



Community Development Committee

Business Item

Item: 2009-57

Meeting date: March 2, 2009

ADVISORY INFORMATION	
Date:	February 17, 2009
Subject:	2008 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; Terri Smith, Asst. Manager, Housing and Redevelopment Authority (651) 602-1187
Division/Department:	Community Development

Proposed Action:

That the Metropolitan Council amend the 2008 Unified Operating Budget as follows:

1. Increase authorized expenditures and revenue in the FAHP as described in the business item, and
2. Carry forward \$255K in budget authority from 2008.

Background

Family Affordable Housing Program (FAHP) Amendment

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 federal funding, the FAHP has and continues to run an annual operating deficit. FAHP reserves are sufficient to cover the operating shortfalls through 2014, but more immediately, an application has been submitted to HUD to convert the units to project based Section 8 units. The conversion to Section 8 will generate greater rental income and enable the program to operate without a deficit.

The Council approved 2008 FAHP amended budget reflects approved expenditures of \$1,235,065 and revenue of \$1,066,000. The year end 2008 numbers reflected higher than expected revenue and expense as indicated below. The increase in revenue is due to higher than projected rents and miscellaneous income. The increase in expense is due to increased turnover costs, repairs due to unexpected storm damage, and the costs of the conversion application process.

Amended 2008 Unified Operating Budget for FAHP

<u>Description</u>	<u>Approved</u>	<u>Revised</u>
Revenue	\$1,066,000	\$ 1,144,831
Expenses	<u>\$1,235,065</u>	<u>\$ 1,420,053</u>
Projected Deficit	(\$169,065)	(\$275,221)

Since full operation of the FAHP program in 2004, the average turnover rate of the units has been approximately 15% per year. However, during 2008, the FAHP experienced a 30% turnover, double from previous years. This caused the non-routine maintenance budget to reflect much higher than projected costs.

Additionally over 30 FAHP homes experienced severe storm and hail damage during 2008. There was \$90,000 in expense related to the storms that was not budgeted. Although the expense will be reimbursed from the insurance company, all claims were not fully processed in 2008. Additional insurance reimbursement is expected in the first quarter 2009.

There were also costs totaling \$45,000 associated with the FAHP Voluntary Conversion strategy as outlined at the August 14, 2008 Community Development Committee meeting. The costs were associated with appraisals required by HUD of all 150 units as well as the consultant hired to assist in maneuvering the application process.

Carry Forward Budget Authority From 2008

Carry forward of \$255,000 is requested as follows:

\$10,000 - These funds will support documentation of the 2008 Parks Visitor Origin Survey. This study updated the findings of the 1998 Park Visitor Origins study and inform the formula used to determine the park capital improvements program. The consultant contract was not completed in 2008, but will be finalized in early 2009.

\$170,000 - The Research Budget for 2008 contained a large set-aside of consultant and contracted services resources for the new forecasting model that the Research staff are developing. This resource will cover the costs of both an economic model to project the regional control totals as well as a land-use allocation model to distribute overall regional growth across communities and transportation analysis zones in the seven-county region. The Research staff did not commit the funds in 2008 but instead evaluated available models to ensure that the funds are spent as efficiently as possible. By waiting to acquire an economic model for a regional control total until 2009, the Research staff learned of an alternative model that is both less expensive and more relevant to our needs.

\$75,000 - The LPA unit expects to review or commence review of 180 Comprehensive Plan Updates in 2009. Minnesota Statute requires the Council to determine within 15 business days if the plans are complete for review. The Council also must review the plans, if complete within 120 days or hold a public hearing process to require the community to modify its plan. The unit has an existing contract with a planning consultant to assist with these reviews.

This request will be presented to the Management Committee on March 11 and to the Council on March 25.

Rationale

All of the carry forward items are necessary for the completion of priority work plan items in the Community Development Division.

Funding

The Community Development Division, excluding the HRA, ended 2008 \$508,916 under budget. This action will reduce that to \$253,916.

The FAHP currently has a reserve account balance of slightly over \$1,000,000. A portion of these funds will be used to cover the FAHP deficit. The FAHP will no longer carry an annual deficit once the program is converted from Public Housing to Section 8 in 2009.

Known Support / Opposition

There is no identified opposition to this request.