

Community Development Committee

For the Metropolitan Council meeting of February 24, 2010

ADVISORY INFORMATION

Date February 17, 2010
 Prepared:
 Subject: LCA Local Housing Incentives Account Funding Recommendations

Proposed Action:

That the Metropolitan Council award Local Housing Incentives Account (LHIA) grants totaling \$1,800,000 as follows:

Project	City	Number of New Units	Number of Units to be Rehabilitated	LHIA Funding Recommendation
Rental Housing Proposals				
Northgate Woods	Blaine		75	\$400,000
Dover Hill Apartments	Golden Valley		234	\$150,000
Riverside Plaza	Minneapolis		1,303	\$575,000
East Side Commons	St. Paul	2	48	\$575,000
Boulevard Apartments	Wayzata		6	\$100,000
	TOTAL:	2	1,666	\$1,800,000

Summary of Committee Discussion / Questions:

Committee members Wulff and Pistilli raised a concern about the high per unit costs related to the Northgate Woods project in Blaine. The development has a project-based Section 8 Housing Assistance Payment (HAP) contract for all of its 75 units, and is at risk of converting to market rate housing as the current owner has provided notice of their intent to opt-out of the Section 8 program. City of Blaine representative Bryan Schafer, and developer Ken Isaacson of Twin Cities Housing Development Corporation, responded that the high per unit cost is primarily due to the acquisition costs which are approximately \$70,000 per unit. The City and developer are paying fair market price to acquire the building in order to preserve this development as an affordable housing option within the city of Blaine.

Committee members Wulff and Pistilli voiced concerns about whether adding subsidies to acquire and rehabilitate a development that is heavily subsidized through a Section 8 HAP contract is the best use of public funds. Committee member Wulff questioned why the Council should subsidize a development with the proposed rent ranges when there are other vacant unsubsidized units throughout the region that rent for less. She provided an example of 400 vacant market rate 1 bedroom units in the southern portion of the Metro renting between \$400 and \$700 per month currently listed through the HousingLink.

Beth Reetz, Director of Housing and Livable Communities, explained that based on private market rents, a high level of subsidy is needed for extremely low income residents to acquire housing in the metro area. Although federal standards set income limits for households at 50% of area median income, the average income of households assisted by Section 8 and other federal rent assistance is under \$ 15,000 annually. The average rent affordable to Section 8 households served by the Metro HRA is approximately \$250 month and the private market does not offer rents at that level. Council Member Wulff asked why Section 8 vouchers aren't provided to enable eligible households to rent units in the private market. Reetz explained that the number of Section 8 vouchers is limited and the demand outweighs the supply as demonstrated by the lengthy waiting list for Section 8 which exceeds five years. Preserving other affordable housing options, such as Northgate Woods, is essential to help meet the demand.

Wulff stated she did not have issue with four of the five recommendations but could not support the Northgate Woods proposal due the level of subsidy per unit. She suggested removing it from the recommendation. Chair Steffen made a motion to move the recommendation in its entirety onto the Council without a recommendation. Council Member Aguilar seconded the motion, and the motion passed.