

C Community Development Committee

Meeting Date: October 15, 2007

For Metropolitan Council Meeting Date: October 24, 2007

ADVISORY INFORMATION

Date:	October 4, 2007
Subject:	Funding Request to MN Housing's Preservation Affordable Rental Investment Fund (PARIF)
District(s), Member(s):	All
Staff Prepared/Presented:	Beth Reetz, Manager, Housing & Redevelopment Authority (651) 602-1278 Terri Smith, Assistant Manager, Housing & Redevelopment Authority, (651) 602-1187
Division/Department:	Community Development/Housing & Livable Communities

Proposed Action/Motion

That the Metropolitan Council approve submittal of a funding request to MN Housing for funding through its Preservation Affordable Rental Investment Fund (PARIF) for use in the Family Affordable Housing Program (FAHP) operations and authorize the Regional Administrator to execute the funding application and any other necessary documents.

Overview and Funding

In January 2000, the Council established the Family Affordable Housing Program. The Council voluntarily agreed to acquire and improve for use as rental properties housing units in suburban locations to help the Minneapolis Public Housing Authority and the region implement the housing replacement provisions of the resolution of the Hollman housing discrimination lawsuit. The Council now owns 150 FAHP units in 11 suburban cities that voluntarily agreed to participate in the Council's FAHP initiative.

The FAHP is a federal public housing program that provides rental housing for low-income families. The FAHP operating revenue consists of resident rents and operating subsidy from the U.S. Department of Housing and Urban Development (HUD). However, due to insufficient appropriations and the scattered-site nature of the program, the FAHP may never be financially self-sufficient. The scattered-site nature of this small program with every unit being structurally different makes financial self-sufficiency extremely difficult. HUD's level of funding support for its low-rent public housing in 2007 has fallen to the lowest level in the past 25 years. In 2007, housing agencies are funded at only 83% of the eligible subsidy amount meaning PHA's are expected to find their own method of funding the 17% gap not provided by HUD.

FAHP budget deficits are projected to be \$170K in 2007 and grow to \$250K by 2010. The FAHP currently has a reserve account balance of \$1,296,941. These funds will continue to cover FAHP projected deficits through the year 2011 after which Section 8 reserves will need to be used to cover FAHP budget deficits.

Staff requests approval to submit a funding application to MN Housing in response to a Request for Proposals for Preservation Affordable Rental Investment Fund (PARIF). The intended purpose of the funds is to support public housing units at risk of loss due to insufficient funds. MN Housing has available a \$5 million, one-time set aside. The amount available to small housing authorities (under 250 units) is \$25K to \$150K. Staff will request the maximum amount available, \$150K, to assist with reducing the use of reserves. If awarded, the funds will be used to cover FAHP day-to-day operating expenditures and reduce the use of program reserves.