

C Community Development Committee

Meeting date: October 1, 2007

For Metropolitan Council Meeting date: October 24, 2007

ADVISORY INFORMATION

Date:	September 24, 2007
Subject:	2007 Unified Operating Budget Amendment
District(s), Member(s):	All
Policy/Legal Reference:	MN Statute 473.13 - Council Budget Requirements
Staff Prepared/Presented:	Guy Peterson, Director, Community Development Division (651) 602-1418 Beth Reetz, Manager, Housing & Redevelopment Authority (651) 602-1278
Division/Department:	Community Development/Housing & Redevelopment Authority

Proposed Action/Motion

That the Metropolitan Council amend the 2007 Unified Operating Budget by increasing authorized expenditures and revenues in the Family Affordable Housing Program as follows:

<u>Description</u>	<u>Approved</u>	<u>Revised</u>
Revenue	\$ 836,084	\$ 980,272
Expenses	\$ 953,355	\$1,003,855
Projected Deficit	(\$117,271)	(\$167,827)

Issue(s)

- None.

Overview and Funding

In January 2000, the Metropolitan Council established the Family Affordable Housing Program (FAHP). 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). Due to insufficient budget appropriations, the FAHP has and will continue to run an annual operating deficit.

The Council approved 2007 FAHP budget reflects a projected deficit of (\$117,271). We are now projecting a deficit of (\$167,827) for 2007 year end, a \$50,500 difference. The higher costs are primarily due to mold issues. Four FAHP homes experienced mold issues that required costly abatement and remediation. Most of the expense was not covered by insurance due to resident lifestyle issues. Mold prevention actions have been taken and residents have been educated on mold elimination and prevention to minimize future occurrences. Additional non-routine maintenance expense is also a factor resulting from higher than projected turnover rates.

Sixteen FAHP homes experienced roof and siding hail damage resulting in approximately \$100,000 in needed repair and replacement. The majority of this expense will be offset by insurance claims. The Council insurance policy requires a \$1,000 deductible on each claim. We are making our best attempt to complete all the work and collect all the insurance reimbursements during 2007.

The additional revenue represents insurance reimbursements and higher than expected rental income.

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. These funds represent Section 8 reserves approved for FAHP use and excess development funds awarded by other funding partners. There is an additional \$2,075,000 in Section 8 reserves available to FAHP after 2011. Staff continues to research additional funding sources. Minnesota Housing issued a Request for Proposals for stabilizing and preserving public housing. Staff is preparing an application to apply for additional operating funds through this process which will be presented to the Committee for approval in October 2007.