

Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: May 17, 2010
To: Council Member Lisa Goodman, Chair
Community Development Committee

Referral to:

Subject: Annual Evaluation of the Affordable Housing Initiative for the City of Minneapolis for 2010

Recommendation: Receive and file

Previous Directives: The Affordable Housing Policy for the City of Minneapolis adopted by the City Council on September 7, 1999, amended on February 16, 2001, September 22, 2009 and March 1, 2011. The resolution directs the Department of Community Planning & Economic Development (CPED) to prepare annual reports to the community regarding affordable housing activity related to the resolution.

Prepared by: Wesley J. Butler	673-5194
Approved by: Thomas Streitz, Director of Housing Policy & Dev.	_____
Presenters in Committee: Wesley J. Butler	

Reviews

Permanent Review Committee (PRC): Approval ___ Date _____
Policy Review Group (PRG): Approval ___ Date _____

Community Impact

Neighborhood Notification: The report was sent to all neighborhoods.

City Goals

A Safe Place to Call Home; Jobs and Economic Vitality; Eco-Focused; Livable Communities, Healthy Lives; Many People One Minneapolis; A City That Works.

Sustainability Targets: Affordable housing production

Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

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, 2009 and 2011, CPED and other appropriate departments are required to prepare an annual evaluation of the City's affordable housing activity. The 2010 Affordable Housing Report is attached for your review.

Summary of Report

The City of Minneapolis Affordable Housing Policy contains three requirements and eight goals for affordable housing production.

The Affordable Housing Initiatives of the City of Minneapolis met the requirements of the City of Minneapolis Affordable Housing Policy. Those requirements are:

- **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.
- **Requirement 2:** 20% of the units of each City/CPED housing projects of >10 units will be affordable to <50% median.
- **Requirement 3:** Except for senior housing, all publicly assisted rental projects shall accept Section 8 certificates/vouchers

The Affordable Housing Initiatives of the City of Minneapolis met five of the eight goals of the City of Minneapolis Affordable Housing Policy. Those goals are:

- **Goal 1:** total annual CPED investment of \$10 million per year directed to affordable housing production.
- **Goal 2:** CPED Three Year Production/Preservation Goal (2009 – 2011): 1,555 total units:
 - 575 units in 2009
 - 450 units in 2010
 - 530 units in 2011
- **Goal 3:** At least 50% of the units affordable at 50% of the MMI as required in requirement 2 shall be affordable at <30%.
- **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.
- **Goal 5:** To allocate 70% of affordable housing funds for units with 2 or more bedrooms and 30% to units with 0-1 bedrooms.
- **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).
- **Goal 7:** Affordable housing emphasis in impacted census tracts – preservation, rehabilitation and stabilization.
- **Goal 8:** Affordable housing emphasis in non-impacted census tracts – construction and positive conversion.

Goals 1, 5 and 6 were not achieved. Full descriptions and the status of both the requirements and goals are explained in the attached Affordable Housing Initiatives Report.

Participation in the Metropolitan Council Livable Communities Act

Over the past decade, the City of Minneapolis has received over \$50 million in grants from the Metropolitan Council's Local Housing Incentives Account for affordable housing projects in Minneapolis. These funds, when combined with other sources are essential in closing the financial gap in affordable housing projects which greatly help to increase the tax base of the city.

In December 2010, the City of Minneapolis adopted the Housing Action Plan (HAP) as a requirement for continued participation in the Metropolitan Council's Livable Communities Act Local Housing Incentives Account. This plan specifies that the city has agreed to the goal of 4,200 to 9,300 units of affordable housing production over the period of 2011 to 2020. CPED's Affordable Housing Initiatives are essential in achieving these goals and continuing the successful funding from the Metropolitan Council.

Housing Finance Market Conditions

The 2008-2009 Recession had a negative impact on CPED Affordable Housing production. In 2010 the negative impacts began to subside. Projects that rely on the Low Income Housing Tax Credits (both 9% and 4%) saw major improvement in the equity market. Housing Revenue bond activity is beginning to return to pre-recession levels and developer confidence is increasing.

City Debt Forgiveness (New to this report)

In 2009, CPED sought Council approval towards forgiveness of existing principal and accrued interest of \$4.2 million on PPL Northside. This forgiveness allowed for the renovation and rehab of 62 scattered site units. Also worth noting, in March (2011) CPED sought and was granted Council approval for forgiveness of \$519,000 on Stevens House Cooperative and \$364,783 on Morgan Arms Apartments III in 2011.

2010 Affordable Housing Initiatives Report

Prolog to Report

This report is the second for a three year period (2009, 2010, and 2011).

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: **Achieved**

Summary of Action: 74 units removed in 2010
132 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 2010 Units Removed				
	Total Units	Homestead Units	Non-Homestead Units	Affordable (Non-Homestead) Units Lost
CPED	74	0	74	74
Total	74	0	74	74

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 2010 was 132 (121 rental and 11 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: **Achieved**

Summary of Action: All city-assisted multifamily housing projects (10+ units) placed in service in 2010 had at least 20% of the units affordable. In fact, 36.9% of all 2010 new construction/positive conversion units and 94.5% 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: 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

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: Not Achieved

Summary of Action: A total of \$8,800,000 was budgeted for the 2010 Affordable Housing Trust Fund by City Council action. These funds were subsequently allocated to a number of affordable rental and ownership housing projects (see Exhibit D). In addition, the city allocated nearly \$1.3 million in Low Income Housing Tax Credits to four projects which should be completed over the next 2 years.

Goal 2: CPED Three Year Production/Preservation Goal 2009-2011

2009 Production/Preservation	575 units
2010 Production/Preservation	450 units
2011 Production/Preservation	530 units
2009-2011 Production Goal Total	1,555 units

Status: Achieved

Summary of Action: A total of 463 affordable units were completed in 2010. This includes 448 units of affordable multifamily rental, 8 units of affordable multifamily ownership, and 7 units of single-family ownership housing.

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 2010, CPED assisted in the development or preservation of 642 total rental housing units in Minneapolis, of which 448 are affordable at or below 50% of median income.

Table 2

**Rental Housing Production Summary 2010
Units Completed**

	Total Units	Direct Subsidy CPED funds	HRB Finance	Leverage non City funds
New / Positive Conversion	296 Units	\$5.0 million	\$0 million	\$46.6 million
Preservation Of units	346 Units	\$7.1 million	\$0 million	\$9.8 million
Total	642 Units	\$12.1 million	\$0 million	\$56.4 million

Table 3

Rental Housing Production by Income Groups 2010

Affordability Level	30%	50%	60%	80%	Market
New Production	67	54	0	0	175
Preservation	196	131	3	16	0
Total	642	263	3	16	175

Affordable Units at 50% or Below MMI:

Total Affordable New/Positive Conversion - 132 units (121 rental and 11 ownership)

Total Affordable Stabilization/Preservation – 331 units (327 rental and 4 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, 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: Achieved

Summary of Action: 57.7% of the affordable units completed in 2010 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, Hennepin County, Federal Government and Metropolitan Council.

Status: Achieved

Summary of Action: Proportionate with the unit numbers in Goal #3 above, it is estimated that 57.7% 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: Not Achieved

Summary of Action: 0 – 1 Bedroom –55.9% 2+ Bedroom – 44.1%

For units at or below 50% MMI completed in 2010, 259 were 0-1 bedroom, and 204 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: Not Achieved

Summary of Action: 45.5% new City-produced affordable housing was located in non-impacted areas. Of those new/positive conversion affordable units placed in service in 2010, 72 were located in impacted areas of the City while 60 were in non-impacted areas.

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

Status: Achieved

Summary of Action: New Construction / Positive Conversion – 80 units (23.6%)
Preservation / Stabilization – 259 units (76.4%)

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: Achieved

Summary of Action: New Construction / Positive Conversion – 275 units (74.1%)
Preservation / Stabilization – 96 units (25.9%)

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 2010 Production by Project and Program - Multifamily Rental: New (B-1) and Rehab (B-2), Multifamily Ownership (B-3), and Single Family Ownership (B-4)

Exhibit C: Report re: 2010 Multifamily Units Closed/Under Construction (not completed)

Exhibit D: 2010 Multifamily Funding Approval Actions