



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: April 6, 2004

To: Council Member Lisa Goodman, Community Development Cmte

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

Presenter in Committee: Cynthia Lee

Approved by: Lee Pao Xiong, Director, Housing _____

Subject: Public Hearing on the Annual Evaluation of the Affordable Housing Initiative for the City of Minneapolis for 2003

RECOMMENDATION: Receive and file the Annual Evaluation of the Affordable Housing Initiative for the City of Minneapolis for 2003.

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 CPED to prepare an annual report to the community regarding affordable housing activity related to the resolution for a presentation at an annual public hearing.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward: City wide

Neighborhood Notification: The report was sent to all neighborhoods and the primary advocacy groups.

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.

Living Wage/Job Linkage: 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 2003 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 2003 accomplishments, and whether or not each requirement or goal was met. A more detailed analysis of each is included in the Affordable Housing Report.

<u>Section</u>	<u>Results</u>	<u>Status</u>
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	8 units removed in 2003; 368 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	37% of all 2003 new construction/positive conversion units and 56% 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 2003, \$12,604,823+ 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 2003 production: 610 affordable units - 29% of three year goal	Not 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%	55% of the units completed in 2002 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 - 55%	Achieved
Goal 5: goal 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 – 34% 2+ Bedroom – 66%	Not achieved but greatly improved over 2002
Goal 6: 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).	Impacted Areas of the City – all units = 56%, new units only = 39% Non-Impacted Areas of the City – all units = 44%, new units only = 61%	Achieved for new units

<p>Goal 7: Affordable housing emphasis in impacted census tracts – preservation, rehabilitation and stabilization.</p>	<p>New construction / conversion – 144 units (42%) Preservation / Stabilization – 200 units (58%)</p>	<p>Achieved</p>
<p>Goal 8: Affordable housing emphasis in non-impacted census tracts – construction and positive conversion.</p>	<p>New construction / conversion 224 units (84%) Preservation / Stabilization – 42 units (16%)</p>	<p>Achieved</p>

2003 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: 8 units removed in 2003
368 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.

Table 1				
Summary of 2003 Units Removed				
	Total Units	Homestead Units	Non-Homestead Units	Affordable (Non-Homestead) Units Lost
CPED	14	4	8	8
Total	14	4	8	8

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 2003 was 368 (352 rental and 16 ownership) units.

Requirement 2: Twenty percent (20%) of the units of each City/CPED assisted housing projects 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 2003 had at least 20% of the units affordable. In fact, 37% of all 2003 new construction/positive conversion units and 56% of all preservation/stabilization rental units were affordable to households with incomes at or below 50% MMI. In addition, the city assisted 306 shelter beds/units.

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 2003, a total of \$12,604,823 was allocated by City Council/CPED Board action to a number of affordable rental housing projects (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 and approximately \$350,000 of interest was forgiven for the Passage Community project. Furthermore, CPED provided land writedowns for Habitat for Humanity housing completed projects in the amount of \$214,331.

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

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

Status: Goal Not Achieved.

Summary of Action: A total of 610 affordable units (plus 306 shelter beds/units) were completed in 2003. The goal was not achieved due to project timing and funding levels. Production numbers are based on units placed in service (completed) each year. Projects are funded at least two years prior to completion so there is little correlation between the funding available and the units completed in any given year.

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 2003, CPED assisted in the development or preservation of 1,366 total rental housing units in Minneapolis (plus 306 shelter beds/units), of which 594 are affordable at or below 50% of median income.

Table 2

**Rental Housing Production Summary 2003
Units Completed**

	Total Units	Direct Subsidy CPED funds	HRB Finance	Leverage non City funds
New / Positive Conversion	933 Units 20 Shelter	\$11.3 million	\$35.5 million	\$111 million
Preservation Of units	433 Units 286 Shelter	\$2.9 million	\$15.7 million	\$6.1 million
Total	1,672 Units	\$14.2 million	\$51.2 million	\$117.1 million

Table 3

Rental Housing Production by Income Groups 2003

Affordability Level		30%	30-50%	50-80%	>80%
Family	Development	117	111	167	414
	Preservation	65	145	49	142
Sp. Needs	Development	124	0	0	0
	Preservation	32	0	0	0
Shelter		306	0	0	0
Total (= 1,672)		644	256	216	556

Affordable Units at 50% or Below MMI:

Total Affordable New/Positive Conversion -- 368 units (352 rental and 16 ownership)
Total Affordable Stabilization/Preservation – 242 units (242 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: 55% of the affordable units completed in 2003 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 55% 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 – 34%
2+ Bedroom – 66%

For units at or below 50% MMI completed in 2003, 209 were 0-1 bedroom, and 401 were 2+ bedroom. CPED has specific guidelines as part of its Request for Proposals that directly targets points to achieve this goal and the 2003 numbers show significant improvement over 2002.

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 Achieved.

Summary of Action: Impacted – all units = 56%; new units only = 39%
Non-Impacted – all units = 44%; new units only = 61%

Of those new/positive conversion affordable units placed in service in 2003, 224 were located in impacted areas of the City while 144 were in non-impacted areas. CPED sets aside half of the Multifamily AHTF funds for projects 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, 61% of all new/conversion affordable units completed in 2003 were located in non-impacted areas.

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

Status: Goal Achieved.

Summary of Action: New Construction / Positive Conversion – 144 units (42%)
Preservation / Stabilization – 200 units (58%)

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

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

Status: Goal Achieved.

Summary of Action: New Construction / Positive Conversion – 224 units (84%)
Preservation / Stabilization – 42 units (16%)

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

Annual Report Exhibits:

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

Exhibit B: Reports on 2003 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: 2003 Multifamily Units Closed/Under Construction (not completed)

Exhibit D: 2003 Multifamily Funding Approval Actions

Exhibit E: Progress Report re: Homeless Task Force Goals

CPED DEMOLITION
Vacant Housing Program

<u>ADDRESS</u>	<u>HOMESTEAD/ NON</u>	<u>VACATED</u>	<u>ACQUISITION DATE</u>	<u>DEMO DATE</u>	<u>*249 LIST</u>
3311 IRVING AVE N	N	1/22/2003	1/22/2003	6/26/2003	N
3400 PENN AVE N (duplex)	Y	4/10/2003	4/10/2003	10/30/2003	CONB 1/15/2002
3106 THOMAS AVE N	Y	2/6/2003	2/6/2003	8/13/2003	N
1929 COLUMBUS AVE S	Y	11/1/2002	11/1/2002	6/10/2003	CONB 1/24/2003
2607 LONGFELLOW AVE	N	10/18/2002	10/18/2002	9/18/2003	CONB 3/30/2000
1406 1/2 E 22ND ST	N	7/25/2000	7/25/2000	9/10/2003	CONB 6/14/2002
1418 25TH AVE N	N	9/29/2003	9/29/2003	12/2/2003	CONB 4/6/2001
2516 QUEEN AVE N	N	3/12/2001	3/12/2001	12/1/2003	CONB 5/16/2000
2344 SHERIDAN AVE N	N	7/25/2002	7/25/2002	12/1/2003	N
3708 28TH AVE S	N	12/17/2001	12/17/2001	10/29/2003	CONB 11/14/2000
5208 44TH AVE S	N	5/31/2001	5/31/2001	12/2/2003	N
2361 FERRANT PLACE	N	10/18/2002	10/18/2002	5/2/2003	CONB 11/14/2000
2711 NEWTON AVE N	Y	9/26/2002	9/26/2002	10/15/2003	CONB 5/4/2000

***N = No record of being on 249 List**

CONB = Condemned & Boarded

Single Family Ownership
Production

<u>PROJECT</u>	<u>ADDRESS</u>	<u>AFFORD -ABILITY</u>	<u># BR</u>	<u>NEW/ REHAB</u>	<u>COMPLETI ON</u>	<u>FUND USED</u>	<u>SUBSIDY</u>
<u>HAWTHORNE HOMESTEAD</u>	2128 Bryant N	80%	3	New	1/21/2003	CPED LRP/N	\$15,000
	2935 Dupont N	60%	3	New	3/21/2003	RP	\$13,454
	2111 Bryant N	80%	3	New	4/29/2003	EZ	\$25,832
	2214 Aldrich N	80%	3	New	4/11/2003	EZ	\$18,561
	2420-22 4th St	80%	3	New	6/16/2003	CPED	\$3,529
	2643 Colfax N	115%	3	New	8/29/2003	CPED	\$258 \$0
<u>GMHC</u>	2716 Oliver N	80%	3	New	3/27/2003	SCD	\$3,345
	2726 Thomas	115%	3	New	4/28/2003	SCD	
	2815 Oliver N	115%	3	New	3/28/2003	SCD	\$11,596
	2903 Penn N	80%	3	New	8/26/2003	SCD	\$3,186
	3958 Vincent N	80%	3	New	11/26/2003	CDBG	\$20,952
	2119 10th Ave	80%	3	New	9/18/2003	SCD	\$3,148
	2301 16th Ave	80%	3	New	11/4/2003	SCD	\$3,057
	2506 15th Ave	115%	3	New	7/23/2003	SCD	\$3,098
	2540 15th Ave	115%	3	New	6/24/2003	SCD	\$0
	2546 14th Ave	80%	3	New	6/23/2003	SCD	\$0
	2614 Knox N	80%	3	New	10/29/2003	SCD	\$9,701
	2618 13th S	80%	3	New	11/26/2003	SCD	\$3,198
	2652 Fremont	115%	3	New	4/30/2003	SCD	\$2,351
	2720 Longfellow	115%	3	New	1/28/2003	SCD	\$2,338
	3228 Columbus	115%	3	New	10/7/2003	CPED	\$2,189
	4316 Chicago	80%	3	New	6/13/2003	CDBG	\$3,678
4539 Colfax	80%	3	New	8/27/2003	CDBG	\$22,573	
<u>HABITAT FOR HUMANITY</u>	1812 25th Ave	33%	3	New	2/14/2003	NRP	\$22,671
	1816 25th Ave	38%	4	New	5/15/2003	CDBG	\$7,377
	1939 Hillside	27%	3	New	6/24/2003		\$0
	2009 Willow N	31%	3	New	8/26/2003		\$0
	2011 Hillside	34%	4	New	2/24/2003	NRP	\$18,875
	2301 James N	42%	5	New	8/18/2003		\$0
	2325 Ilion N.	30%	4	New	6/27/2003	NRP	\$10,638
	2328-30 Logan	32%	5	New	8/25/2003	NRP	\$20,137
2426 Logan N	47%	4	New	9/25/2003	CDBG	\$21,559	

2715 Queen N	45%	4	New	1/21/2003	NRP	\$10,074
2923 Queen N	36%	4	New	2/21/2003	NRP	\$7,432
3000 Logan N	40%	3	New	11/20/2003	CDBG	\$59,949
3027 Columbus	28%	3	New	4/25/2003		\$0
2815 Morgan N	39%	5	New	9/23/2003	CDBG	\$25,007
332 37th St E	30%	4	New	4/23/2003	CDBG	\$224
3408 Snelling S	32%	4	New	7/17/2003	FEZ	\$10,388

HOMEOWNERSHIP WORKS PROGRAM

2000 Glenwood	80%	3	Rehab	1/21/2003	HOME	\$47,698
2015 Willow N	80%	3	Rehab	4/15/2003	HOME	\$66,242
3615 Russell N	80%	3	Rehab	12/22/2003	HOME	\$48,000
808 27th N E	80%	3	Rehab	8/26/2003	HOME	\$78,750
2223 Ilion N	80%	3	Rehab	8/20/2003	HOME	\$104,748

RESIDENTIAL FINANCE PROGRAMS

Exhibit B-5

<u>Program & Funding Source</u>	<u>Below 30%</u>		<u>30% to 50%</u>		<u>50% to 80%</u>		<u>Above 80%</u>	
	<u>\$\$\$</u>	<u>##</u>	<u>\$\$\$</u>	<u>##</u>	<u>\$\$\$</u>	<u>##</u>	<u>\$\$\$</u>	<u>##</u>
-								
Rehab Support Program	\$ 16,000.00	3	\$ -	0	\$ 57,000.00	9	\$ 5,000.00	1
Foreclosure Prevention Program	\$ 5,500.00	1	\$ 27,500.00	5	\$ 36,061.78	7	\$ 11,000.00	2
Loan and Grant Programs								
Rental Programs	\$ -	0	\$ -	0	\$ -	0	\$ -	0
MHRA Programs	\$ 15,000.00	1	\$ 4,000.00	1	\$ 25,000.00	2	\$ 69,000.00	3
CDBG Programs	\$ 273,000.00	20	\$ 35,000.00	2	\$ 25,000.00	2	\$ -	0
Mortgage Programs								
Middle Income (MRB)	\$ -	0	\$ -	0	\$ 226,000.00	2	\$ -	0
Assistance Loans	\$ 4,000.00	1	\$ -	0	\$ 135,000.00	9	\$ 37,000.00	4
TOTAL OF ALL RESIDENTIAL FINANCE RESOURCES	\$ 313,500.00	26	\$ 66,500.00	8	\$ 504,061.78	31	\$ 122,000.00	10

2003 Approvals (MF rental)

<u>Project Name</u>	<u>CPED Amount</u>	<u>Source</u>	<u>New/Rehab</u>	<u>Impacted?</u>	<u># units</u>
St. Anthony Mills	\$500,000	AHTF	new	no	35
Veterans Housing	\$660,000	AHTF	new	no	169
King Field	\$10,000	NRP	new	no	2
Hiawatha Commons	\$760,000	AHTF	new	no	80
Hiawatha Commons	\$500,000	NRP	new	no	
Hiawatha Commons	\$222,850	EZ	new	no	
Secure Waiting	\$175,000	ESG	rehab	no	251
Secure Waiting	\$54,339	ESG	rehab	no	
Families in Transition	\$72,800	ESG	rehab	no	8
Hawthorne Apartments	\$465,000	AHTF	rehab	no	35
Loring Towers	\$554,403	AHTF	rehab	no	230
Structured Independent Living	\$178,842	AHTF	rehab	no	21
Collaborative Village	\$588,300	AHTF	new	yes	20
East Phillips Commons	\$117,250	AHTF	new	yes	34
Heritage Park phase 2	\$565,800	AHTF	new	yes	113
Heritage Park phase 3	\$750,000	AHTF	new	yes	95
Heritage Park phase 3	\$189,000	NRP	new	yes	
Heritage Park phase 3	\$289,400	AHTF	new	yes	
St. Barnabas	\$70,000	AHTF	new	yes	52
Lindquist Apts	\$525,000	AHTF	new	yes	26
St. Annes	\$350,000	NRP	new	yes	66
St. Annes	\$498,000	AHTF	new	yes	
Agape	\$100,000	NRP	new	yes	12
Agape	\$500,000	AHTF	new	yes	
Gateway phase 2	\$170,000	EZ	new	yes	41
City Flats	\$446,455	AHTF	rehab	yes	27
Incarnation house	\$180,800	AHTF	rehab	yes	19
Zinsmaster Apts	\$363,591	AHTF	rehab	yes	36
Lutheran Social Services	\$254,500	AHTF	rehab	yes	12
Lutheran Social Services	\$100,000	NRP	rehab	yes	
Lutheran Social Services	\$107,150	EZ	rehab	yes	
Cecil Newman	\$188,000	NRP	rehab	yes	64
Cecil Newman	\$188,000	AHTF	rehab	yes	
Little Earth	\$285,000	NRP	rehab	yes	212
New Village	\$100,000	NRP	rehab	yes	21
New Village	\$500,000	AHTF	rehab	yes	
Home Away	\$130,000	ESG	rehab	yes	20

Harbor Light	\$84,500	ESG	rehab	yes	250
Kateri Residence	\$50,000	ESG	rehab	yes	4
PLUS Program	\$50,300	ESG	rehab	yes	7
Morrison Village	\$180,543	AHTF	rehab	yes	57
Paige Hall	\$530,000	AHTF	rehab	yes	69
Total	\$12,604,823				2088

Exhibit E

City-County Homeless Task Force Plan

Numerical goals for county-wide production of new affordable (<30%) and supportive housing for homeless residents for the period from 2001 to 2005 for Hennepin County. Numbers below reflect Minneapolis units vs. non-Minneapolis (suburban) units to date.

TYPE	COUNTY GOAL	COUNTY TRACKING REPORT 2/19/04	MINNEAPOLIS UNITS	NON-MINNEAPOLIS UNITS
Single Affordable	925	285		
Single Supportive	800	329		
Youth Supportive	125	63		
Families Affordable	665	759		
Families Supportive	665	140		
Transitional		70		
Shelter	100	0		
Total	3280	1,646	1,344	302