METROPOLITAN COUNCIL
390 North Robert Street, St. Paul, Minnesota 55101

REGULAR MEETING OF THE COMMUNITY DEVELOPMENT COMMITTEE
Monday, November 5, 2012

Committee Members Present:	**Gary Cunningham, Chair; Jon Commers, Steven Elkins, Richard Kramer, Jennifer Munt, Sandra Rummel, Roxanne Smith, Wendy Wulff**

CALL TO ORDER
A quorum being present, Chair Cunningham called the regular meeting of the Council's Community Development Committee to order at 4:30 p.m. on Monday, November 5, 2012.

APPROVAL OF AGENDA AND MINUTES
It was moved by Elkins seconded by Kramer, to approve the agenda. **The motion carried.**

It was moved by Elkins, seconded by Kramer to approve the minutes of the October 15, 2012 regular meeting of the Community Development Committee. **The motion carried.**

BUSINESS
2012-334 2012 Livable Communities Demonstration Account Funding Recommendations

Senior Planner Linda Milashius and the LCAC Chair Mayor Mary Hamman-Roland presented the staff report and proposed actions to the Community Development Committee.

Munt moved, seconded by Elkins that the Metropolitan Council award 2 Pre-Development and 7 Development Livable Communities Demonstration Account (LCDA) grants, as follows:

Pre-Development Projects	Applicant	Points	Recommendation
Welcome Avenue	Brooklyn Park	38	$56,250
District del Sol	St. Paul	37	$40,000
Total for Pre-Development projects			**$96,250**
Development Projects	Applicant	Points	Recommendation
A Mill Artists Lofts	Minneapolis	45	$555,000
Seward Commons	Minneapolis	44	$1,100,000
Boat Works Commons	White Bear Lake	44	$396,000
West Broadway Curve	Minneapolis	41	$1,000,000
Downtown Redevelopment	Maple Plain	39	$895,766
Brownstone Building	St. Paul	31	$646,020
Mississippi Crossings	Champlin	30	$1,000,000
Total for Development projects			**$5,592,786**
Total All LCDA recommendations			**$5,689,036**
Total funding available			**$7,500,000**

Committee Member Wulff raised a concern about continuing to publically subsidize affordable housing developments that will be privately owned. Even with the limitations of the current longer-term affordability mechanisms of 15-30 years, these developments could likely need to be publically subsidized again at the end of that time to preserve the affordability of the units. Chair Cunningham commented that he has also grappled with this issue and that it will be a policy discussion that the Council and other policy makers will need to continue. Committee Member Wulff also asked for confirmation that outcomes are not double counted when projects receive multiple LCA funding awards. Guy Peterson responded that staff reviews the information carefully and does their best to ensure no duplication occurs when reporting overall outcome results. **The motion carried.**

2012-335 LCA Land Acquisition for Affordable New Development Loans, Conversion to Forgivable Loans

Livable Communities Manager Paul Burns presented the staff report and proposed actions to the Community Development Committee.

Munt moved, seconded by Rummel that the Metropolitan Council Authorize Council staff to develop award-specific criteria for conversion of outstanding Land Acquisition for Affordable New Development (LAAND) loans to be made forgivable and to offer each borrower of those loans the ability to convert them to forgivable loans, subject to the Council's requirements and the pledged share of affordable housing to be built on each site.

Committee Member Wulff asked for clarification of the difference between a forgivable loan and a grant. Staff responded that the primary difference is in the administration and process to complete the conversion. Converting the original loan to forgivable, administratively, is more efficient. Forgivable loans act very much like grants.

Committee Member Wulff also raised a concern about converting loans to forgivable loans without requiring applicants to compete again for funding. Staff responded that the criteria used to evaluate and score the original LAAND loans would have been much the same if the funding had been offered as forgivable loans or grants. Therefore, although with the proposed action the end funding mechanism will change, the expected outcomes will remain the same. The forgivable loans will only be forgivable provided affordable housing is developed.

The motion carried.

Before the information item, Guy Peterson addressed the committee with a memo regarding information on the Methodology used in 2005-2006 to derive affordable housing needs numbers for 2008 Comp Plan updates. Mr. Peterson provided the committee two summary versions; the first attachment explains the process and outcomes of the affordable housing needs work, the second attachment is an extraction from the Advisory Panel report prepared in 2005 addressing the methodology to derive the total numbers of needs, and then allocate those needs among the communities in the region.

INFORMATION
Affordable Housing

Research Manager Libby Starling presented a PowerPoint presentation on Affordable housing.

Under Minnesota Statute 473.254, the Metropolitan Council is responsible for preparing a "comprehensive report card on affordable and life-cycle housing in each municipality in the metropolitan area." The Council fulfills this responsibility by conducting an annual survey of local governments regarding new affordable housing. The Council supplements the information submitted by local governments with data collected by HousingLink on affordable rental housing and housing sales prices in county parcel data.
For units constructed in 2011, the Council is using a consistent income limit of what a family of four with an income at or below 60 percent of area median income (AMI) can afford to pay in monthly housing costs for either rent or mortgage costs (including principal, interest, property taxes and home insurance). Previously, from 1996 to 2010, the Council considered a rental housing unit affordable if the rent was 30 percent or less of 50 percent of the area median income; owner-occupied units were considered affordable if monthly housing costs were 30 percent or less of 80 percent of the median income.
In 2011, 1,154 new affordable units were added to the Twin Cities region; 17 percent of all new housing units added were affordable to households earning 60 percent of the area median income. 44 percent of those units were in the City of Minneapolis alone, and with St. Paul, the two core cities added 63 percent of the new affordable housing.
Three-quarters of the new affordable housing added, or 876 units, was built to be rental housing. 27 percent of all rental units added were affordable, while only seven percent of new owner-occupied housing met the Council's affordability limits. Minneapolis alone added 63 percent of the region's 278 new affordable owner-occupied units.
According to the Council's 2011-2020 Allocation of Affordable Housing Need, the region's jurisdictions are expected to need over 52,000 additional affordable housing units to accommodate the 2
region's expected increase in low-income households over 2011 to 2020. Five communities added 10 percent or more of their ten-year allocation of affordable housing in this first year – Oakdale, Farmington, Minneapolis, Hopkins and Roseville. 76 communities with an allocation of affordable housing need added no affordable units in 2011; 25 additional communities with an allocation of affordable housing need added less than 10 affordable units in 2011.
The 2011 data on affordable housing units added to the region suggest the following questions about Council policy:
• The Council's Allocation of Affordable Housing Need for 2011-2010 suggested that Minneapolis and St. Paul should add 13 percent of the region's new affordable housing; in 2011, the two central cities added 63 percent of new affordable units in 2011. The development of the Green Line (Central Corridor) in Minneapolis and St. Paul is attracting both new residential development at all price levels and affordable housing in particular. Funders of affordable housing have prioritized projects along transit, making it more difficult for projects with no or limited transit access to obtain financing. To what degree has the growing importance of transit access to affordable housing created a mismatch between the market, available financing, and the Council's Allocation of Affordable Housing Need – particularly in suburban locations?
• Reducing the affordability threshold from 80 percent of area median income to 60 percent of area median income for owner-occupied units led to the share of affordable owner-occupied units dropping from 24 percent over 1996-2010 to seven percent in 2011. An affordability threshold for ownership housing at 80 percent would increase both the supply of affordable ownership housing and the

demand of households interested in those housing opportunities. What level of affordability is appropriate for the affordable homeownership opportunities that the Council wants to encourage? Should the Council return to considering owner-occupied housing affordable to households earning 80 percent of area median income in addition to 60 percent of area median income?

- In 2011, 76 percent of the new affordable housing was rental. What should be the appropriate mix of rental and owner-occupied affordable units added to the region?
- What would help the 76 communities who added no affordable housing in 2011 add affordable units to meet their allocation of affordable housing need? Among these communities were communities that added large numbers of market-rate units like Bloomington (645 permitted units), Lakeville (223 units), and Waconia (125 units).

ADJOURNMENT

The next regularly scheduled CDC meeting will be held on November 19, 2012 at 4:30 p.m. in the Council Chambers.

Business completed Chair Cunningham adjourned the meeting at 5:25 p.m.

Respectfully submitted,

Michele Wenner
Recording Secretary