5. Housing and Neighborhoods

The purpose of this chapter is to identify housing needs and to provide a foundation for local decision-making to guide residential development and redevelopment efforts in Apple Valley. Apple Valley strives to provide a balanced stock of high-quality housing to meet the diverse needs of existing and future residents. Sufficient, desirable housing is the building block for strong, healthy neighborhoods. Housing is the largest use of land in the City; the character of residential neighborhoods plays a significant role in shaping the every-day experience of Apple Valley residents and helps create a sense of place and belonging.



Apple Valley residents are proud of their neighborhoods and the quality of life they afford. Within the last 10-20 years, targeted development has increased the overall diversity of the housing stock. As various demographics grow and change, the City will continue to expand housing choice to meet the needs of different residents.

Likewise, the City is committed to providing its regional share of affordable housing. Lack of affordable housing is a national issue. The City will continue to encourage affordable housing construction through its land use plan and the application of additional market incentives, and will endeavor to maintain the quality and price of existing affordable units.

The Housing Chapter focuses on Apple Valley's housing goals and strategies. These goals and strategies respond to public feedback, to the housing and household data that was summarized in the Community Context Chapter, and to documented housing requirements and housing needs, such as Metropolitan Council's affordable housing requirement and the County Community Development Agency's report, Comprehensive Housing Needs Assessment for Dakota County, Minnesota (September 2013).

Statutory Requirements

State Law requires that the Comprehensive Plan contains a housing element that includes "standards, plans, and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs, including but not limited to the use of official controls and land use planning to promote the availability of land for the development of low and moderate income housing." (Minnesota Statutes, Section 473.859, Subd.2c) The Comprehensive Plan must also include a housing implementation program that describes "official controls to implement the housing element of the land use plan, which will provide sufficient existing and new housing to meet the local unit's share of the metropolitan area need for low and moderate income housing." (Minnesota Statutes Section 473.859, Subd. 4)

Livable Communities Act

The Minnesota State Legislature passed the Livable Communities Act (LCA) in 1995 to address regional issues of housing balance, affordability, and development. The legislation established funding to promote efficient development and redevelopment, affordable housing construction, and economic development. Grants are awarded on a competitive basis to communities which demonstrate a commitment to providing high-quality development, affordable housing, and life-cycle housing. There are 95 participating metropolitan communities, including Apple Valley. Apple Valley has consistently led regionally on attracting housing choices that meet local needs.

Existing Conditions

Apple Valley is a mature, suburban metropolitan community. Many neighborhoods are comprised of single-family homes built during the 1960s and1970s. The character of suburban development reflected desires for large properties, good schools, safety, and other amenities – the same qualities that many Apple Valley residents value today. Established neighborhoods are integral to Apple Valley's identify and sense of place, but also create challenges for new development opportunities, infill, and connectivity. The oldest neighborhoods are located within a mile of the regional highway system, including TH 77 (Cedar Avenue) and County Road 42 (150th Street). These routes effectively divide the City's neighborhoods. As the south metro has grown, the increase in traffic volumes on these two arterials has introduced negative impacts for adjacent neighborhoods and posed connectivity challenges for the City as a whole.

In the 1980s, 1990s, and 2000s, the development focus shifted toward attached townhomes and multifamily apartments, in response to changing market demand and local efforts to balance the housing supply. This period saw a rise in the number of homeowner associations (HOAs) and the application of Planned Unit Development concepts (PUDs) to facilitate alternative housing styles and build more cohesive neighborhoods. Mid-density and high-density neighborhoods are distributed throughout the city, but tend to be located within

and surrounding the Downtown. The Cobblestone Lake neighborhood, which includes a variety of single-family styles, multifamily, and mixed commercial, is a prime example of successful PUD application.

Following a surge in construction of town homes from 2000-2009, the market for new development has shifted towards multifamily. Between 2000-2014, 571 single-family detached units were constructed, compared to 756 townhomes and 671 apartment units. From 2015-2017, 160 single-family units were constructed, compared to 37 townhomes and 224 apartment units. Growth in apartments now outpaces the growth of single-family homes. This trend is likely to continue, given the demand to increase total housing stock relative to the city's population forecasts and the limited supply of developable land to do so.

The Community Context chapter further summarizes the character of Apple Valley's neighborhoods and housing stock.



Townhomes offer an alternative housing choice that is suitable for first-time homeowners, including Millennials, and step-down homeowners, such as Baby Boomers. These groups drive market demand for lower-maintenance housing. A complete sidewalk network and pleasant streetscaping promote activity and public health in the Cobblestone Neighborhood, above.



Construction of multifamily apartments and senior living facilities is surging.



The predominant housing type is single-family detached. The Cobblestone Neighborhood features mixed architecture and high-quality landscaping.

Manufactured Housing

Apple Valley contains two manufactured housing parks, both located within the Cedar Avenue corridor on the north side of the City. Manufactured housing provides viable affordable housing for low-income residents. These manufactured housing parks may face redevelopment pressure over the course of this plan. The City intends to maintain these areas for manufactured housing and has designated them as such on the Future Land Use Plan.

Housing Needs and Opportunities

Housing Growth Projections

The Metropolitan Council forecasts 24,900 households in Apple Valley for 2040. In 2016, the Council estimated that the City's existing housing stock consisted of 20,703 units, with 19,917 households – this implies that 96.2 percent of homes were occupied and 3.8 percent were vacant. Since 2016 considerable development has occurred, with 1,042 units constructed or planned. Therefore, the current number of units is estimated at 21,745. At a minimum, the City will plan for 3,155 new dwelling units (24,900 households – 21,745 units). Realistically, slightly more units may be constructed to maintain a vacancy buffer of 3-4 percent.

Infill Opportunities

Even with limited land, Apple Valley can accommodate its forecasted housing growth through infill and redevelopment. Under minimum density assumptions, Apple Valley can accommodate nearly 40 percent of its forecasted housing growth in Orchard Place and other designated infill sites. Note that Apple Valley's recent apartment developments are closer to 40 units per acre. Under maximum density assumptions, there is sufficient acreage to accommodate the entirety of forecasted housing growth on these sites. Actual development will likely fall in between these two extremes.

Table 5.1 summarizes residential infill potential for Orchard Place and other parcels. The calculations assume 10 percent and 60 percent residential fraction for the Mixed Business Campus and Mixed Use categories, respectively.

Table 5.1 – Residential Infill Potential

LAND USE	NET DEVELOPABLE ACRES	DENSITY RANGE	MIN UNITS	MAX UNITS
Orchard Place				
LD	34	3-6	102	204
HD	21	12-40	252	840
Mixed Business Campus	165 (17 acres are residential)	12-40	204	680
Subtotal	72	NA	558	1,724
Burnsville Outlet	B2	Burnsville	0.02	
Eagan Outlet	E1	Eagan	0.02	
Eagan Outlet	E2	Eagan	0.10	
Other Infill Sites				
LD	34	3-6	102	204
MD	19	6-12	114	228
HD	23	12-40	276	920
Mixed Use	24 (14 acres are residential)	12-40	173	576
Subtotal	100	NA	780	2,312
Totals	172	NA	1,223	3,652
NET DENSITY 7.8 DU/ACRE – 23.5 DU/ACRE				

Note: No deductions were made for ROW or wetlands other than what is indicated on the Future Land Use Map. The future land use plan for Orchard Place accounts for internal ROW and storm water ponds. Development of other infill sites will not require substantial modifications to existing ROW.

Redevelopment Opportunities

Additional redevelopment opportunities will be targeted in the Downtown Focus Area and the transit corridors (See Chapter 4, Land Use Plan). One of the objectives of this plan is to increase residential density in these areas. Doing so will increase activity in the Downtown core and leverage local and regional investments in transit. As this plan is implemented, the City may adopt development targets to guide the overall number of units and residential density in these areas.

Accessory Dwelling Units

City staff have discussed the possibility of permitting accessory dwelling units (ADUs). These units are constructed accessory to the single-family detached residential home. It is preferred that they be constructed as an attachment to the primary structure or detached garage. Historically challenged due to concerns about blight and overcrowding, accessory dwelling units are gaining recognition as a practical tool for providing housing options and addressing housing costs. As an accessory unit, they typically do not require additional vehicle access or parking. They can help create additional housing stock in an organic way, without requiring new infrastructure to support it. Often dubbed "granny flats", ADUs can be a good match for 1- and 2-person households, and allow greater flexibility for older residents to age in place, rent out their main property, and continue to stay in their neighborhood.

Apple Valley's ordinance does not currently permit ADUs very broadly, but the City recognizes that permitting ADUs could be a practical step at some point, due to the aging population and the limited land supply. If Apple Valley were to permit ADUs, existing owner-occupancy requirements would need to be modified. One way to try this would be to target one area of the city, using a zoning overlay if necessary, and evaluate the impacts of this policy after a year or two. It would also be necessary to develop design standards that are appropriate for small-scale housing and that respect the existing character and privacy of single-family neighborhoods. These policies need not be built from scratch; there are many examples from other communities.

Balanced Housing Supply

A balanced housing supply meets the needs of all demographics. Apple Valley strives to provide sustainable supplies of ownership and rental units to meet demand for all market segments. As a general goal, the City housing stock should consist of approximately 75 percent ownership units and 25 percent rental units. In 2000, 88 percent of units were owner-occupied. The recent wave of construction helped achieve a better balance. In 2016, 78 percent of units were owner-occupied.

Table 5.2 describes the characteristics and preferences of various housing markets. Two market segments drive housing demand: In Minnesota and the rest of the United States, the housing market is driven by young Millennials and an aging population of Baby Boomers (See Figure 3.14, Apple Valley Population Pyramid, in the Community Context chapter.) Baby Boomers have affected every housing trend as they have moved through their life cycle, including the apartment boom in the 1960s and 1970s. Millennials, too, are driving the current market and will exhibit similar influence over the course of this plan. Currently, these two groups tend to exhibit similar housing preferences. As they enter or exit the job market, Millennials and older residents generally have limited financial resources compared to the middle-aged demographic with established careers. While most Baby Boomers will prefer to stay in their single-family homes, a portion will downsize to other choices. Across the United States, the rate of homeownership among Millennials has fallen faster than for any other age group. This reality is reflected in the Comprehensive Dakota County Housing Needs Assessment (2013). Compared to the 2005 report, the demand for rental housing is forecasted to increase from 23 percent to 30 percent by 2030. To meet demand, the study forecasted that approximately 25,000 for-sale units and 10,000 rental units would be constructed from 2010-2030 in Dakota County.

Table 5.2 –Life-Cycle Housing Consumer Groups

MARKET GROUP	HOUSEHOLD CHARACTERISTICS	CONSUMER	MIN UNITS
Entry-level homebuyers	Early to Mid-20s Often single	Limited tenure duration Prefer to rent May distribute costs with other roommates	Basic Apartments
First-time homebuyers and move-up renters	Mid-20s or 30s; Includes single and married/ partnered households, some with children.	Prefer to purchase modestly-priced single family homes or rent upscale apartments	Traditional single-family detached Townhomes and twin homes Upscale apartments
Move-up homebuyers	Late 30s to 40s Many households have children	Typically prefer to purchase newer, larger, and more expensive single-family homes	Traditional single-family detached
Empty-nesters	50s to 60s One- or two-person households with no children	Prefer to own Lower maintenance housing alternatives, including homeowners' associations	Smaller single-family attached and detached; townhomes and twin homes
Younger independent seniors	60s to 70s One- or two-person households with no children	Prefer to own but may consider renting Lower maintenance housing May be seasonal residents	Smaller single-family attached and detached; townhomes and twin homes
Older seniors	Mid-70s or older Generally single-person households (widow or widower)	May need or choose to move out of single-family home due to health constraints or a desire to reduce maintenance responsibilities	May move in with relatives or move to assisted living communities

The senior demographic is large and growing. In 2000, 7 percent of Dakota County's population was over the age of 65. The percentage of seniors increased to 10 percent in 2010, and is projected to increase to 13 percent in 2020 and 17 percent in 2030. From 2010-2030, growth in the 65-and-over age group will be nearly equivalent to growth among all other age groups. Meanwhile, growth in the number of senior households is anticipated to be nearly double the growth for all other households, given the increasing number of one- and two-person senior households. Thus, seniors will comprise an increasing share of demand for low maintenance homes and multifamily apartments in Dakota County, and demand for assisted living housing will also increase, particularly during the first phase of this Comprehensive Plan. (See Chapter 3, Community Context, for further discussion of housing projections for Dakota County and the City of Apple Valley.)

While there is no doubt that the region's population will grow older over the life of this Comprehensive Plan, the implications for housing in Apple Valley are less clear.

Some aspects of the current housing stock suggest potential barriers for the population aging in place. According to County property tax records, 33 percent of the housing supply is classified as containing two stories or two-plus stories. Over 55 percent of all single-family homes, townhomes, and twin homes contained more than 2,000 square feet of finished living space. Nearly 20 percent contained more than 3,000 square feet. These larger, multi-story homes are not well-suited to the wants or needs of an aging population.

Universal Design

One way to accommodate the growing senior population is by broadening the application of universal design concepts for new residential development, rehabilitation and redevelopment. Universal design refers to flexible design of individual units that allows housing to accommodate many occupants with various needs, such as persons with disabilities or families with young children. Nationally, most "accessible" units are built on an individual basis. However, these homes tend to have a specialized, clinical look that reduces resale value. Instead, universal design advocates for supportive housing design that is more or less invisible, with the understanding that all users can benefit from simple design improvements that also

help people with disabilities. Such design is accessible and barrier-free, and seeks to incorporate consumer products that are commonly available. It is not geared around assistive technology, medical equipment, or special features, but enables these features to be accommodated or removed if needed.

There is no mandate for universal design, but Apple Valley could benefit by reviewing general guidelines with developers. Example guidelines might include:

- Open floor plans
- Multiple stepless entrances are encouraged; if only one, it should not be through the garage or a patio/deck
- Driveway and garage elevated to floor level so vehicles do the climbing
- Wider doors and hallways
- Main-floor bedroom, bathroom, and laundry
- Turning space of 5-feet diameter in all rooms
- Color contrast between floors, counters, and walls/trim
- At least one bathroom with a curbless shower or a tub with integral seat, waterproof floor, and drain

These elements are just as supportive for a family with young children or those with disabilities as they are for aging residents. Encouraging life-cycle housing and universal design for new housing stock will enable more senior residents to "age in place" rather than forcing a move from the City. A comprehensive summary of universal design history, goals, and guidelines is available at www.humancentereddesign.org.

Apple Valley is committed to providing life-cycle housing stock that meets the needs of residents of all ages. Employing concepts of Universal Design enhances the flexibility of individual units to adapt to the needs of various users.

Maintenance of Existing Housing Stock

Apple valley is an established community. Approximately 50 percent of the housing stock consists of units that were constructed between 1960 and 1990. These units constitute the core of the city's housing stock. As they continue to age, reinvestment is needed to address repairs, including major repairs to roofs, siding, wiring, plumbing, appliance, driveways, etc.

Maintenance is the responsibility of the property owner – either the owner-occupant or the landlord. Homeownership encourages maintenance because owners want to mitigate depreciation costs to maximize the value of their investment. However, not all homeowners are willing or able to address maintenance needs. For example, some older residents may choose or be forced to stay in aging single-family homes with less ability to maintain these units.

Rental property improvements are the responsibility of the landlord. Landlords are incentivized to maintain property in good condition to avoid the cost of vacancy and maximize rental gains. However, landlords may defer maintenance for many reasons. Maintenance of large rental properties is expensive. In addition, the regional demand for affordable rental units exceeds supply, so landlords may be able to maintain high occupancy rates even if repairs are neglected. Most of Apple Valley's apartment units were constructed after 1980 and are in fair condition, but investments will be needed to maintain their quality. When repairs are undertaken, the brunt of the cost would be passed on to renters absent additional financing incentives. Higher costs increase housing burden and may lead to displacement. Several tools are available to promote maintenance of rental properties and provide stability for tenants.

In addition to multifamily rental units, there is a smaller supply of single-family rental units. Single-family rental units increase neighborhood diversity and protect against vacancy, but pose unique challenges and risks. When a single-family home changes from owner-occupied to rental, this often results in a new landlord who may have limited experience and/or availability to address issues with maintenance or tenancy. Neighborhood homeowners may raise concerns about deteriorating neighborhood stability or property values. It is important to maintain the quality of single-family rental units to preserve neighborhood character and support continued opportunities for home-

ownership.

The failure to adequately maintain housing reduces the livability of individual units. The outward evidence of inadequate maintenance is visual disrepair. When housing is not well maintained, it depresses the values of adjacent properties, which discourages neighborhood investment and can lead to blighted conditions. Apple Valley not only benefits from a safe and attractive housing supply, but also realizes growth in the property tax base with reinvestment in existing housing.

To maintain neighborhood vitality, Apple Valley encourages property reinvestment and infill of vacant parcels. The City uses GIS to monitor vacancies and general housing conditions, and communicates with local mortgage lenders to monitor foreclosures. City staff also maintain contact with landlords, developers, and homeowner associations.

Property inspection and code enforcement are the City's primary means of addressing maintenance. Inspectors notify property owners of compliance issues and the steps needed to address them. They are the first point of contact to provide information about funding programs and other resources that can assist property owners with repair. Moving forward, the City may need to modify strategies to encourage maintenance, and could consider revisions to financing policy or local ordinance. The City will proactively inventory neighborhood housing conditions to identify signs of deterioration and prioritize areas for rehabilitation if the need arises.

Property inspectors are the first point of contact for code issues. Equipping them with a tablet-based GIS application may offer further insight about the quality of neighborhood housing stock and help streamline data collection.

Homeowner Associations

Many newer developments in Apple Valley involve homeowner associations. Homeowner associations are a common arrangement for large Planned Unit Developments, since they help protect the developer's significant investment against the cost of depreciation.

Homeowner associations provide a benefit to Apple Valley in that they reduce operational costs for local government. Homeowner associations are typically responsible for snow removal, repair and replacement of roads, maintenance of common external features such as roofs, siding, and windows, as well as any parks, pools, and other parts of common property. Their primary purposes are to provide safe, secure housing, maintain common property, and improve property values.

However, HOAs are often challenged to provide these services efficiently and effectively. Not all HOAs have the training they need to provide these services. Some lack volunteer resources, as Board members typically have a full-time job outside of the HOA. Some HOAs in Apple Valley may be underfunded. Under-funded associations must defer maintenance or increase dues. Aging HOAs may struggle to increase dues commensurate to increasing property maintenance needs, especially if the dues were set artificially low at the time of development to encourage membership. At some point, the physical manifestation of deferred maintenance affects the value and sale of homes.

The most important financial factor for homeowner's associations is the creation of reserves needed for capital investment. The financial status of HOAs is tied to the health of the housing market. With slower growth, an association realizes lower revenues without a comparable reduction in operating expense. An early draw on reserves could leave an association in a weaker long-term financial condition. This scenario played out during the national recession and housing crisis. If homeowner associations cannot increase dues when the market is poor, there will be lower capital reserves to make needed future improvements.

Like the City, HOAs should have a strategic long-term investment plan. Part of the monthly dues should be reserved to finance future improvements to common property.

The existing financial condition of homeowner's associations is not known. There is no statutory or local requirement for financial reporting, so there is limited public oversight of HOA operations. Information on the financial condition of homeowner

associations is important to understanding current issues and working with the associations to prevent future problems. Apple Valley encourages regular contact with HOAs serving the community.

Affordable Housing

Lack of affordable housing is a national issue. Housing is the largest expense for American households. High housing cost is an acute problem for low-income households, which spend proportionally more income on housing and have relatively less remaining income to purchase other necessities.

Affordable housing goals seek to ensure that housing options exist at a wide range of prices. The Comprehensive Plan seeks a housing supply that offers a variety of styles and ownership options. Ideally, this objective is achieved by guiding residential development at different densities – low, medium, and high – promoting PUDs, and encouraging mixed-use development. However, there are substantial barriers to providing affordable housing from the developer's perspective. Developers in Dakota County have expressed concern that it is not always financially viable to construct units at rent levels needed to support affordable housing, let alone market-rate housing, given limited availability of land and high development costs. To make the numbers work, developers may decrease dwelling unit sizes. Although smaller units are generally less desirable, they can be marketed to renters as part of an amenity package that includes on-site and/or offsite assets, such as a fitness center, park, or proximity to transit or entertainment opportunities.

Affordable Housing Definitions

Housing affordability is determined by household income relative to Area Median Income (AMI) and by the percentage of household income that is spent on housing. The Department of Housing and Urban Development (HUD) defines three thresholds for low-income, very low-income, and extremely low-income households relative to AMI:

- At or below 30% AMI (extremely low income)
- Between 31% and 50% AMI (very low income)
- Between 51% and 80% AMI (low income)

Households with income in these thresholds are eligible for certain housing assistance programs. For example, households earning 50% AMI or less are eligible for a Housing Choice Voucher. For an owner-occupant or renter household in any of these thresholds, housing is "affordable" if less than 30 percent of income is spent toward gross housing costs, including utilities. A household is cost-burdened if it spends more than 30 percent of income on housing, and "extremely" or "severely" cost-burdened if it spends more than 50 percent of income on housing.

Table 5.3 describes the incidence of housing cost-burden in Apple Valley. Nearly 20 percent of renting households earning less than $20,000 are cost burdened. The 2015 ACS estimated there were 844 such households. For renter households earning between $20,000 and $34,999, 14 percent were cost-burdened. For owner households, the incidence of cost-burden is less in the lower income ranges, but higher for households earning $50,000-$74,999, indicating that there is a limited supply of lower-priced for-sale homes.

Households which spend more than 30 percent of their income on housing are defined as cost-burdened. Cost burden affects owners and renters alike, but is an acute problem for low-income renters.

Table 5.3 – Apple Valley Cost Burden

INCOME RANGE	OWNERS		RENTERS	
	Number of Households Spending 30% or More on Selected Owner Costs	Percent Owner Households Spending 30% or More	Number of Households Spending 30% or More on Selected Costs	Percent Renter Households Spending 30% or More
Less than $20,000	422	2.8%	844	19.9%
S20,000-$34,999	646	4.3%	615	14.5%
$35,000-$49,999	616	4.1%	347	8.2%
$50,000-$74,999	921	6.0%	131	3.1%
Group total	2,605	17.2%	1,937	45.7%

Source: 2011-2015 ACS

In addition to housing costs, it must be remembered that only 11 percent of Apple Valley residents work in Apple Valley. Commuting places additional costs (time + vehicle) on households. Often housing advocates use a cost-of-living index that includes commuting costs. Apple Valley's Comprehensive Plan aims to reduce the impacts of commuting by linking more households to transit and increasing the local jobs-housing balance. These are the primary objectives for Orchard Place and Downtown redevelopment.

In practice, assumptions about AMI and poverty depend on household size. A two-person household with one wage earner may be low-income, while a five-person household that earns equivalent income may be very low-income. Therefore, determinations of affordability vary depending on household size and, consequently, on the size of the housing unit. Table 5.4 summarizes affordable rent thresholds for different-sized units for the three income levels defined by HUD.

Table 5.4 – Affordability thresholds for rental units

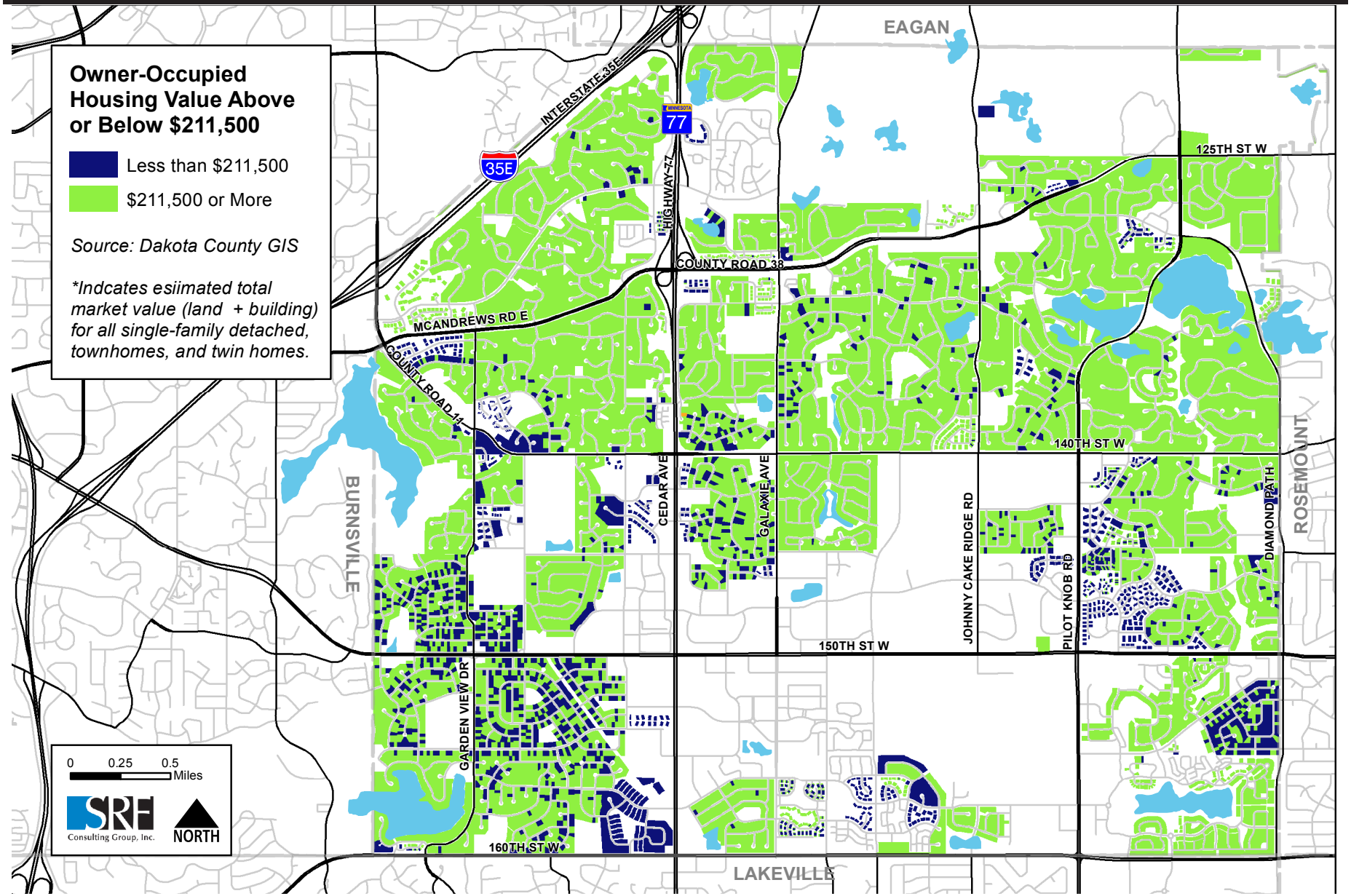
NUMBER OF BEDROOMS	AFFORDABLE RENT AT 30% AMI	AFFORDABLE RENT AT 50% AMI	AFFORDABLE RENT AT 80% AMI
Studio	$450	$751	$1,201
1 Bedroom	$483	$805	$1,288
2 Bedroom	$579	$966	$1,545
3-Bedroom	$669	$1,115	$1,784
4-Bedroom	$747	$1,245	$1,992

For owner-occupied units, "affordability" depends on generalized assumptions about down payments, interest rates, and tax credits. For the 2040 Plan, Metropolitan Council has provided affordability thresholds for ownership. At 30%, 50%, and 80% AMI, the affordable purchase price is $73,500, $132,000, and $211,500. Above these thresholds, a household that earned 30%, 50%, or 80% AMI would spend more than 30 percent of income on housing costs.

Figure 5.1 maps owner-occupied housing units by value relative to $211,500. Figure 5.1 illustrates data for all owner-occupied single-family residential, town homes, and twin homes. (Manufactured housing is not included since there is limited data regarding land lease or the value of manufactured homes. However, the average cost of a new, two-bedroom mobile home is $37,100. It is assumed that most manufactured housing units are affordable, even for households at 30% AMI.)

IN 2016, there were 4,079 owner-occupied homes valued under $211,500 and 10,648 homes that were at $211,500 or more. Generally, lower-cost owner-occupied housing is located consists of older single-family units or medium-density townhomes that were constructed more recently.

Figure 5.1. – Owner-Occupied Housing Value Above or Below $211,500



Apple Valley Affordable Housing Requirement

Given HUD's guidance, the Metropolitan Council has determined the regional affordable housing need for 2021-2030 and allocated a share to each community in the metro. Table 5.5 summarizes the affordable housing objectives for Apple Valley.

Table 5.5 – Affordable Housing Needs Allocation

INCOME RANGE	UNITS SHARE
At or below 30 AMI	221
31-50 AMI	118
51-80 AMI	129
Total	468

Affordable Units Since 1996

In 1995, the Livable Communities Act became state law. The Act guides a regional approach to lifecycle and affordable housing development. Originally the horizon period was 1996 to 2010. The period has been extended from 2011 to 2020 for the purposes of establishing goals for the 2030 Comprehensive Plan Update.

The guiding benchmarks for Apple Valley that lead over time to a livable community encourage 75 percent ownership housing and 25 percent rental housing with a portion being affordable. Through 2006, the private market and partnerships with the Dakota County CDA developed 763 new affordable ownership and 246 new affordable rental (a total of 1,009 affordable units). Using this performance as a guide, it appears that the Metropolitan Council Allocation of Affordable Housing Need, 2021 to 2030, of 468 units for Apple Valley, can be achieved by both private market and CDA development initiatives.

New Affordable Housing

The City of Apple Valley is committed to meeting its fair share of the region's need for low- and moderate-income housing.

The 2040 Land Use Plan designates 19 acres for new housing at medium density, 44 acres for housing at high density, and 24 acres for housing in mixed use. (Table 5.1.) At the minimum density for medium density (6 units/acre), high density (12 units/acre), and mixed use (12 units/acre) these areas will create at least 810 new housing units. Opportunities may arise to provide additional affordable housing through redevelopment.

The Metropolitan Council criteria for evaluating the Comprehensive Plan is based on the assumption that higher-density housing (medium density, high density, and mixed use) provide the minimum density thresholds needed to create the "opportunity" for affordable housing. It is true that higher densities are needed to overcome development costs and produce viable developments at market rates or affordable levels. However, simply making land available does not lead to affordable housing. A more active approach is needed to produce and maintain affordable housing. The City pursues outside funding sources, grants and loans, and partnerships with the Dakota County Community Development Agency (CDA) to support local affordable housing initiatives. Local agencies will need to leverage a mixture of deep-subsidy and shallow-subsidy tools to produce the desired number of affordable units within a competitive marketplace. Because rental sites are at a premium, the City promotes mixed-income rental buildings as a way to develop affordable units. Affordable units can also be incorporated through a Planned Unit Development (PD), as will be used for Orchard Place, since large, mixed-use projects may afford opportunities to indirectly subsidize affordable units.

Sustainable Energy for Housing

Apple Valley aspires to be a sustainable, resilient community. The City is a Step 3 GreenStep City, but aspires to achieve Step 5 recognition. One of the most impactful changes the City can encourage is shifting its energy supply from conventional fuels to renewables. The Great Plains Institute estimates that 46 percent of greenhouse gas (GHG) emissions are attributable to the residential sector (Appendix I). Apple Valley has become more efficient as its primary energy providers, Dakota Electric and Xcel Energy, have started the transition to renewables. Still, most of the energy that is consumed in the residential sector is derived from conventional fuels, such as coal and natural gas, which are burned for electricity or consumed directly for heating, cooking, and other uses. Natural gas constitutes more than two-thirds of energy consumed by residences. Therefore, there is a substantial opportunity to improve overall energy efficiency by targeting the residential sector.

Dakota Electric is the primary electricity provider. There are more than 19,000 electric customers in Apple Valley, and Dakota Electric serves more than 18,000 of them. Notably, Dakota Electric's transition to renewables has proceeded slower than Xcel's. The carbon intensity of electricity from Dakota Electric is more than twice that of Xcel Energy. Emissions could fall significantly in Apple Valley if clean energy continues to become more cost-competitive with conventional fuels, but the City has limited influence over large utilities and the policymakers who incentivize them. Apple Valley can, however, build up its local clean energy capacity through various mechanisms. For example, a community shared solar system would give the City greater control over its energy supply, increasing resilience, and could provide multiple co-benefits, including job creation and cost savings.

A community-scale solar cooperative could diversify the energy supply, create jobs, and reduce costs.

Residential improvements, specifically, can be more easily implemented than large-scale commercial/industrial solutions. Small-scale improvements in building envelopes/home insulation, furnaces and air conditioners, lighting, and appliances can have a very significant effect. Xcel Energy offers rebates to customers who improve energy efficiency. Only five residences took advantage of this program in 2016.

A solar suitability map developed by the University of Minnesota illustrates the potential for direct solar energy production in Apple Valley (See Figure 3.23 in the Community Context Chapter). It is estimated that rooftop solar could generate up to 250,000 megawatt hours per year. Solar potential is highest in the city's south and east. Many of these neighborhoods were developed in the last decade or two. Solar potential is enhanced because there is greater housing density and there are fewer/younger trees. Studies show that the cost of solar continues to drop. Coupled with potential utility, state, or federal rebates, opportunities are increasing for individual homeowners, and owners of rental property, to install rooftop solar.

Wind energy is another alternative that can power residents' homes. Locally, wind potential is much lower than solar. Like solar, the most suitable location for wind turbines is in the southeast quadrant of the city. Although there is some potential for local wind production, residents frequently resist proposals for wind towers within their neighborhoods. A more plausible alternative is sourcing wind power from current energy providers. Residents can subscribe to the following wind energy programs:

- Wellspring Renewable Energy program (Dakota Electric)
- Windsource program (Xcel Energy)
- Renewable*Connect (Xcel Energy)

Goals and Policies

Housing Goals

The City of Apple Valley seeks to achieve the following goals through the implementation of the Comprehensive Plan:

1. Work with the Metropolitan Council, the Dakota County Community Development Agency, builders and other involved parties to provide a fair share of the region's affordable housing.
2. Use the Comprehensive Plan and other resources to address community housing needs.
3. Encourage a supply of housing styles and sizes that lets people of all ages continue to live in Apple Valley; the supply should adapt to future changes in demographics and meet local labor force needs.
4. Continue to encourage a high standard of property maintenance.
5. Promote quality housing developments that respect the natural environment and resident health.
6. Promote a high level of safety and security for people living in all types of housing.
7. Reduce greenhouse gas emissions from residences by encouraging wider adoption of renewable resources by utility companies.
8. Encourage individual homeowners and owners of rental housing to increase energy independence and to minimize energy consumption and waste.

Housing Policies

The City will use the following policies to achieve these goals:

Residential Development and Land Use

The Planning Commission and City will continue to review all site plans for multiple residential development, preliminary plats, conditional use permits, and rezonings.

The City will emphasize proper landscaping, maintenance of landscaped areas, development of compatible architecture and similar amenities that are necessary for a quality living environment. Promotion of housing for low and moderate income residents should not be interpreted to mean that the City is relaxing landscaping or proper architectural treatment of residential developments that could have an adverse effect upon adjacent property values.

The City will provide an opportunity to develop a variety of housing types within each neighborhood of the City.

The City will continue to review drainage, grading, utility, and similar plans to ensure that the existing environment is properly protected and preserved with the development of each residential subdivision.

When appropriate, the City will continue to encourage Planned Unit Development to provide for a variety of housing types and flexibility in zoning standards.

The City will promote residential development that includes amenities such as lakes, parks, vegetation, and similar features.

The City will only permit residential development in residentially zoned areas where sanitary sewer, water, and public streets are available.

The City supports high density residential housing along transit corridors where convenient access to transportation is available.

The City will promote the reasonable incorporation of renewable energy sources in the design of new individual homes and rental properties.

Maintenance, Rehabilitation, and Redevelopment

The City will use GIS and other data sources to monitor conditions and trends in the housing stock, including ownership status, values, sales, and improvements.

The City will explore ways to protect neighborhoods from the negative impacts of foreclosure, including the creation and maintenance of a foreclosure list and maintaining contact with owners, mortgage companies, builders, or other key parties.

The City will explore ways to monitor and track the condition of homeowner associations.

The City will encourage the reasonable modifica-

tion of all types of housing to further energy independence, through various means such as roof top solar or geothermal energy.

Housing Affordability

The City of Apple Valley will continue to work with the Dakota County CDA in order to provide additional "rental assistance" and "scattered site" dwelling units within the community to secure additional housing for low and moderate income persons as qualified by the Dakota County CDA.

The City will continue to work with Federal and State agencies in order to provide new multiple dwelling units that will serve low and moderate income persons.

The City will continue to follow the goals outlined in the Livable Communities Act, and to update its goals annually.

The City supports development that is not more than 20% subsidized. Apple Valley also supports developments that promote on-site or nearby day care, recreation, transit facilities, and similar services needed to support subsidized housing. Apple Valley promotes the idea that development projects should contain an economic mix within the development itself, as well as be integrated in an economically mixed neighborhood.

The City will continue to encourage the development of multiple family dwellings. These developments will be scattered throughout the City to avoid clustering of low and moderate income housing.

Implementation

A challenge for implementing the Comprehensive Plan will be monitoring the housing supply and finding appropriate City roles in filling gaps not filled by the market. The Metropolitan Council policies encourage that a lifecycle housing supply in a livable community will support 75 percent ownership and 25 percent rental housing. From 2000 to 2015, the share of rental units has increased from 13 percent to 22 percent, indicating significant progress toward achieving regional guidelines. The Dakota County housing report forecasts that demand for rental housing will continue to increase from 2021-2030.

Land Use Controls

The Land Use Chapter is an essential tool for meeting Apple Valley's housing needs. The City has successfully used the Land Use Plan with the related policies and official controls to produce livable, desirable neighborhoods, diversify the housing supply, and create affordable housing units. As housing needs change, these approaches can be adapted to help meet community objectives.

Other Regulations

Pursuant to Apple Valley City Ordinance 122, "Residential Rental Property", either a residential rental property owner or rental manager shall register all residential rental properties with the City of Apple Valley. In the case of a transfer of ownership, change in rental manager, change in the number of rental units, or change in dwelling occupancy from owner occupancy to rental tenant occupancy, the residential rental property owner or rental property manager shall complete and submit a registration form for every residential rental property affected by the transfer. The City will continue to use appropriate regulatory controls to address local housing needs.

Collaborative Solutions

City government cannot and should not have sole responsibility for meeting local housing needs. The past efforts of the City show that collaborative solutions make the best use of all available resources. The City of Apple Valley will continue to work with all stakeholders to create and implement solutions to the needs of Apple Valley residents. Key stakeholders include:

- Dakota County CDA.
- Non-profit organizations
- Lending institutions
- Providers of senior housing
- Area homebuilders

Apple Valley will actively seek and engage other parties with a stake in addressing local housing issues.

Housing Information Systems

A common theme in the Housing Chapter is the evolving nature of housing issues in Apple Valley. A key success factor will be the ability of the City of monitor changes in the housing stock. The City will continue to use geographic information systems (GIS) software for compiling and analyzing data about parcels of property in Apple Valley. Some data that could be in a housing database are:

- Potential change in ownership when the tax classification becomes "non-homestead".
- Changes (particularly declines) in estimated market value.
- Sale of property.
- Condominiums and homeowner's associations.
- Foreclosures.
- Building permit data on home improvements.
- Assessor's data.

Compiling this data and monitoring housing conditions would provide important guidance to staff and policy makers. New GIS applications make it easier to collect, process, and analyze data. For example, the Collector application facilitates collection of field data and interfaces with standard GIS desktop software. By adopting this mobile app or another like it and training inspectors to enter data directly in the field would streamline data management and improve analytical capacity. Efficient data management usually involves coordination between multiple jurisdictions, such as the City and Dakota County.

The City will explore ways to protect neighborhoods from the negative impacts of foreclosure, including maintaining a foreclosure list. The City will maintain contact with owners, mortgage companies, builders, and other responsible parties about security and maintenance issues, and will explore ways to monitor and track the condition of homeowner's associations.

Finance Tools

There are a variety of regional, state, and federal housing finance programs. The number and focus of these programs changes over time. It is useful for the City to understand the types of programs available, but such information becomes outdated in the Comprehensive Plan.

State law authorizes several municipal housing finance tools that the City may wish to consider using in the future:

HRA Levy

State Law allows a housing and redevelopment authority (HRA) to levy a property tax, with City Council approval, to fund its operations and programs. The levy may not exceed 0.0144% of the total market value of property in Apple Valley. Historically, the Dakota County CDA uses this levy to fund the administration of housing assistance programs.

Tax Increment Financing

Tax increment financing (TIF) is the primary development finance tool available to Minnesota cities (Minnesota Statutes, Sections 469.174 through 469.179). Through TIF, property taxes are frozen before development occurs. The anticipated increment in taxes due to development gains are captured and used to finance the development.

TIF is a powerful tool and its use is often debated. On one hand, the creation of a TIF district can be an essential tool to stimulate economic development or redevelopment in instances where the marketplace cannot do so alone. TIF can be specifically used to develop housing for low and moderate incomes. Housing is often part of a redevelopment project because of the density required for a financially feasible project.

On the other hand, TIF involves a direct public subsidy to private development. Creation of a TIF district may stimulate growth without increasing local revenue needed to support the increased demand for public services. Because the tax rate is frozen, local governments may miss a chance to capitalize on financially successful projects, with potential ramifications for local taxpayers. Therefore, Apple Valley will be judicious in its review and application of TIF.

Tax Abatement

Tax abatement acts like a simpler and less powerful version of tax increment financing. With TIF,

the city controls the entire property tax revenue from new development. Under the abatement statute (Minnesota Statutes, Sections 469.1812 through 469.1815), the city, county, and school district have independent authority to grant an abatement. Acting alone, the City cannot use tax abatement to create the same financial leverage as TIF. Nonetheless, tax abatement provides a valuable tool for housing initiatives. The City can use tax abatement as an incentive to meet local housing objectives to new housing not provided by the market or reinvestment in the existing housing stock.

Housing Improvement Areas

The City has the power to establish a special taxing district to make improvements in areas of owner-occupied housing (Minnesota Statutes, Sections 428A.11 through 428A.21). The housing improvement area (HIA) is a special taxing district that can be used to finance a variety of improvements.

A housing improvement area is a collection of parcels defined by ordinance. The HIA may encompass new development or redevelopment. This tool may be a resource to aid homeowner's associations in need of assistance. The City has the power to levy a "fee" on the housing units in the area. This fee may work like a property tax or may be spread using another approach determined by the City. The fee can be collected through the property tax system. The statute also authorizes the City to levy special assessments to pay for housing improvements.

The statute allows Apple Valley to define the nature of housing improvements. This tool can be used to finance any form of public improvement, including streetscape, parking, and trails.

The City does not have the unilateral power to establish a housing improvement area. The process must be initiated through petition by a simple majority of property owners in the proposed HIA. Then, the City would have the ability to assign the procedures for imposing fees and administering the area to another authority, such as an HRA, economic development authority (EDA), or the Dakota County CDA.

Other Tools

To maintain neighborhood vitality, the City encourages homeowner reinvestment and infill of vacant parcels. Home improvements and rehabilitation should reflect the architectural style and scale of surrounding residential. Often home renovations occur at the point of sale. Various homebuyer incentives facilitate renovations as well as general financing. The State of authorizes finance lending for some first-time homebuyers, which can be rolled into the home mortgage. Federal programs, such as FHA203k, can be used to facilitate the acquisition of property and/or finance improvements to homes requiring significant rehabilitation or comprehensive repair. The Fannie Mae Homestyle Renovation Loan provides a similar program.