



# Request for City Council Committee Action from the Department of Community Planning & Economic Development

**Date:** April 18, 2006

**To:** Council Member Lisa Goodman, Community Development Committee

**Subject:** **Public Hearing on the Annual Evaluation of the Affordable Housing Initiative for the City of Minneapolis for 2005**

**Recommendation:** **Receive and file the Annual Evaluation of the Affordable Housing Initiative for the City of Minneapolis for 2005.**

**Previous Directives:** The Affordable Housing Policy for the City of Minneapolis was adopted by the City Council on September 7, 1999 and amended on February 16, 2001. The resolution directs the Department of Community Planning & Economic Development to prepare an annual report to the community regarding affordable housing activity related to the resolution for a presentation at an annual public hearing.

**Prepared by:** Cynthia Lee **Phone:** 673-5266

**Approved by:** Elizabeth Ryan, Director of Housing Policy & Development \_\_\_\_\_

**Permanent Review Committee (PRC) Approval**  Not Applicable

**Note:** To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

**Presenter in Committee:** Cynthia Lee

### Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the  Capital Budget or  Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan:  Action is within the plan.  Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

### Community Impact (use any categories that apply)

Neighborhood Notification: The report was sent to all neighborhoods.

City Goals: Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households.

Zoning Code: Not applicable.

Other: None.

### **Background/Supporting Information**

Pursuant to the Affordable Housing Policy ("Policy") for the City of Minneapolis adopted by the City Council in 1999 and amended in 2001, CPED and other appropriate departments are required to prepare an annual evaluation of the City's affordable housing activity. The 2005 Affordable Housing Report is attached for your review.

### Summary of Report

The Policy contains three requirements and eight goals for affordable housing production. The following table outlines the requirements and goals, CPED's 2005 accomplishments, and whether or not each requirement or goal was met. A more detailed analysis of each is included in the Affordable Housing Report.

<b><u>Section</u></b>	<b><u>Results</u></b>	<b><u>Status</u></b>
Requirement 1: City/CPED must produce more new units affordable at 30-50% median than the units affordable to 30-50% median that are demolished	11 units removed in 2005; 309 new / conversion units were created	Achieved
Requirement 2: 20% of the units of each City/CPED housing projects of >10 units will be affordable to <50% median	25% of all 2005 new construction/positive conversion units and 43% of all preservation/ stabilization rental units were affordable to households with incomes <50%	Achieved

Requirement 3: Except for senior housing, all publicly assisted rental projects shall accept Section 8 certificates/vouchers.	CPED has implemented this policy for all rental projects and has included language in its legal documents that will require compliance.	Achieved
Goal 1: total annual CPED investment of \$10 million per year directed to affordable housing production.	During 2005, \$11, 271,224 was allocated by City Council/NRP to affordable housing projects.	Achieved
Goal 2: CPED Three Year Production/Preservation Goal (2003 – 2005): 2,100 units	CPED year 2005 production: 566 affordable units - 27% of three year goal; cumulative 2003-05 production: 2470 affordable units (118% of 3 year goal)	Achieved
Goal 3: At least 50% of the units affordable at 50% of the MMI as required in requirement 2 shall be affordable at <30%	54% of the affordable units completed in 2004 were affordable at or below 30% MMI.	Achieved
Goal 4: Fifty percent (50%) of the City/CPED's affordable housing funds will be used for the capital cost of units affordable at 30% or below of the MMI.	Proportionate with unit numbers in Goal 3 above - 54%	Achieved
Goal 5: To allocate 70% of affordable housing funds for units with 2 or more bedrooms and 30% to units with 0-1 bedrooms.	0 – 1 Bedroom – 49% 2+ Bedroom – 51%	Not Achieved

Goal 6: At least 50% of new City-produced affordable housing is to be located in areas of the city where it is presently lacking (non-impacted areas).	Impacted Areas of the City – all units = 72%, new units only = 67%  Non-Impacted Areas of the City – all units = 28%, new units only = 33%	Not Achieved
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<p>Goal 7: Affordable housing emphasis in impacted census tracts – preservation, rehabilitation and stabilization.</p>	<p>New construction / conversion – 208 units (51%)</p> <p>Preservation / Stabilization –200 units (49%)</p>	<p>Not Achieved</p>
<p>Goal 8: Affordable housing emphasis in non-impacted census tracts – construction and positive conversion.</p>	<p>New construction / conversion 101 units (64%)</p> <p>Preservation / Stabilization – 57 units (36%)</p>	<p>Achieved</p>

## 2005 Affordable Housing Report

Note: The paragraphs in bold that describe the requirements and goals are taken directly from the adopted Affordable Housing Policy.

### Resolution Requirements

**Requirement 1: Each year the City/CPED must produce more units affordable at 30-50% median income through new construction/positive conversion than the number of habitable units affordable to 30-50% median income that are demolished through City/CPED projects.**

**Status: Requirement Achieved.**

**Summary of Action: 11 units removed in 2005**

**309 new / conversion affordable units developed by CPED**

#### **A. Demolition of Existing Housing:**

Because of the difficulty in tracking the rents in rental units to determine affordability, especially since many have been vacant for a number of years, we concluded that for this report all non-homestead property removed would be considered affordable.

Homestead properties were not included as affordable or considered lost due to the value of the units in the market at the time of purchase or the value after substantial rehab needed to make the units habitable. Incomes of the existing households have no bearing in determining whether a unit is affordable to the next household.

<b>Table 1</b>				
<b>Summary of 2004 Units Removed</b>				
	<b>Total Units</b>	<b>Homestead Units</b>	<b>Non-Homestead Units</b>	<b>Affordable (Non-Homestead) Units Lost</b>
<b>CPED</b>	<b>11</b>	<b>0</b>	<b>11</b>	<b>11</b>
<b>Total</b>	<b>11</b>	<b>0</b>	<b>11</b>	<b>11</b>

#### **B. Housing Production:**

A key component of the Policy is that each year, CPED shall produce more affordable housing units at 50% or below the Metropolitan Median Income or MMI through new construction/positive conversion, than the number removed by City/CPED action.

The total production of new affordable housing units at 50% or below the MMI by the CPED for 2005 was 309 (297 rental and 12 ownership) units.

**Requirement 2: Twenty percent (20%) of the units of each City/CPED assisted housing project of 10 units or more will be affordable to households earning 50% or less of the Metropolitan Median Income (MMI). It is understood that these affordable units include any mix of rental and/or homeownership, and can be located on the project site or anywhere in the City of Minneapolis. Any specific project requesting exemptions to this requirement must seek City Council approval on the basis of alternative public purpose.**

**Status: Requirement Achieved.**

**Summary of Action:** All city-assisted multifamily housing projects (10+ units) placed in service in 2005 had at least 20% of the units affordable. In fact, 25% of all 2005 new construction/positive conversion units and 43% of all rehabilitation/stabilization rental units were affordable to households with incomes at or below 50% MMI.

**Requirement 3: Except for senior housing, all publicly assisted rental projects shall accept Section 8 certificates/vouchers.**

**Status: Requirement Achieved.**

**Summary of Action:** CPED has implemented this policy for all rental projects and has included language in its legal documents which will require compliance.

#### Resolution Goals

**Goal 1: City of Minneapolis is directed to increase funds directed to affordable housing production with a goal of a total annual CPED investment of \$10 million per year.**

**Status: Goal Achieved**

**Summary of Action:** During 2005, a total of \$11,271,224 was allocated by City Council/CPED Board action to a number of affordable rental and ownership housing projects including empowerment zone and NRP funding (see Exhibit D). In addition, significant low

income housing tax credits, housing revenue bonds, and tax increment funds were approved for affordable rental housing projects.

**Goal 2: CPED Three Year Production/Preservation Goal 2003-2005**

<b>2003 Production/Preservation</b>	<b>650 units</b>
<b>2004 Production/Preservation</b>	<b>700 units</b>
<b>2005 Production/Preservation</b>	<b>750 units</b>
<b>Total 2003-2005 Production</b>	<b>2,100 units</b>

**Status: Goal Achieved.**

**Summary of Action:** A total of 566 affordable units were completed in 2005. This includes 554 units of affordable multifamily rental, 8 units of affordable multifamily ownership, and 4 units of single-family ownership housing. While the 2005 production/preservation goal of 750 units was not achieved, the cumulative 2003-2005 production/preservation total of 2,470 affordable units exceeded the three year goal by 370 affordable units (118% of the three year goal).

**A. Description of Rental Housing Production**

For purposes of this report, production for this goal is defined as new construction/ positive conversion and preservation/stabilization. In 2005, CPED assisted in the development or preservation of 1,231 total rental housing units in Minneapolis, of which 554 are affordable at or below 50% of median income.

Table 2

**Rental Housing Production Summary 2005**

**Units Completed**

	Total Units	Direct Subsidy CPED funds	HRB Finance	Leverage non City funds
New / Positive				
Conversion	638 Units	\$13.5 million	\$23.3 million	\$82.2 million
Preservation				
Of units	593 Units	\$5.6 million	\$7.7 million	\$14.1 million
<b>Total</b>	<b>1,231 Units</b>	<b>\$19.1 million</b>	<b>\$31 million</b>	<b>\$96.3 million</b>

Table 3

## Rental Housing Production by Income Groups 2005

Affordability Level	30%	50%	60%	80%	Market
Development	150	147	187	8	146
Preservation	155	102	69	135	132
<b>Total</b>	<b>1,231</b>	<b>305</b>	<b>249</b>	<b>143</b>	<b>278</b>

### **Affordable Units at 50% or Below MMI :**

Total Affordable New/Positive Conversion - 309 units (297 rental and 12 ownership)

Total Affordable Stabilization/Preservation – 257 units (257 rental and 0 ownership)

Exhibit B gives detailed information on all sources of financing used to leverage CPED funds to accomplish program objectives. Exhibit B also shows the household incomes served by the programs.

**Goal 3: CPED will aggressively pursue funding for operating subsidies and/or rental assistance on City/CPED assisted housing projects of 10 units or more from all possible funding sources including but not limited to the Minneapolis Public Housing Authority, Minnesota Housing Finance Agency, Hennepin County, Federal Government and Metropolitan Council. To the extent that leverage resources are available for operating support or project based rental assistance, at least 50% of the units affordable at 50% of the MMI as required in requirement 2 shall be affordable on a project -by-project basis at an income level of 30% or less of MMI. No City or CPED funds or resources shall be used for operating subsidies and/or rental assistance for any units or projects initiated or created under this policy.**

**Status: Goal Achieved.**

**Summary of Action:** 54% of the affordable units completed in 2005 were affordable at or below 30% MMI. CPED resources were used for capital costs only. CPED has worked cooperatively with MPHA on the delivery of Project-Based Section 8 subsidies (PBA) since 2001.

**Goal 4: Fifty percent (50%) of the City/CPED's affordable housing funds will be used for the capital cost of production of units affordable at 30% or below of the MMI. When units require operating subsidies and/or rental assistance, these will**

**be secured through partnership with other funding sources including but not limited to the Minneapolis Public Housing Authority, Minnesota Housing Finance Agency, Hennepin County, Federal Government and Metropolitan Council.**

**Status: Goal Achieved.**

**Summary of Action:** Proportionate with the unit numbers in Goal #3 above, it is estimated that 54% of CPED's affordable housing funds assisted units at <30% MMI (capital costs).

**Goal 5: The goal is established to allocate 70% of affordable housing funds for units with 2 or more bedrooms and 30% to units with 0-1 bedrooms.**

**Status: Goal Not Achieved.**

**Summary of Action:** 0 – 1 Bedroom – 49%

2+ Bedroom – 51%

For units at or below 50% MMI completed in 2005, 275 were 0-1 bedroom, and 291 were 2+ bedroom. CPED has specific guidelines as part of its Request for Proposals that directly targets points to achieve this goal.

**Goal 6: The City establishes a goal of at least 50% of new City-produced affordable housing to be located in areas of the city where it is presently lacking (non-impacted areas).**

**Status: Goal Not Achieved.**

**Summary of Action:** Impacted – all units = 72%; new units only = 67%

Non-Impacted – all units = 28%; new units only = 33%

Of those new/positive conversion affordable units placed in service in 2005, 208 were located in impacted areas of the City while 101 were in non-impacted areas.

As of January 2003, based on 2000 census data, a new map of impacted areas was established. Impacted areas have grown significantly and, as a result, this goal may be much more difficult to meet in the future. In spite of the increased impacted area boundaries, 33% of all new/conversion affordable units completed in 2005 were located in non-impacted areas.

**Goal 7: Affordable housing emphasis in impacted census tracts – preservation, rehabilitation and stabilization.**

**Status: Goal Not Achieved.**

**Summary of Action:** New Construction / Positive Conversion – 208 units (51%)  
Preservation / Stabilization – 200 units (49%)

CPED has specific guidelines as part of its Request for Proposals that directly targets points to achieve this goal. The completion of the Midtown Exchange and Heritage Park (Phase III) developments contributed significantly to the higher proportion of new units built to preserved units in impacted census tracts.

**Goal 8: Affordable housing emphasis in non-impacted census tracts – construction and positive conversion.**

**Status: Goal Achieved.**

**Summary of Action:** New Construction / Positive Conversion – 101 units (64%)  
Preservation / Stabilization – 57 units (36%)

CPED has specific guidelines as part of its Request for proposals that directly targets points to achieve this goal.

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**Annual Report Exhibits:**

Exhibit A: Listing of properties demolished by City/CPED action

Exhibit B: Reports on 2005 Production by Project and Program - Multifamily Rental: New (B-1) and Rehab (B-2), Multifamily Ownership (B-3), Single Family Ownership (B-4) and Residential Finance (B-5)

Exhibit C: Report re: 2005 Multifamily Units Closed/Under Construction (not completed)

Exhibit D: 2005 Multifamily Funding Approval Actions