



Community Development Committee

Business Item

Item: 2008-212

Meeting date: August 18, 2008

ADVISORY INFORMATION	
Date:	August 18, 2008
Subject:	Family Affordable Housing Program – Voluntary Conversion Approval
District(s), Member(s):	All
Policy/Legal Reference:	Code of Federal Reg. Title 24, Part 972
Staff Prepared/Presented:	Terri Smith, Metro HRA Assistant Manager, 651-601-1187
Division/Department:	Community Development/HRA

Proposed Action

That the Metropolitan Council:

- Approve the voluntary conversion of the Family Affordable Housing Program (FAHP) units from Public Housing to Section 8;
- approve the submittal of an Inventory Removal Application to the U.S. Department of Housing and Urban Development (HUD);
- authorize the Regional Administrator to execute the Application and other documents associated with the voluntary conversion process including program agreements;
- authorize the Regional Administrator to execute the Application for replacement Section 8 vouchers; and
- authorize the Chair to execute the attached Board Resolution No. 2008-XX approving the submittal of the Application and approving the Voluntary Conversion Plan.

Background

In 2000, the Council established a federal Public Housing Program called the Family Affordable Housing Program. This was done to help implement the 1995 Hollman Consent Decree by developing and expanding affordable housing choices in suburban neighborhoods not impacted by poverty and race.

Using HUD funding and supplemental city, county and philanthropic support, the Council purchased 150 townhouses and single family homes in 11 communities in Hennepin, Ramsey and Anoka Counties. Units were purchased between 2001 and 2004. The program became fully operational in 2005.

As with many housing authorities across the country, the operating and capital subsidies from HUD to operate the public housing program have been insufficient. The funding shortfalls in our program are accelerated due to the nature/design of our program (i.e., scattered sites, no two units alike) which increases leasing, maintenance, and overall management expenses.

In 2006 staff identified a plan to cover the shortfalls of the FAHP program for years 1 through 10 (2005 - 2014). The plan identified the use of FAHP reserves (remaining development funds) and eligible Section 8 administrative fee reserves to cover the growing shortfalls through the year 2014. Although not a solution to the dwindling federal operating and capital subsidies and rising costs, the plan identified the necessary funds to cover expenses without requiring support from the Council’s general fund or jeopardizing the solvency or financial standing of other programs.

Staff continued to explore ways to reduce costs and identify reliable funding streams for the program and identified voluntary conversion from public housing to Section 8 as the most viable. The voluntary conversion of the FAHP units to Section 8 will result in a federal funding stream that produces substantially more operating income. The Council will:

- Remain the owner and responsible management entity of the units;
- continue to ensure the units remain affordable;
- continue to ensure the units are assets to the communities where they are located;
- continue to meet the commitments made to the cities and other stakeholders; and
- continue to have the ability to rent units within townhouse associations.

The Inventory Removal Application will be submitted to HUD in August, 2008. HUD has up to 90 days to approve or disapprove the application. If approved, the Council will then apply for 150 new Section 8 vouchers and will “tie” the vouchers to the FAHP units through a renewable 10 year project base contract. The Council currently has project base contracts with 14 other property owners covering 236 project based units. The Council, in essence, will be similar to these property owners.

The Council has Agreements with several entities regarding the operation of the FAHP units as public housing. These include, but not limited to, agreements with the Minneapolis Public Housing Authority, HUD, all cities where the FAHP units are located, program funding partners and a property management company. Amendments will be required to many of the agreements to reflect the conversion of the units from Public Housing to Section 8. This action allows the Regional Administrator to execute the required amendments and paperwork necessary to accomplish the conversion process, including submittal of an application to obtain the additional Section 8 vouchers.

The conversion process will likely take the balance of 2008 to complete with the application process for the additional vouchers to follow in early 2009.

Should the application for voluntary conversion be approved, but the application for the additional vouchers not approved, staff recommends that the Council not move forward with the Conversion Plan. Without the rent subsidy guarantee of Section 8 vouchers, the housing affordability component of the units would be lost to the region. Staff would continue to pursue other solutions to the program’s operating deficit.

HUD requires a Resolution approving the submittal of the Inventory Removal Application and approving the Conversion Plan. The attached Resolution will be submitted with the Application.

Rationale

Voluntary conversion from public housing to Section 8 will be beneficial to the Council, the residents and the communities served. The income generated through the Section 8 Program will be much greater than from Public Housing Program, allowing the units and program to be financially self-sufficient.

Funding

Current funding for the Public Housing Program and future use of Section 8 is appropriated annually by Congress and distributed by HUD.

Known Support / Opposition

Council staff consulted with the local HUD office, all FAHP city officials, Legal Aid Society, funding partners and FAHP residents regarding the conversion. All support the Council’s efforts to convert the FAHP units to Section 8 project based vouchers to ensure the long term affordability and viability of the program.

METROPOLITAN COUNCIL
390 Robert Street North, St. Paul, Minnesota 55101
651/602/1000 TDD 651/602-0904

RESOLUTION NO. 2008-XX

**RESOLUTION APPROVING THE SUBMITTAL OF THE INVENTORY REMOVAL APPLICATION
AND APPROVING THE CONVERSION OF THE FAMILY AFFORDABLE HOUSING PROGRAM,
PUBLIC HOUSING, TO SECTION 8, PER 24 CFR, PART 972.**

WHEREAS:

1. The Metropolitan Council's Family Affordable Housing Program (FAHP) is submitting an Inventory Removal Application to the U.S. Department of Housing and Urban Development (HUD) for the Voluntary Conversion of the Public Housing Units to Section 8.
2. The Department of Housing and Urban Development requires a resolution number as part of the Voluntary Conversion process.

NOW, THEREFORE, BE IT RESOLVED BY THE METROPOLITAN COUNCIL

That the submittal of the Inventory Removal Application to the Department of Housing and Urban Development and the Voluntary Conversion Plan is hereby approved.

Adopted this 27th day of August 2008.

Peter Bell , Chair

Pat Curtiss, Recording Secretary