

GENERAL INFORMATION

Applicant: City of Bloomington
Location: Citywide
Request: Study of Single Room Occupancy (SRO) and Co-Living housing types and associated standards.

HISTORY

City Council Action: 04/25/2022 – Study Item to review allowances for the conversion of hotels and office to multi-family residential or single-room occupancy development (Case #PL2021-249)
06/26/2023 – Received State of Homelessness Assessment prepared by the Bloomington HRA and Analytic Insight.

CHRONOLOGY

Planning Commission	06/20/2024	Study Item held
HRA Board	06/25/2024	Study Item scheduled
Council	07/01/2024	Item continued
	07/15/2024	Study Item scheduled

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PROPOSAL

The 2024 Planning Commission Work Plan includes a dedicated project to consider standards related to single room occupancy (SRO) housing. These housing types, also referred to as co-living, present unique characteristics and opportunities that could expand housing choices in Bloomington,

both in the supply and variety of housing. The following study item is intended to identify key policy questions and potential Code amendments that could further enable SRO or co-living development in Bloomington should that direction be desired. This project builds off previous work presented in 2022 that studied the conversions of hotel and office uses to residential.

BACKGROUND

SRO or co-living housing has been the subject of increasing interest as communities across the United States respond to multiple challenges in the exist in the housing market – mainly a lack of affordability and housing variety. As neither SROs nor co-living housing is defined within the Bloomington Zoning Code, one may consider the following definitions:

Single Room Occupancy (SRO). Multi-family or converted single family homes with quality single rooms, shared kitchens, and shared or individual bathrooms (source: Hennepin County SRO Task Force Report).

Co-living. A modern living arrangement where someone rents a room or an apartment within a communal property, benefiting from shared amenities and activities designed to foster a sense of community and belonging (source: coliving.com).

In summary, these housing types typically offer individual bedrooms as separate rentable units with access to shared amenities, including kitchen facilities and common spaces. Bathroom facilities may or may not be shared.

Specifically in the Twin Cities Region and Bloomington, the subject of SROs and co-living is connected to and viewed as a potential tool to expand housing variety and increase housing affordability. Hennepin County assembled a task force and issued a report in September of 2021 related to SROs that included multiple recommendations for cities to consider. The Hennepin County Task Force Report is also added to the study item case file for download (Case #PL2024-40). Specific to Bloomington, there are multiple dynamics to consider that may inform how the City should approach SRO or co-living development, including:

Demographic Changes

Per the latest census data, Bloomington residents are the fourth oldest among communities in the Twin Cities Region. 29 percent of Bloomington's residents are 55 years or older. As older Bloomington residents continue to age, it will be important to provide enough housing options that meet the unique characteristics and ranges of affordability that can best serve these residents. Co-living, whether in smaller or larger scale developments, may be an option to help bolster housing supply for older residents. In some cases, this housing option could also be beneficial from the perspective of providing opportunities for living environments with built-in peer support. Some studies have shown that social isolation in older adults, which occurs at greater rates in one or two-person households, can have negative health impacts in some cases.

Co-living environments could be beneficial as a means to mitigate the impacts of social isolation in acute situations.

Reuse or Conversion Opportunities

Recent real estate dynamics, mostly resulting from the Covid-19 Pandemic, have driven questions about the potential reuse of hotel and office facilities whose occupancy rates were or have continued decreasing during this period. Decreasing occupancy rates present opportunities for reuse. Planning Division staff previously presented a study item about the conversion of hotel and office uses to residential uses to the Planning Commission (2/17/2022) and City Council (04/25/2022). The meeting minutes from these discussions are attached to this staff report for reference. The staff report effectively outlined some of the existing challenges associated with the conversion of nonresidential use to a residential use. These challenges are rooted both in the Zoning and Building/Fire Codes, in addition to market response. In summary, both the Planning Commission and City Council directed that the City remain open minded towards potential conversions – to allow these redevelopments to occur utilizing PD flexibility at appropriate locations and in the furtherance of public benefits, such as affordable housing. These bodies did not direct specific amendments to the City Code at this time.

It should be noted that one project converting hotel space to residential units has occurred in Bloomington. The project, located at 3 and 4 Appletree Square, included the creation of 185 apartments (Aire Apartments) at the Crown Plaza Hotel (Case #PL2022-136). These units, 44 of which are affordable by agreement (many other units are naturally occurring affordable housing), were developed without public financial assistance from the City and have been successful to date. The approvals for the project were completed within the current parameters of the Zoning Code, specifically utilizing the Planned Development (PD) process. While many of the units are small, the project does not qualify as an SRO or co-living given that each unit has its own kitchen and living spaces.

The current hotel and office markets appear to be moving in slightly different directions. Hotel occupancy has returned close to 2019 levels prior to the pandemic, while office occupancy has slightly decreased. Anecdotally, Planning staff has recently received some inquiries about office to residential conversion, but interest in hotel to residential conversion has diminished. It will be hard to predict precise occupancy levels of office and hotel uses in the future, but it is more likely that hotel occupancy will remain in a stronger position long-term. Conversion to SRO or co-living development may be a good fit in some locations, and providing shared facilities (kitchen, common spaces, etc.) is easier in a conversion scenario than providing kitchen and bathroom facilities in every single unit.

Greater Affordability

Through the sharing of facilities and amenities, SRO or co-living developments typically are more affordable than other housing types. Since the adoption of the City's inclusionary housing policies (Housing Opportunity and Preservation Ordinance), a significant amount of affordable un

its have been approved and constructed. Table 1 provides a current snapshot of affordable unit production in Bloomington since 2021. Despite the overall successes in affordable housing development in the last five years, the most challenging units to produce continue to be the deeply affordable units (30% area median income (AMI)). SROs are inherently more affordable and require less public subsidy due to the consolidation of shared facilities and amenities (kitchens and associated equipment, common or communal spaces, etc.). For example, a development case study shared in the Hennepin County Task Force Report listed a 32-unit SRO that offered rents of \$375 per month. No other housing type is going to offer accommodations that are as affordable.

Table 1: Affordable Unit Production 2021-2024

Affordable Unit Development Status	Unit Production and Affordability Level				
	30% AMI	50% AMI	60% AMI	70-80% AMI	Total Affordable
Opened	32	157	348	50	537
Under Construction	-	9	-	-	9
Approved	8	104	35	-	147
Unit Sub-Totals	40	270	383	50	693
Met Council 2030 Goals	445	246	151		842

The creation of the 30% AMI units continues to be a challenging puzzle to assemble. Expanding opportunities for single room occupancy or co-living development could provide additional tools for the development community to utilize to create more deeply affordable housing with less public subsidy.

Homelessness

The City received a formal assessment report on the state of homelessness in 2023. The assessment was presented at the [June 26th, 2023 City Council meeting](#). The formal report can be downloaded from the [Bloomington HRA website](#).

48.6 percent of Bloomington households who rent pay more than 30% of their income on their housing, which is considered to be housing-cost-burdened. These residents are at greater risk of experiencing homelessness in the future. Given the increase of housing costs that residents have experienced in the last five years, some cities are looking to SROs or co-living development as a means to create more affordable housing opportunities, particularly deeply affordable units, as one of the primary interventions to prevent and reduce homelessness.

Student Housing

SROs and co-living developments are also viewed as a good fit to provide student housing, as the characteristics of these developments are similar to dormitories. These developments typically offer shorter term leases, which are favorable for students who may need housing for shorter durations of time to fit student schedules. Bloomington has four post-secondary institutions: Normandale Community College, Northwestern Health Sciences University, Bethany Global University, and Rasmussen University. Between Normandale and Northwestern Health Sciences, it is estimated that close to 15,000 students are currently enrolled. Staff was not able to collect enrollment data for the Bethany Global or Rasmussen Bloomington campuses. While these institutions do provide some online curriculum and serve commuters who reside outside of Bloomington, some students would certainly benefit from SRO or co-living housing types in proximity to these institutions. Only Bethany Global University has dormitories on site.

Proximity to MSP Airport

Bloomington's locational proximity to MSP International Airport also presents unique considerations with respect to housing as compared to other cities within the Twin Cities Region. Bloomington likely has a higher share of transportation sector workers than other communities. Some of these workers, including flight staff, would benefit from co-living style housing.

All of these ongoing dynamics demonstrate why SROs and co-living development could be beneficial in Bloomington. The questions then become whether to expand allowances for these development types or not, and, if so, what are the best means to further enable their development.

ANALYSIS

For the purposes of this study, it is important to emphasize that the housing types being discussed or considered, SROs and co-living, are housing without services. The Zoning Code has multiple uses therein that are specific to housing with services (typically health care), mainly residential care facilities, which include group homes. The analysis within this report does not focus on housing with services.

Existing City Code Regulations

The regulatory environment for SROs and co-living is multi-layered and could benefit from more clarity. Staff can provide some key considerations as they relate to the Zoning Code in the following categories:

- **Relevant Uses and Definitions.** The following uses defined in the Zoning Code (Sec. 19.03) have some applicability to SROs and co-living uses and are beneficial to share for reference:

- *Boarding house.* A dwelling unit where lodging with or without meals is provided for compensation and occupied by five or more adult individuals. (See *FAMILY*.)
- *Congregate living facility.* A type of housing in which occupants share a common dining room, recreational room, food service or other facilities, including but not limited to boarding houses, lodging houses, assisted living facilities, shelters and convents. A *CONGREGATE LIVING FACILITY* does not include bed and breakfasts, resorts, vacation homes, crash pads, hostels, multiple-family dwellings, temporary pandemic response housing or other uses separately defined.
- *Dormitory.* A building providing sleeping and residential quarters for individuals or groups associated with a college, university, institution, or boarding school.

Regarding these use definitions, it should be clarified that the congregate living facility use includes a broad spectrum of uses, both with and without services. Based on common definitions, SROs could be considered a congregate living facility, especially when occupancy includes five or more residents.

Two other uses listed in the Use Table (Sec. 21.209) that may also be useful to reference are *Transient lodging facility* and *Room or dwelling rental – 30 days or greater*. In Bloomington, rental stays for less than 30 days are considered transient lodging and are not permitted within residential zoning districts. Hotels obviously allow stays of less than 30 days. Conversely, a dwelling or room rental for 30 days or longer is permitted in all residential districts. This information is shared to note that SROs and co-living arrangements would be subject to minimum leases of 30 days or longer under these rules.

- **Use-Zoning District Allowances.** Uses are allowed according to the underlying zoning district of the property and as specified in the Use Table (Sec. 21.209). The uses listed above most similar to SROs or co-living are allowed in the following zoning districts:
 - Boarding house – This use was merged within the definition of congregate living facility in conjunction with recent Code updates.
 - Congregate living facility – Conditional use in R-4, RM-12, RM-24, RM-50, RM-100, TI, and FD-2. It should be noted that a separate zoning study on the 2024 Planning Commission Work Plan, Admin/Streamlined Development Approvals Study (study item - *Case #PL2024-36*), contemplates making this use permitted in higher density residential zoning districts. Staff will report back on the conclusion of this study item as it related to this use. Note that congregate living facilities are not currently allowed in most Bloomington commercial and mixed use districts.
 - Dormitory – Dormitories are allowed in the R-1 zoning district, the zoning district that applies to three colleges, only as a conditional use.
- **Use Standards.** There are use-specific standards for congregate living facilities (Sec. 21.302.24), but not dormitories. Although institutional use standards (Sec. 21.302.06) are applicable to both of these uses according to the Use Table.
- **Occupancy.** In Bloomington, the maximum occupancy of a dwelling is a single family, defined in the Zoning Code (see Sec. 19.03) as follows:

FAMILY. One or more persons related by blood, marriage or adoption, including foster children and domestic partners and civil unions recognized under Minnesota law, or a group of not more than four persons (excluding personal care attendants, in accordance with Minnesota Rules Rule 9505.0335), occupying a dwelling unit. This definition of family includes a functional household as defined in § 14.568 of the city code, as well as those persons renting rooms. (See BOARDING HOUSE.) (*Note: a definition of a functional family no longer exists in Chapter 14 Rental Housing Code*)

As such, four unrelated persons can legally occupy a single dwelling. There are no provisions in the Rental Housing Code that would preclude renting individual rooms as distinct units so long as compliance with occupancy requirements is maintained. What this effectively means from an SRO and co-living standpoint is that a residential development akin to a SRO could be developed or constructed, so long as no more than four unrelated persons reside within each dwelling (containing cooking, living, sanitary, and sleeping facilities therein – see definition of a dwelling in Sec. 19.03). As a result, one could create a co-living dwelling with four bedrooms or sub-units within a single-family dwelling. A two-family dwelling could have eight bedrooms or sub-units. Finally, a multi-family dwelling could technically have four sub-units in each dwelling that are leased separately. Given the definition of congregate living facility, the Zoning Code would benefit from greater clarity and distinction between these uses.

In summary, the Zoning Code today allows SRO or co-living style development primarily in residential zoning districts and on a modest level in other mixed use districts with occupancy limits. Given that co-living development is not as prevalent in the Twin Cities Region as other cities in the United States with higher housing costs, Bloomington has not received much developer interest for this housing type yet. That is not to say that more demand may be coming in the future given the dynamics listed in the Background section of the staff report.

- **Use Conversion Process** – The Bloomington Zoning Code does not have specific provisions that incentivize or enable the conversion of one use to another. If a property owner were interested in converting a nonresidential use, such as office, to a residential use, staff would first evaluate if the proposed residential use were permitted in the underlying base zoning district. If a residential use is allowed, then the new, converted development would need to comply with the Zoning Code for the residential use, unless variances or Planned Development (PD) flexibility were approved in conjunction with the conversion. To summarize, a converted use is treated the same as if the proposed development is a new use. If the City wanted to further enable use conversions, more residential uses, such as SROs or co-living, could be added to nonresidential zoning districts, or specific performance standards for use conversions could be added to incentivize such projects. Either way, use conversions must also comply with State Building and Fire Codes. The challenges of meeting Building and Fire Code as part of use conversions were well outlined in the previous study item focused on office and hotel conversion.

In summary, the existing Zoning Code provisions do have limited pathways to developing SRO and co-living developments. The pathway is different depending on if the proposed development is

smaller or larger in scale, and use conversion can add a separate layer of complexity depending on the characteristics of the proposal.

Examples of SRO and Co-Living Development

In general, SRO or co-living development are more prevalent in other regions of the United States with the highest housing costs. These development types can have a wide spectrum of scale and amenities. To help provide concrete, local examples of SRO or co-living development at different scales, below are three developments that help illustrate how these uses can be developed:

- Little Mod (St. Paul, MN – construction to begin in August 2024): A smaller scale, 12-bedroom co-living development created within a two-family dwelling structure.
- Ratio Apartments (Columbia Heights, MN – newly constructed in 2022): Development with apartments (256) and co-living units (10 dwellings, 40 bedrooms or units) with sub-\$1,000 rents per bedroom.
- University Inn Conversion (Minneapolis, MN) – Conversion of a hotel to multi-family dwellings (43) and single room occupancy units (2).

Based on staff research to date, the majority of single room occupancy developments created in the five to ten years involved the conversion of existing buildings to (hotel or similar uses) to SRO or co-living environments as a response to the Covid-19 Pandemic. Hennepin County has been active in this space to create more affordable housing or better serve residents experiencing homelessness during the acute difficulties of the pandemic. However, some interest in co-living development is starting to emerge given the increase in housing costs over the last five years.

Key Policy Questions

The subject study raises multiple policy questions that would help guide subsequent action on the part of the City. From staff's perspective, the key questions for this study include the following:

- Does the City want to enable more and larger SRO developments? If yes;
 - Should a new use category (single room occupancy or co-living) be created to distinguish this development from other types of congregate living (housing with services)?
 - Should congregate living/SRO uses be allowed in commercial and mixed use districts, which would ease use conversions as most office buildings and hotels fall under commercial and mixed use zoning districts?
 - Should the City create use-specific performance standards to incentivize SRO development? Two examples of potential use standards would include off-street parking requirements (w/proximity to high frequency transit facilities factor) and minimum site area per bedroom or unit. Other standards could likely be similar to multi-family residential uses.

Addressing these key policy questions will help inform potential amendments to the City Code to act upon this policy guidance.

Potential Code Amendments

Should the Planning Commission and City Council decide to support and further enable SRO or co-living development in Bloomington, staff would offer the following City Code amendments as a means to further enable these uses.

- **Clarify SRO/Co-Living Status within Existing Residential Uses** – As noted in the existing regulations section of the staff report, existing dwellings can have an occupancy of up to four unrelated persons today. One straight-forward and more simple amendment to the Zoning Code would be to affirm that co-living is allowed within existing residential uses and dwellings is permitted in compliance with existing occupancy limitations. This would likely involve amending the definitions section of the Zoning Code to more clearly affirm
- **Increase Occupancy Limitations** – Each dwelling in Bloomington can be occupied by a single family as defined in Section 19.03 of the City Code. The MN State Building Code also has occupancy limitations that are based on area (square-footage). One way to further enable SRO or co-living development would be to increase the maximum occupancy of unrelated individuals within a dwelling. The City of St. Paul, MN recently increased their maximum occupancy level from four to six unrelated individuals in 2021. St. Paul defines a “household” as follows (see. Sec. 60.209 of St. Paul City Code):

Household. Six (6) or fewer adults, and minor children in their care, living together in a dwelling unit.

St. Paul’s definition does not relate to how adult individuals relate to one another. Rather, it limits the number of adult individuals regardless of familial or legal relation with additional allowances for children or minors in their care. Bloomington’s definition of family does include consideration for both traditional families as well as the various forms of functional families. St. Paul’s definition is more encompassing of the wide spectrum of complex human relationships that exist within today’s households.

Regardless, if six adults could reside in a dwelling in Bloomington, this change could have the potential to make formal co-living developments more financially viable and affordable without the need of subsidy. The Hennepin County Task Force Report does list residential occupancy standards as a barrier to SRO development. Increasing the maximum occupancy by amending the definition of a family or household could have a positive impact on SRO development.

Environmental Health staff who manage the City’s rental licensing program have anecdotally learned of a limited number of room rental or co-living setups within single- or two-family dwellings in Bloomington. However, these examples are few and far between, speaking to the market demand of this use up until this point in time. Staff does anticipate demand for SROs to increase if current housing market trends continue. However, the rate

of demand increase in the Twin Cities is difficult to extrapolate. Finally, it should also be noted that increasing the occupancy limits within a dwelling does have the potential to modestly increase some property maintenance challenges or nuisance characteristics. However, staff is confident that the tools and resources available to the property maintenance and rental housing programs are adequate and effective to address these concerns.

- **Create SRO/Co-Living Use Category** – Specifically to enable larger SRO development (15 units or more and not located within a single-family, two-family, or lower density residential uses or development) a new SRO use type could be added to the Definitions and Use Table sections of the Zoning Code. The Boarding House use definition would be deleted to avoid any potential for confusion. The new SRO use could be added as a permitted or conditional use to high density residential districts and any commercial zoning districts where use conversion is desired. Creating the new use would also allow for the creation of use-specific standards.
- **Allow for SRO/Co-living Conversions from Hotel and Office Uses** – This policy question would be addressed primarily through what commercial zoning districts would allow for SRO development. If SRO or Co-Living development is allowed in these districts, then a site would not need to be rezoned to allow for the approval of a conversion. Rezoning is typically the highest barrier from a zoning action standpoint. Once determining what districts are appropriate, the City would need to designate whether these uses are permitted or conditional. Staff would recommend making these uses permitted, but subject to use-specific standards.
- **Create Use-Specific Standards for Larger SRO or Co-Living Developments.** Use-specific standards can be a means to address specific site or operational needs that are unique to a particular use. The rigor of the standards can also inform the extent to which the use is enabled or supported. It is possible that standards for SRO or Co-Living development could be similar or equivalent to multi-family residential. Or certain standards could be eased or reduced to support these developments, recognizing the potential value they offer from an affordability standpoint. Examples of use-specific standards that staff has found in researching other cities and are not currently reflected in Bloomington’s multi-family residential standards include:
 - Lower off-street parking requirements (when in proximity (half or quarter mile) to high frequency transit)
 - Minimum site area per bedroom
 - Minimum floor area per bedroom (could be covered by MN State Building Code, but
 - Minimum common space area requirements per bedroom
 - Minimum restroom facilities (if above and beyond MN State Building Code requirement)
- **Create Opportunity Housing Ordinance Incentives to Help Facilitate Office and Hotel Conversions.** Residential standards for impervious surfaces and open space present a major

impediment to conversion of office and hotel uses as most office and hotel sites cannot meet those standards without major site modifications and/or removal of portions of the building. Opportunity Housing Ordinance incentives could be added to reduce the standards, thereby facilitating conversion, when certain affordability levels are met.

If the Planning Commission and City Council support use-specific standards for SRO/Co-Living developments, staff will solicit feedback on these and any other recommended performance standards that may be relevant to these developments.

Public Engagement

Staff has completed two tasks as part of the initial phase of this project related to engagement. First, staff contacted a limited number of parties known to be connected to the topic, either through their association or contributions to the Hennepin County SRO Task Force Report, or through interest in development activity. Staff has also connected with officials from a few other cities who have reviewed SROs. Second, a [Let's Talk Bloomington online project page](#) was set up for the project. The engagement report of online activity on the project page to date is attached for reference.

PLANNING COMMISSION REVIEW

The Planning Commission held a [study session](#) for SRO and co-living on June 20, 2024. Following the staff presentation, they responded to staff prompted questions with the following general feedback:

- Should the City support or enable more and larger SRO or co-living developments? **Yes.**
- Should SRO/co-living status within existing residential uses be clarified? **Yes.**
- Should the City increase and/or modify the occupancy limit for a dwelling? **Yes.**
- Should a SRO/co-living use be created for larger developments above a certain unit or bedroom threshold? **Yes.**
- Should conversions of nonresidential uses (e.g. hotel or office) to SRO or co-living be allowed or supported by allowing the use in commercial zoning districts? **Yes**, as the market will dictate where feasible given that conversion is difficult.
- Should use standards be developed for SRO and co-living development? **Yes**, these can be more flushed out at a later time.

The full detail of the Planning Commission discussion can be found in the attached minutes. The Planning Commission requested that draft standards or Code amendments be presented in another study session format prior to a public hearing environment.

HRA BOARD REVIEW

Staff presented this information to the Housing and Redevelopment Authority Board on June 25, 2024. The HRA Board asked questions and were generally supportive of providing more opportunities for co-living housing in Bloomington. The [meeting video](#) is available for review to see the full discussion.

RECOMMENDATION

No formal recommendation is required for this Study Item. Staff's intention is to present an overview of the City's existing regulations and solicit feedback about potential City Code amendments. Depending on Planning Commission and City Council guidance on these discussion items, an ordinance could be prepared to act upon these changes. An additional City Council study review can be conducted on a draft ordinance prior to public hearings.