

Community Development Committee

Meeting date: March 18, 2019

For the Metropolitan Council meeting of March 27, 2019

Subject: Project Based Voucher Award Recommendations

District(s), Member(s): District(s), Member(s): All

Policy/Legal Reference: 24 Code of Federal Regulations, Part 983

Staff Prepared/Presented: Terri Smith, Director, Housing and Redevelopment Authority, (651) 602-1187

Division/Department: Community Development / Housing and Redevelopment Authority

Proposed Action

That the Metropolitan Council approve the award of Project Based Voucher (PBV) assistance and authorize staff to execute the necessary documents with the project owners for the following two (2) projects:

| Project | City | Total Units in Project | PBV Award |
|--------------------|--------------|------------------------|-----------|
| Minnetonka Heights | Minnetonka | 172 | 9 |
| Trail Pointe Ridge | Eden Prairie | 58 | 6 |

Background

The Council's Housing and Redevelopment Authority (Metro HRA) administers 6,697 Housing Choice Vouchers. The majority of these vouchers are tenant-based and move from place to place with the tenant. The U.S. Department of Housing and Urban Development (HUD) allows housing authorities the discretion to Project Base up to twenty percent (20%) of their vouchers, referred to as PBVs (Project Based Vouchers). PBV ties the rental assistance to a specific unit instead of to a tenant. PBVs may be tied to new construction, rehabilitated, or existing housing units.

The Metro HRA has awarded 790 PBV units in 46 separate projects to date located in 30 cities throughout Anoka, Carver, Hennepin, Ramsey, and Washington Counties. Units awarded PBVs must:

- be occupied by very low-income households at or below 50% of area median income;
- have rents that are reasonable and within the rent limits established by the housing authority;
- meet health and safety inspection standards set by HUD.

Project Based Vouchers are offered to interested owners/developers as part of Minnesota Housing's Consolidated Request for Proposal (RFP) process. The process provides a centralized means for developers to access a variety of funds to assist in affordable housing development, acquisition, or rehabilitation. The Metro HRA offered 15 vouchers as part of this process.

Proposals ranked high enough to receive other requested funding to ensure financial feasibility are then ranked by the Metro HRA based on the PBV selection criteria outlined in the HRA's Administrative Plan including:

- Owner experience;
- Extent to which the project furthers the goal of deconcentrating poverty;

- To promote projects that are located outside of Areas of Concentrated Poverty;
- To increase the supply of affordable housing;
- To contribute to the long-term viability of the metro area housing stock;
- To integrate housing and tenant services such as education, job training and self-sufficiency;
- To promote the provision of services for special needs tenants;
- To encourage economic integration;
- To encourage housing for larger families;
- Extent to which the project promotes linkages among housing, jobs and transportation;
- Extent of community support.

There were 11 applicants in Metro HRA's service area that requested a total of 99 PBVs during this funding round. Seven projects (66 units) were determined not to be financially feasible (i.e. not receiving the required funding to move forward). Staff found the remaining 4 projects (36 units) to meet the necessary criteria. Proposals were ranked according to the above criteria and 15 units are being recommended for the 2 top scoring projects as follows:

Minnetonka Heights, Minnetonka

Minnetonka Heights is an existing, 172-unit housing complex in Minnetonka. The property consists of 1-, 2- and 3-bedroom apartments and townhomes. 90 units receive rent subsidy under a federal Section 8 contract. 82 units are currently unassisted. These 82 units were under a federal subsidy contract that expired. The property was recently purchased by a new owner. The new owner intends to upgrade the units and increase the rents. However, the new owner is looking for tools to keep the 82 units affordable to existing residents. HUD will be providing federal vouchers for qualifying households. The Metro HRA proposes to award 9 PBVs to ensure affordability for some of the remaining residents.

This project is an example of Naturally Occurring Affordable Housing (NOAH), a property with naturally low rents (1-bedroom = \$620, 2-bedroom = \$725, 3-bedroom = \$760). In many recent situations, new owners purchase NOAH properties, increase the rents and existing residents are displaced. This is a case where the new owner is wanting to keep the units affordable for existing residents, preventing displacement. Keeping affordable housing in this high-rent community would be a win for the residents and the region.

Trail Pointe Ridge, Eden Prairie

Trail Point Ridge is a new construction, 58-unit, mixed income rental housing development in Eden Prairie. The project is one component of a larger redevelopment which includes multi-family, senior housing and custom townhomes. This is a unique opportunity to integrate multi-generational housing, a variety of product types, and service to a variety of income levels.

The site is located within ¼ mile of a high frequency transit stop and within 2.9 miles of the Southwest Light Rail project, providing easy access to downtown Minneapolis and jobs throughout the metro area.

The development will include a mix of market rate and income-restricted units for individuals and families at or below 50% and 60% Area Median Income. There will be seven (7) units to serve single adults experiencing homelessness. The six (6) PBVs will serve individuals with disabilities as identified by Hennepin County, with the provision of services.

The project is receiving Low Income Tax Credit support from MN Housing and Metropolitan Council Livable Communities Demonstration Account funds, as well as City and County support.

Carver County Community Development Agency Projects

Carver County Community Development Agency submitted two applications as follows that are not being recommended for PBVs:

- 9 PBVs for 3 different general occupancy senior buildings in Carver County which resulted in a lower score than the above applications.
- 6 PBVs in townhomes that have not been purchased yet, making this project not feasible at this time.

Rationale

Awarding fifteen (15) new PBV units will result in the total commitment to PBVs of 805 vouchers or 12% of Metro HRA's total voucher allocation. The two recommended projects are the highest scoring projects in this funding round that will help to both preserve existing affordable housing and support new affordable housing. The Metropolitan Council approved a limit of 20% of the HRA's voucher allocation going to PBVs.

Thrive Lens Analysis

The award of Project Based Vouchers supports the Thrive outcomes of equity, livability, and prosperity by increasing the housing choices available to low income families in the region. Families that have stable housing in a community of their choice are better able to thrive and flourish.

Funding

Funding for the Project Based Voucher program is provided through the U.S. Department of Housing and Urban Development.

Known Support / Opposition

Minnetonka Heights has Low Income Tax Credits through MN Housing on 156 units. Trail Point Ridge is also receiving Low Income Tax Credit support from MN Housing, Metropolitan Council Livable Communities Demonstration Account funds as well as City and County support.