

Metro Cities Survey

Housing, Economic and Community Development

Summary (25 responses)

How has the pandemic affected the development market and construction in your city?

Multifamily developments under construction are continuing. Housing developments still in the planning and financing stage are less certain. Single family construction and sales have slowed due to job loss concerns. Commercial development plans have slowed (pre-development) or stalled. There is an inconsistent supply of foreign-sourced building products. Despite availability of inspections, cities are seeing a slight slowdown in progress on large projects due to social distancing requirements. Expectations are for overall development effects to be better known beginning in the fall.

Would an extension of the 60-day rule and other timelines/deadlines be helpful?

Cities have adapted and implemented technological solutions to holding required meetings. There was concern that discussion among local elected officials may be reduced due to the change from in-person meetings. There are some concerns public participation may be more limited, especially on large or more controversial projects. Many cities appreciate in-person hearings but accept virtual meetings for the time being. Most cities felt they could meet their requirements. Several cities noted they would like additional time, for flexibility purposes. There was also interest in loosening or removing newspaper publication requirements.

Has your city amended processes for building inspections?

Commercial: Most cities' commercial inspections are continuing, with social distancing practices. Some cities schedule inspections at commercial sites at the end of the workday when most construction workers have left. Some inspectors have been given more time for inspections in order to comply with PPE protocol for commercial sites as well as gaining access into sites now that screening is a regular part of commercial job site entry. Virtual/video/photo inspections require signoff from the building official.

Residential: Interior inspections of occupied properties are now done virtually whenever possible. Inspectors wear PPE and maintain social distancing. More photo and video inspections are being submitted. Some cities are working with customers to delay non-essential inspections that do not have an immediate health and safety concern. Some cities have delayed inspections for new rental permits.

Health and Safety Practices: Some cities staggered their work teams, so that some inspectors work remotely one week, while others are in the office. Plan reviews are happening remotely. Some cities are working with contractors to ensure inspections are occurring at times the workers are not present. Some cities have a full electronic permit process from plan review to permits.

Has the pandemic affected your city's plans on moving forward with applying for program funds (ie state housing funds, Metropolitan Council LCA funds)

Many no/not yet responses. Shared concern about slowing development market on development side, then that would create a desire for funding applications to be responsive to the slowdown. Appreciation for MHFA's one-month deadline delay on the Consolidated RFP. There is concern about the viability of tax credits for housing projects and on tax credit financing for affordable projects.

What effects do you expect to see in the months ahead for housing/development related revenues and costs?

Projects in the pipeline are advancing in some cities. Cities are expecting reductions in permit revenues, due to delayed or reduced projects. The pandemic hit at the start of the construction season and most permit revenue is received between April and October/November. Some cities expect small household projects to continue while others forecast a stark decline in household projects. Other cities are unsure what to expect and what the overall local fiscal impacts will be. Reduced rent payments may impact investments into residential multifamily buildings. Expected decreases in construction costs related to labor and fuel. One housing developer told a city they will really pull back on new starts during the rest of 2020.

Some cities are expecting significant increases in property tax and rent payment delinquencies. That will impact liquidity of the City.

Some cities have not made any changes to staffing. Cities may be able to reduce some discretionary expenses (training) but those are small compared to the entire budget.

Has your city provided guidance or resources to local businesses and nonprofits?

Some cities have created city webpages and used social media and e-newsletters to provide links and resources to businesses and nonprofits. Cities are keeping up contacts with chamber groups, commercial lenders, and other partners to identify ways in which the city can be a resource.

Housing: One city provided loan payment deferral and rent delays for COVID-19 impacted tenants who requested a 60-day delay. Others have repurposed existing funds and are making grants available to residents

Business: Many cities have utilized their partnership with MCCC's Open To Business program, helping businesses navigate access to state and federal program funds. Cities have created restaurant pages showing which are open and offering takeout and delivery services. Local funds have been repurposed to provide small business assistance. Some cities have been proactive and contacting businesses through mailed flyers, calls and surveys to check in and see what is needed.

Food: Cities have supported emergency food provisions, in partnership with local nonprofits.

Several counties have COVID-19 information pages where cities are directing residents, nonprofits and businesses.

Are the DEED and SBA resources helpful? Is there other information that would be useful?

Cities noted appreciation for DEED – both in communication and small business and unemployed worker assistance, even though there’s been some concern on access to funds. There was acknowledgement of SBA funds, though frustration for access to and oversubscription of federal small business resources, which at the time of the survey had not been funded again. There is a desire for cities to know which businesses have received state and federal funding so any local gap funding could be targeted. Loans are less preferable than grants. One of the biggest gaps is the single proprietor businesses, independent contractors, consultants, and other similar businesses that don’t appear to have been taken into consideration, but still play a vital role in the local, state and national economy.

What are the biggest challenges facing renters? Homeowners? Property owners and managers?

Immediate access to funds was a consistent response. Small businesses and renters are in immediate needs of funds for April and May rent and there is anxiety about where those funds will come from. There is significant need for immediate emergency funding to serve as a bridge aiding people until they can access longer term DEED, SBA and unemployment dollars. The domino effect is immense and impacts renters, homeowners, property owners and manager. There is concern about paying property taxes, especially when rent is late, which will have an impact on cities. Property tax relief will affect local delivery of services.

Homeowners may be facing mortgage foreclosures. Those businesses with mortgages will have a hard time paying monthly payments. Landlords may not make investments. Some apartment owners are looking at restructuring debt because rent checks are being delayed, if paid at all. This may have an effect on future deals. Even though there is a moratorium on evictions, renters who have not paid their rent will likely face eviction when the emergency order is lifted.

One city is allowing deferred utility payments for those that request it. Another has proactively created a structured rent deferral payment plan for units of city-owned affordable housing.

Cities with higher concentrations of retail and commercial spaces, combined with the already changing market conditions, are considering what that landscape will look like following the pandemic.

The legislature is considering providing cash assistance for lower-income renters for housing related expenses for households. Would this assistance help residents in your community?

Consistent requests for state housing assistance funds for residents is desired. The goal is to stabilize families for several months. Several cities cited detailed resident data including income, rent, cost burden rates and housing types. Housing stability would help the flow of capital, stabilize local economies, and help with the recovery.

If your city has a manufactured home park(s), what challenges do residents and owners face?

Cities listed concerns with residents' inability to pay lot rent to owners. School districts have delivered food to students.

Some concerns with storm events were listed. This includes inability to maintain social distancing within a park's storm shelter, or if a park does not have a shelter, alternate public facilities are not open to accommodate an emergency gathering venue.

Are there state or regional resources or flexibility in statutes/policies that would be helpful?

Cities desire greater flexibility with spending CDBG funds on rental assistance programs, and existing service providers. They also desire flexibility on spending pooled TIF funds to support small businesses and housing assistance.

LGA and Municipal State Aid funding should not be used to support other program shortfalls.

There is city support for flexibility from the state regarding hiring/capital investment timelines stipulated as a part of Job Creation Fund (JCF) and Minnesota Investment Fund (MIF) awards.

There is city concern on delayed county property tax deadlines and impacts on the delayed city portion of those taxes.

Cities would also like an extension to the DLI permit fee and expense report. Also a request for flexibility in the 60/120 day rule and extended application deadlines for various finance and grant programs. Also a request to loosen meeting publication requirements.

In cities with a high concentration of commercial space that may become vacant or underutilized during and after the pandemic, additional resources for commercial properties and businesses is the key to ensuring success. Continued investment in regional transportation infrastructure is key during this time. It is also critical to keep planning projects that are funded through TOD and LCA programs moving forward, to support development as important for local economies and an economic recovery.

Delayed payment or waiving of penalties on property taxes will be helpful for those fiscally challenged. There was a request to note the divide between lower wage incomes and housing expenses widening, which has a stronger adverse effect on people of color. MN really need to look at these disparities and act on remedies.

What questions do you have?

What funding might the Legislature consider cutting that would affect cities?

For commercial property, who is not making payments, how have leases changed? How will this affect property tax payments/valuation appeals?

What can we do to make sure the tax credit market stays strong so affordable housing projects don't get sidelined?

Construction is essential.

Have you been hearing any indicators for additional state and federal programs to further assist businesses and infuse additional money into our economy?

A defined public hearing process that is legally accepted would be helpful.

No questions, but a few comments: It is vital that we provide support to small businesses to keep them afloat until the emergency orders are lifted, and beyond. If our small businesses fail, there will be no jobs for folks to return to and recovery will take a long time. We need immediate, impactful small business assistance now. Thank you for the work that Metro Cities is doing on behalf of all of the metro communities.