city’s existing housing stock.

Strategies

- Continue to promote and market the city’s Housing Rehabilitation Programs.
- Work with property owners to encourage the rehabilitation of rental properties.
- Enforce the city’s housing maintenance and building codes for single and multifamily housing to ensure long-term community vitality and safety.
- Encourage multi-family rental developments where affordable housing is currently being provided to extend their affordability contract, if it is expiring, in order to continue providing affordable rents.
- Develop additional strategies to ensure long-term housing affordability, such as tenant protection ordinances, nondiscrimination of rental subsidy, policies and programs, and other incentives.
- Explore additional strategies to support the preservation of Naturally Occurring Affordable Housing (NOAH).

Housing Goal 2. - Affordable Housing Production

Strategies

- Continue working with developers to include affordable housing in their developments, where appropriate and possible.
- Continue to implement the Economic Development Authority's policy that 10 to 20 percent of new multi-family units should be affordable housing and ensure long-term affordability within new developments.
- Pursue policies, tools and programs to ensure long-term housing affordability for households at or below 30, 50, 60 and 80% of AMI and explore additional mixed income best practices.
- Work with affordable housing agencies and developers to add more affordable housing units in the city. Collaborate and support applications for grants or other funding sources for affordable housing. Provide information to these agencies on homes or areas of the city where affordable units could be located.
- Locate new affordable and senior housing near access to the transit system and village centers.
- Ensure affordable housing is distributed throughout the entire community to prevent concentration in one particular area of the city.
- Promote the use of —green technologies, sustainable building techniques and design, and energy efficient products in new construction and redevelopment projects.
- Support the implementation criteria for residential development, especially as it relates to affordable and mid-priced housing opportunities established in 2040 Land Use Chapter.

Housing Goal 3. - Provide a Range of Housing Choices

Strategies

- Promote the development of a range of housing types to meet the needs of current and future residents near job centers, village centers, and TOD locations.
- Use infill and redevelopment opportunities to encourage a mix of housing choices in the community.
- Continue to promote Accessory Dwelling Units (ADU) in low density areas for multigenerational households.
- Promote the use of “green” technologies, sustainable building techniques and design, and energy efficient products in new construction.

- Support and market opportunities for first time homebuyers through the HRA’s down-payment and closing cost assistance program, homebuyer education, and other assistance programs.
- Promote awareness of the Fair Housing Act
 - Continue to partner with Hennepin County and other local jurisdictions to reduce impediments to fair housing
 - Continue to refer landlord and tenant disputes to local agencies
 - Consider adoption of a Fair Housing Policy
- Collaborate with agencies that provide support services to educate residents of the services available to them.

Housing Goal 4. - Increase Housing Options for Seniors

- » Work to diversify housing choices available to seniors in order to fulfill the unmet senior housing needs in the community (homeownership, rental, active, and supportive, aging in place).
- » Identify potential areas for senior housing development and inform developers that may want to construct senior housing as to these sites.
- » Continue to implement the Economic Development Authority’s policy that 10 to 20 percent of new multi-family units should be affordable housing and explore additional mixed income best practices.
- » Promote the use of —green technologies, sustainable building techniques and design, and energy efficient products in new construction and redevelopment projects.
- » Promote the use of Universal Design techniques in both new construction and redevelopment to ensure accessibility.

Attachments:

- » Appendix A – Existing Housing Tools
- » Appendix B – Future Housing Need Implementation Tools
- » Appendix C – Map of Owner Occupied Housing Units
- » Appendix D – Housing Study (Marquette)

References utilized to draft chapter:

- » 8/1/1995 – Review Affordable Housing Definition and Packet and Review and discuss Housing Resources and options
- » 9/13/1995– Review and Discuss Housing Resources and Options
- » 9/13/1995 – Review and discuss options regarding affordable housing roles and Discuss Livable communities housing goals
- » 10/17/1995 – Discuss Housing Goals related to Livable Communities

- » 11/14/1995 – Housing Goals Agreement and Resolution to Participate in Livable Communities
- » 12/12/1995 – Discuss Action Plan for the Livable Communities Act – Housing Element of the Comp Plan
- » 1/9/1996 – Discuss Principles for the Housing Action Plan
- » 2/13/1996 – Discussion regarding the Housing Action Plan
- » 3/12/1996 – Discuss policy on presenting affordable housing options to developers
- » 4/9/1996 – Discussion regarding the Housing Action Plan
- » 4/30/1996 – Discussion regarding the Housing Action Plan
- » 5/14/1996 – Discuss Draft of Housing Action Plan
- » 6/11/1996 – Review and discuss the draft Housing Action Plan
- » 4/30/1996 – Housing Action Plan Work Session – Draft Housing Action Plan
- » 9/2/1996 – Final Draft – City Assistance to Affordable Housing Developments
- » 10/28/1996 – Report and Resolution to Participate in Livable Communities Act Local Housing Incentives Program
- » 9/22/1998 – Draft Policy – City Assistance to Affordable Housing Developments (incorporated into comp plan and future TIF policy)
- » 1999 – 2020 Comprehensive Plan
- » 8/6/2001 – WHAHLT Business Plan/History
- » 2/3/2004 – Economic Development Authority resolution supporting 10% to 20% of units in new housing developments as affordable housing.
- » July 27, 2009 – [ULI Opportunity City Pilot Program](#) – report indicated the community’s demographic change and strategies to address.
- » 2008 – 2030 Comprehensive Plan
- » Minnetonka Housing Action Plan (2010) – the new goals for 2011-2020
- » 2010- Minnetonka Housing Action Plan
- » 2012 – 2019 Economic Improvement Programs

- » 2017 - Housing Market Assessment: City of Minnetonka
- » Prepared by Marquette Advisors
- » 2008-2030 Comprehensive Plan