

Minneapolis Community Development Agency

Request for City Council Action

Date: January 21, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways & Means Committee

Refer to: MCDA Board of Commissioners

Prepared by Cynthia Lee, Manager, Multifamily Housing Development, Phone 612-673-5266

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: Establishing a Minneapolis Affordable Housing Trust Fund

Previous Directives: On December 30, 2002 the City Council referred the Trust Fund resolution to the long-range Strategic Planning process, directed appropriate staff to develop extended revenue projections and report back to the January 21, 2003 Community Development Committee meeting for further consideration and passage of the resolution.

Ward: Citywide

Neighborhood Group Notification: Neighborhoods will be given a 45-day period to review and comment on the eventual program guidelines and criteria.

Consistency with *Building a City That Works*: Complies with Goal 2, Strategy A, to preserve and expand the number of affordable housing units throughout the city.

Comprehensive Plan Compliance: Projects will comply.

Zoning Code Compliance: Projects will comply.

Impact on MCDA Budget: (Check those that apply)

No financial impact

Action requires an appropriation increase to the MCDA Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain): This action recommends future reallocations of Multifamily Program funds.

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Living Wage / Business Subsidy: Not applicable.

Job Linkage: Not applicable.

Affirmative Action Compliance: Projects will comply.

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council adopt the attached resolution establishing an Affordable Housing Trust Fund and forward to the MCDA Board of Commissioners;

MCDA Board Recommendation: Direct staff to draft program guidelines and criteria in conjunction with the Trust Fund Advisory Committee.

Background/Supporting Information

Staff has been working with the Housing Trust Fund Coalition to create an Affordable Housing Trust Fund structure for the city of Minneapolis that will enhance the city's ability to produce affordable rental housing.

One of the goals of the Trust Fund is to dedicate new and existing revenue sources for gap financing for affordable rental housing production and preservation. As described in the attached resolution, existing Multifamily Rental and Cooperative Program funding sources (CDBG, HOME, ESG and MCDA levy) would be reallocated to the Affordable Housing Trust Fund. Approximately \$1,000,000 of uncommitted 2002 levy funds will be carried over in to 2003. New city resources will be added as they become available. Non-city resources like the Family Housing Fund's new Incentive Program will be actively pursued as well.

Long Term Funding/Revenue Projections

As directed by the Council, the proposed Trust Fund sources have been discussed within the long-range strategic planning process. At the time this report was written, those discussions were still underway.

Future awards/entitlements of the federal funding sources (CDBG, HOME and ESG) will vary according to the funding levels determined at the national level and by various HUD formulas. For projection purposes, amounts dedicated to the Trust Fund should remain static for the next several years.

Local sources such as the chapter 595 levy funds are also uncertain. Future levy allocations were not determined at the time this report was written. The Revenue Subcommittee established in the attached resolution will be charged with identifying funding strategies for the Trust Fund on an ongoing basis.

Trust Fund Structure

The resolution creates a Trust Fund Advisory Committee structure to recommend program guidelines and criteria and to review fund performance in an advisory capacity. Three members (two representatives appointed by the Mayor, including the chair, and one City Council representative) have been added to the Advisory Committee since the last report. In addition, a Revenue Committee would be established to identify additional funding strategies on an ongoing basis. Actual implementation of the Trust Fund will be the responsibility of the MCDA/CPED Multifamily Housing Development department. No additional outside organizational structure or staffing will be created.

Like the current program guidelines for the MCDA Multifamily Rental and Cooperative Program, the guidelines and criteria to be developed for the Trust Fund will be consistent with existing city policy documents such as the Affordable Housing Policy, Minneapolis Plan, Consolidated Plan, and the City-County Homeless Task Force Plan, plus any new policy directives resulting from the Council's current strategic planning process. The draft guidelines will be circulated to neighborhood organizations and other interested parties for a 45-day review period before formal adoption by the MCDA Board of Commissioners. Staff expects the new guidelines to be in place for a summer/fall 2003 RFP cycle.

Establishing a Minneapolis Affordable Housing Trust Fund

Whereas, the City of Minneapolis continues to experience an affordable housing crisis, and

Whereas, the Minneapolis Consolidated Plan for 1998-2003 estimated a shortage of 14,776 units affordable to families earning less than 30% of the Median Metropolitan Income (MMI), and

Whereas, the Minneapolis Affordable Housing Task Force recommended that the City “reprioritize the use of major funding already allocated for housing” and “dedicate significant new revenue sources to this affordable housing effort,” and

Whereas, the City adopted the recommendations of the City/County Homelessness Task Forces on Singles (2000) and Families (2001) calling for 1,850 new affordable units for singles and youth and 1,330 new affordable units for families within five years, and

Whereas, the City has passed a resolution (the Affordable Housing Policy) requiring that all housing developments receiving city subsidies make at least 20% of their units affordable to people earning 50% or less of the MMI, and

Whereas, metro vacancy rates recently rose for the market overall, they remained low for affordable units (as of March 2002, they were 2.9% for units under \$500 and 2.5% for units between \$500 and \$599), and rents have not gone down (in 2001, the average rent in Minneapolis for a two-bedroom unit was \$1,050), and

Whereas, in its 2002 Agency Plan, the Minneapolis Public Housing Authority reported 6,001 families on its wait list, of whom 5,401 were extremely low income, and

Whereas, more than 230 cities, counties, and states, including Denver, Indianapolis, St. Louis, Austin, Salt Lake, Nashville and San Diego have established housing trust funds, and the City of Seattle recently passed a referendum for an \$86 million, seven-year property tax levy for affordable housing,

Whereas, the common meaning of an “affordable housing trust fund” is a dedicated source of revenue for affordable housing, spent down and replenished each year, and

Whereas, a housing trust fund can help target housing funds where they are most needed, for families earning below 50% and 30% of the MMI, and

Whereas, a housing trust fund supports the transparent and accountable tracking of public dollars by creating a discrete fund with concrete and achievable goals, and

Whereas, the Mayor and many other of the City's elected officials have identified affordable housing as the top development priority for the City, and in the recent McKinsey survey of residents done for the City, the respondents identified affordable housing as the number one development priority for the City, and

Whereas, the two Affordable Housing Summits convened in 2002 by the Mayor produced a clear mandate for the establishment of a Housing Trust Fund as the number one priority in addressing the affordable housing needs of the City,

Now, therefore, be it resolved by the City of Minneapolis:

1. The City of Minneapolis will establish and administer an Affordable Housing Trust Fund, dedicated to preserve and expand the supply of affordable rental housing for people with incomes at or below 50% and 30% of the Metropolitan Median Income (MMI).
2. The Housing Trust Fund will be capitalized at a level of approximately \$10 million in 2003. The sources of funding for 2003 will include the existing Multifamily Rental and Cooperative Program. This Program would include approximately \$6.6 million from existing Multifamily CDBG, HOME and ESG funds plus \$400,000 in 2003 from various CDBG programs to be determined as part of the 2003 CDBG budget process.

In addition, it is recommended that the 2003 levy funds of \$2 million and approximately \$1,000,000 of uncommitted 2002 levy funds be included in the Trust Fund in 2003.

The trust fund may accept other funds from governmental or private sources. Examples include money from the proposed federal housing trust fund and private foundation grants. Any such funds will be in addition to the dedicated City appropriations described above.

3. The City will make every reasonable effort to award all of the Trust Fund dollars each year. Priority will be given to projects that demonstrate long term affordability for incomes at or below 50% and 30% of Metropolitan Median Income (MMI) in accordance with the City's Affordable Housing Policy.

4. The City will establish guidelines for the use of Trust Fund resources, and these guidelines will be reviewed annually by the Trust Fund Advisory Committee with future recommendations made to the City Council for their approval.
5. The Advisory Committee will include up to 15 members experienced in affordable housing. The make-up of the Committee will include representatives from the following: one for-profit developer, one nonprofit developer, one provider of supportive housing, one tenant with a low income, three advocates nominated by the Housing Trust Fund Coalition, one MPHA representative, the MCDA Housing Director, the Empowerment Zone Director, one Planning Department representative, two representatives appointed by the Mayor (including the chair), one City Council representative and one NRP representative. The members will be nominated by their peers. The Mayor will appoint half of the members; the City Council will appoint the other half. The responsibilities of the Advisory Committee will include:
 - Recommending guidelines and specific criteria for Trust Fund use according to the principles and priorities of this Resolution,
 - Review and comment on annual reports that clearly delineate how funds are awarded in accordance with program guidelines,
 - Establishing a Housing Trust Fund Revenue Committee which will include representatives from the Mayor's office, the City Council, the Finance Working Group, the Finance Department, the MCDA, business community, foundations, and the Housing Trust Fund Coalition to identify additional funding strategies to add dedicated revenue to the Trust Fund in time to be incorporated in the Mayor's Proposed Budget for 2004 and subsequent years. At least half the members of the Revenue Committee will also be members of the Trust Fund Advisory Committee.

6. The Trust Fund will be established as part of the Year 2003 Budget; the first \$10 million or more in funds will be awarded by December 31, 2003. The Advisory Committee will begin operating by February 2003.