



# Community Development Committee

**Business Item**

Item: 2008-210

**Meeting date: August 18, 2008**

<b>ADVISORY INFORMATION</b>	
<b>Date:</b>	July 29, 2008
<b>Subject:</b>	2008 Unified Operating Budget Amendment
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	MN Statute 473.13 – Council Budget Amendment
<b>Staff Prepared/Presented:</b>	Beth Reetz, Manager, Housing and Redevelopment Authority (651) 602-1278 Terri Smith, Asst. Manager, Housing and Redevelopment Authority (651) 602-1187
<b>Division/Department:</b>	Community Development/Housing and Redevelopment Authority

## Proposed Action

That the Metropolitan Council amend the 2008 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	\$ 841,000	\$1,066,000
Expenses	<u>\$1,026,063</u>	<u>\$1,235,063</u>
Projected Deficit	(\$ 185,063)	(\$ 169,063)

## Background

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 continues to run an annual operating deficit.

The Council approved 2008 FAHP budget reflects a projected deficit of (\$185,063). The HRA is now projecting a slightly lower deficit of (\$169,063) for 2008 year end due to both increased revenue and increased expenses. The additional revenue is due to higher than expected rental income of \$75,000 and the award of \$150,000 from the Preservation of Affordable Rental Investment Fund (PARIF) from the Minnesota Housing Finance Agency. The higher expense is primarily due to increases in non-routine maintenance expenses during tenancies and at the time of unit turnover.

This request will be presented to the Management Committee on August 27, 2008, and to the full Council on September 10, 2008, as part of a consolidated request.

## Rationale

There are no policy issues relating to this request.

## **Funding**

The FAHP currently has a reserve account balance of \$1,039,256. These funds will continue to cover FAHP projected deficits through the year 2011. These funds represent excess development funds awarded by FAHP funding partners. There is an additional \$2,075,000 in Section 8 reserves available to FAHP after 2011 if needed.

However, the budget for the program may not be an ongoing issue because staff is asking the Community Development Committee to approve the submission of an application to the U.S. Department of Housing and Urban Development (HUD) to voluntarily convert the FAHP properties from public housing to Section 8 Project Based Vouchers. This change in funding streams will significantly increase the operating revenue available for the properties such that the program will be financially self sustaining in the future.

## **Known Support / Opposition**

There is no identified opposition to this request.