

Community Development Budget Overview

Lisa Barajas, Division Director

Terri Smith, Director, Housing and Redevelopment Authority

Heather Agesen-Huebner, Director, CD/MTS Finance & Administration

Community Development Committee 5/6/2019



Major Responsibilities



Provide coordinated planning and policy to guide the growth and development of the region.



Partner with regional park implementing agencies to plan for and fund the Regional Parks System.



Provide technical assistance to local governments to implement region policy in their local plans.



Facilitate community collaboration.



Deliver state and federally funded rent assistance to create and provide affordable housing for low-income households.



Provide Livable Communities Act grants to help clean up polluted sites, expand housing choices, and build developments that connect housing, jobs, and services.



Identify, analyze, and report on issues of regional importance.

For Today

2019 Budget Summary

2020 Budget Development

- Timeline
- Council Member Engagement / Targeted Items for Discussion

Intro to HRA Budget

Parks Equity Grant Program

2019 Budget Recap

Support Implementation of

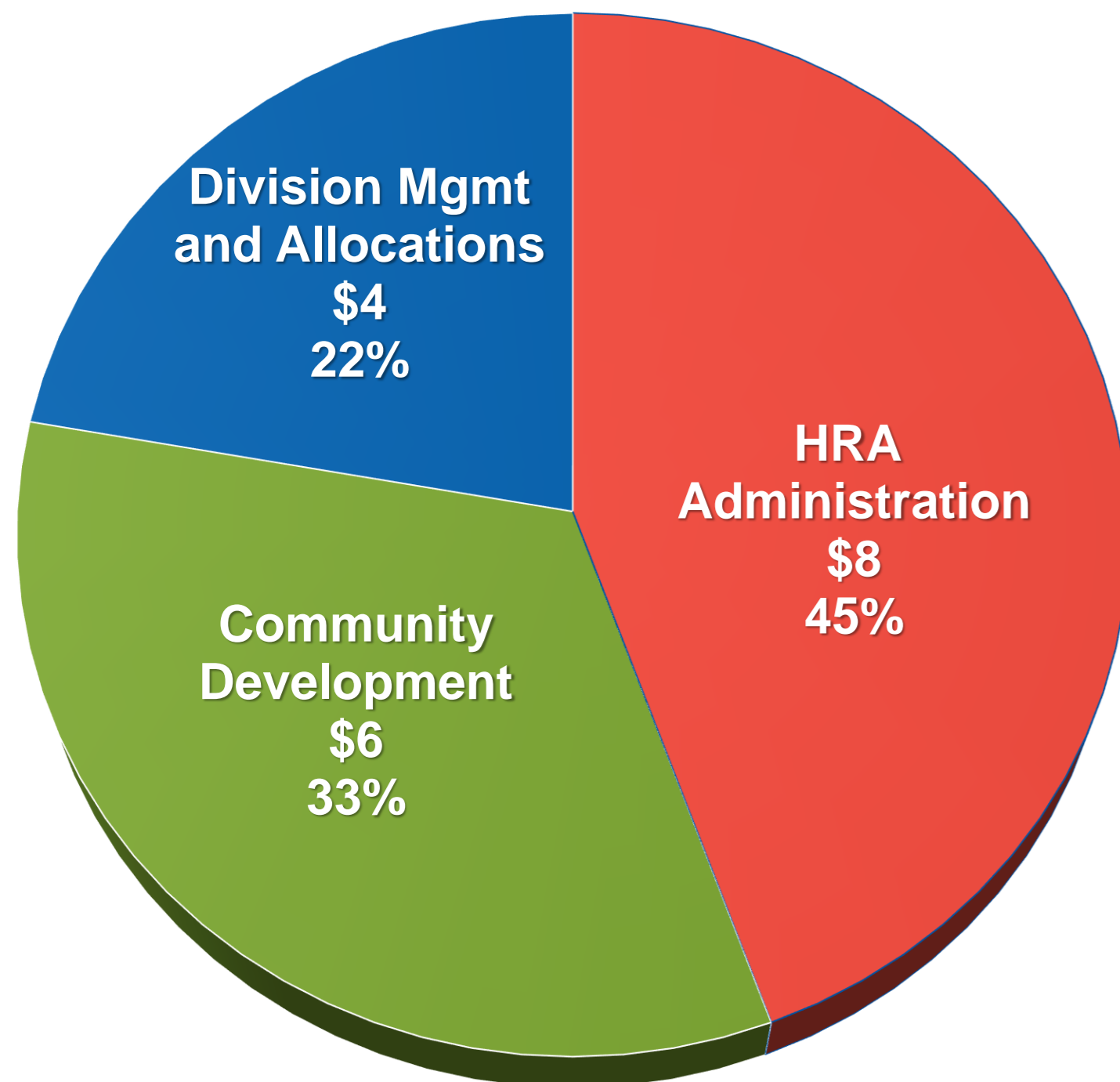
- Thrive MSP 2040
- Housing and Regional Parks Policy Plans

Financial Stewardship

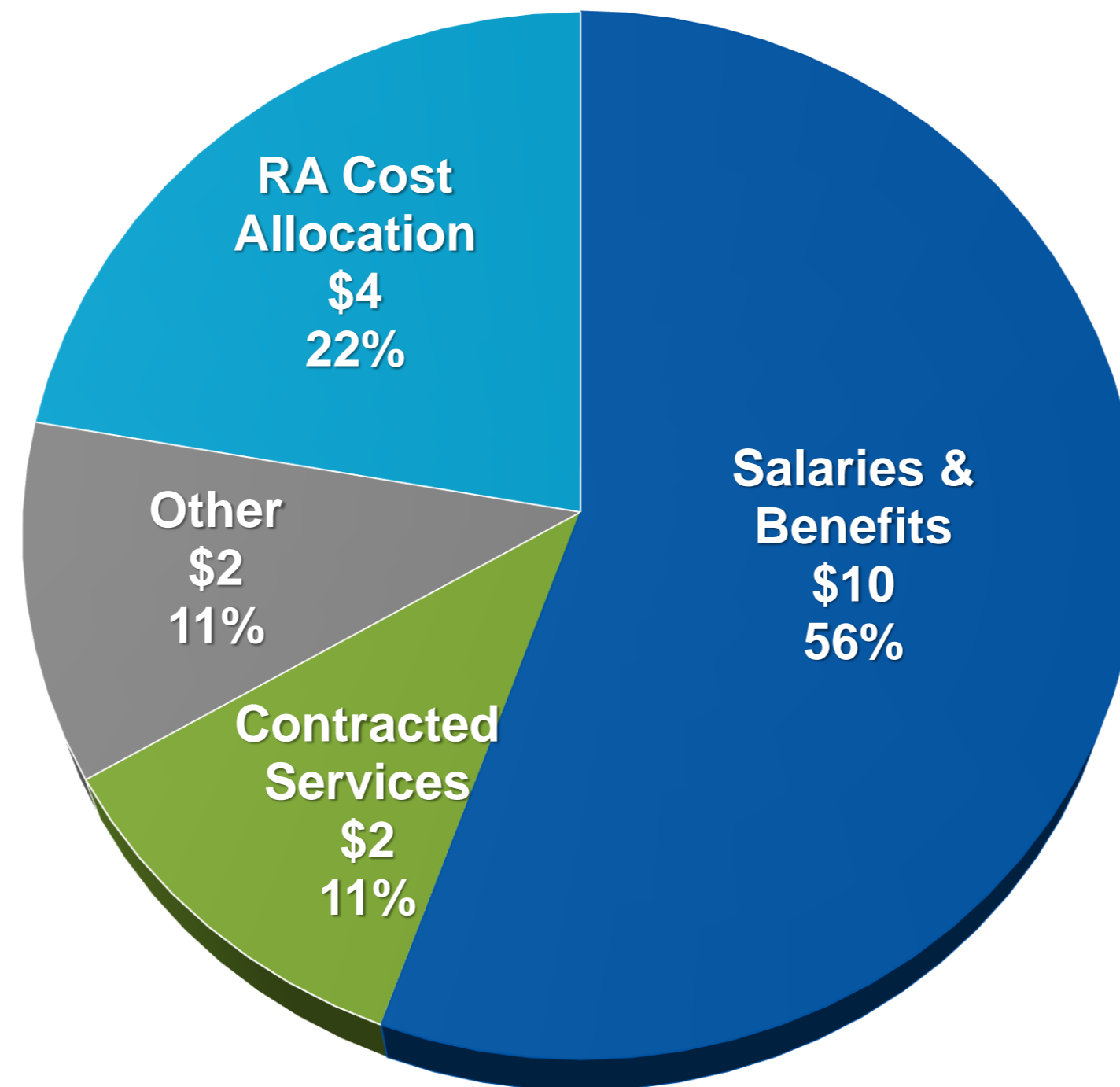
- Construct a balanced budget
- Prioritize structural solutions – mitigate structural gaps over time
- Maintain reserve balances at Council policy levels.

2019 Operations - \$18 M

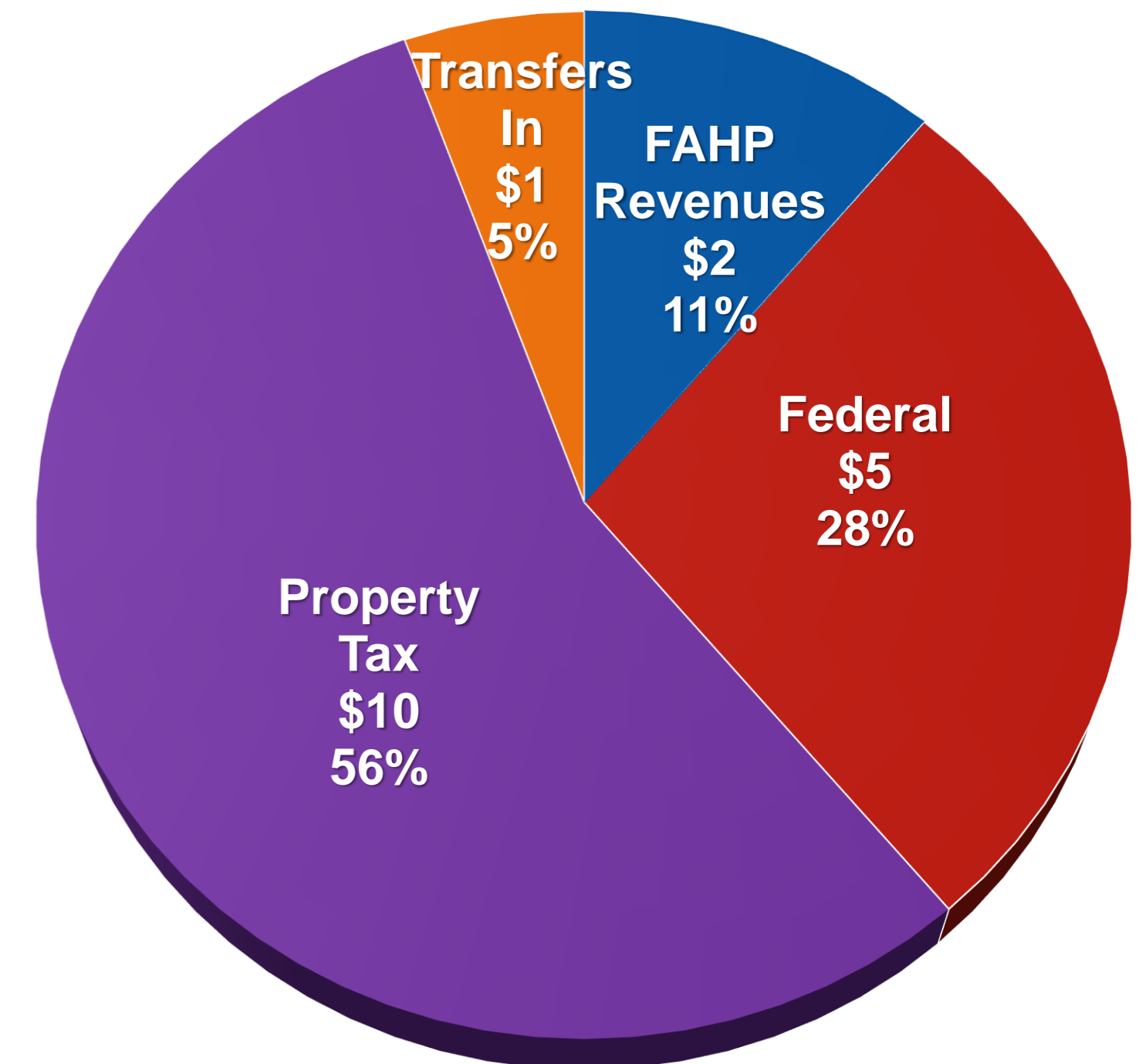
Uses by Department



Uses by Category

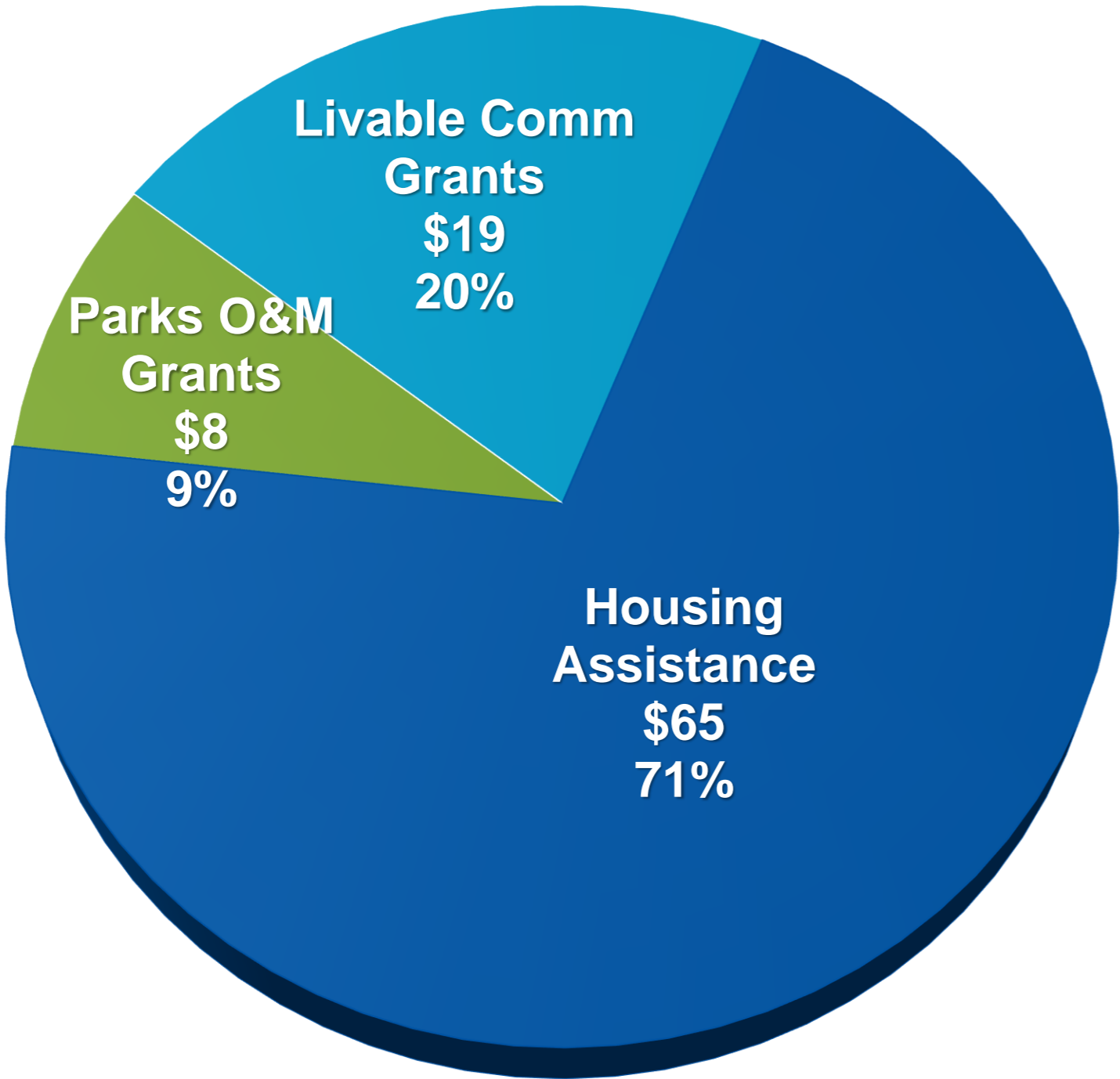


Sources

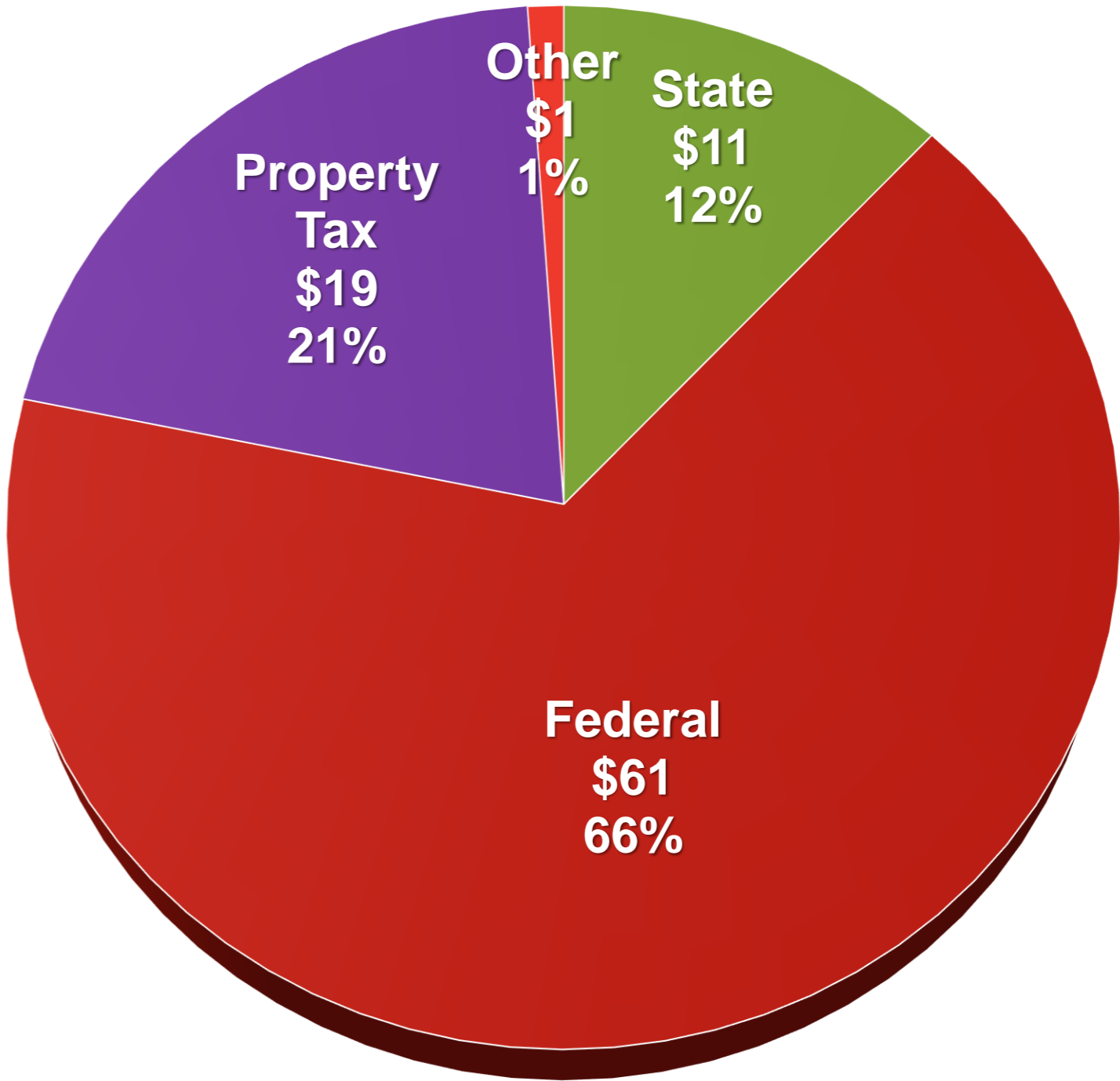


2019 Pass Through - \$92 M

Uses By Program

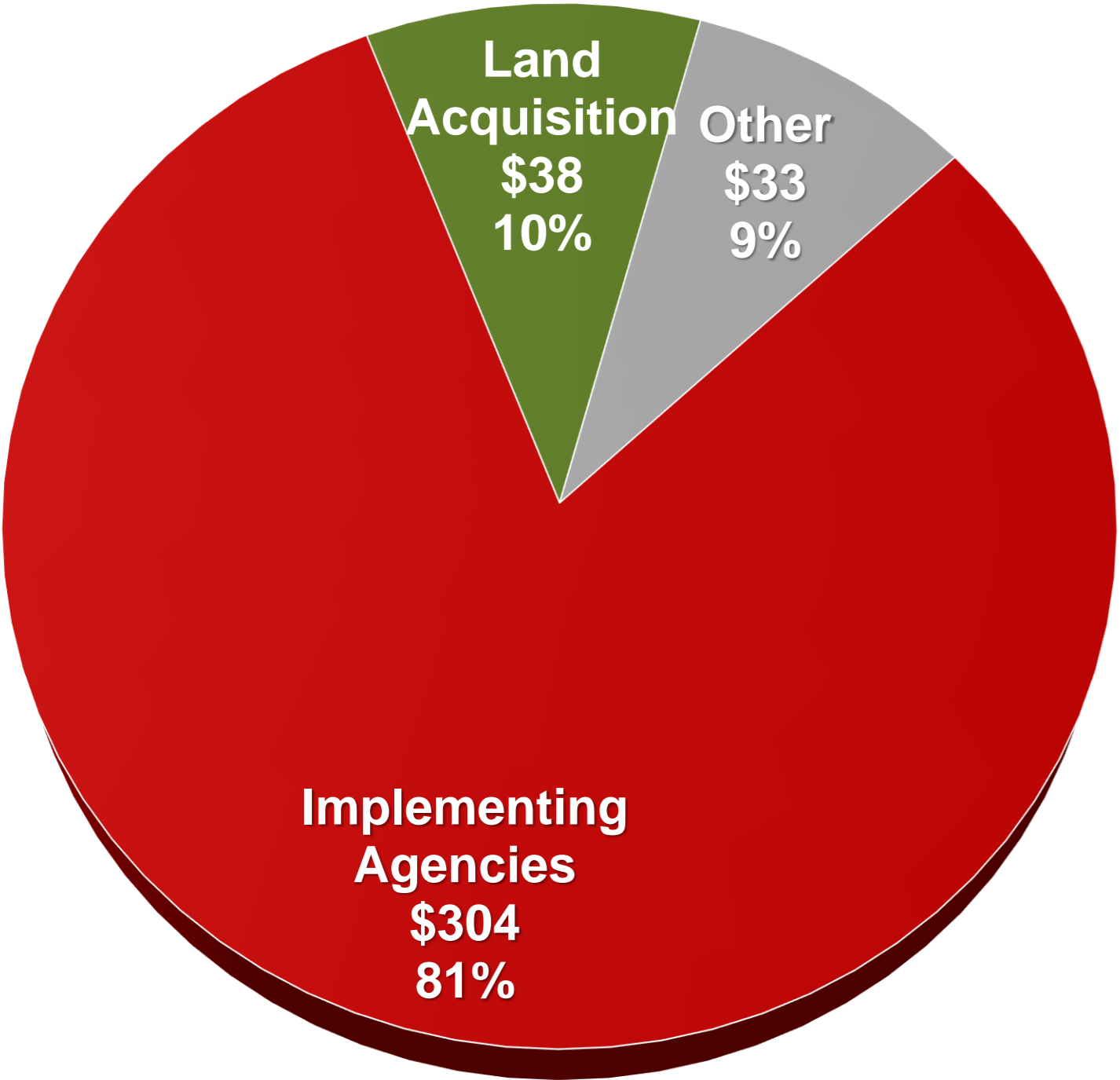


Sources

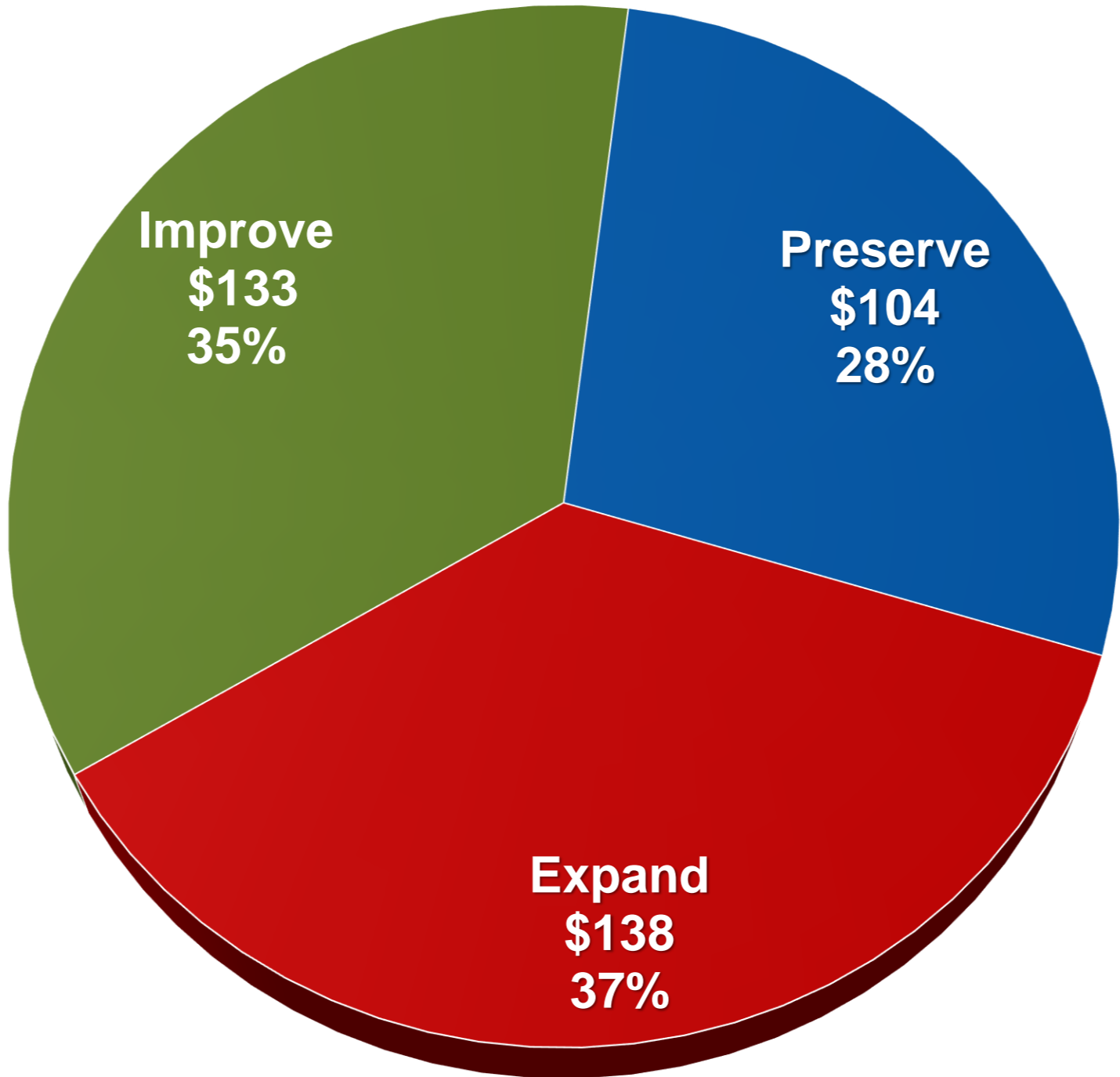


Parks Capital Program - \$375 M

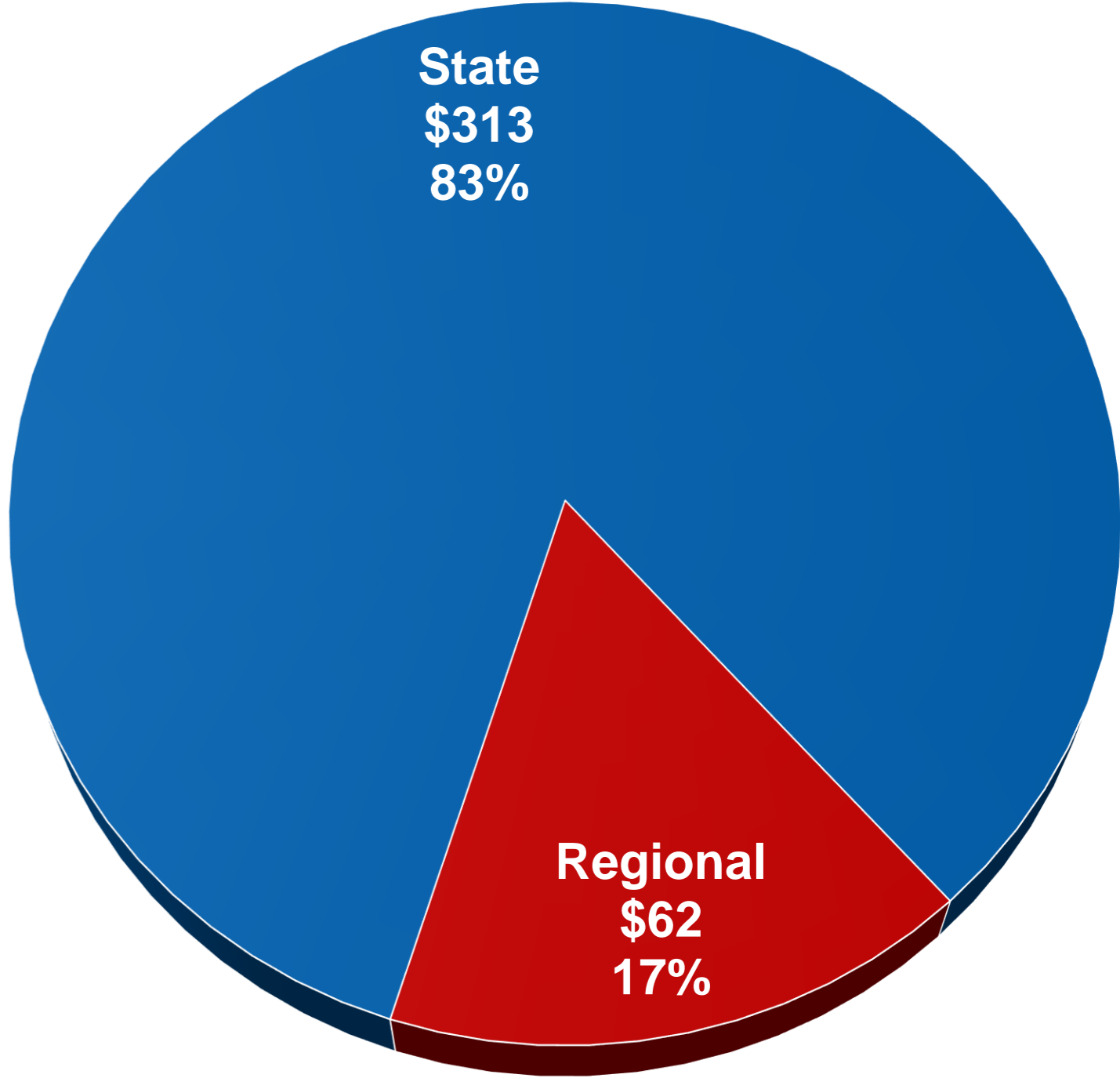
Uses by Department



Uses by Category



Sources



Regional Parks Grant Programs

Program	• Funding Source • Distribution Methodology	
Operations & Maintenance	• State • Formula	• Grant programs are funded by multiple state sources and Council bonds
Parks & Trails Legacy	• State matched by Council bonds • Formula	• Council passes through 100% of state funding to Parks Implementing Agencies
Parks Acquisition	• State matched by Council bonds • 1st come, 1st served	• Current portfolio is over 150 grants valued at ~\$120M
Bonding	• State matched by Council bonds • Formula	• \$185M in grants are programmed in the current Council Authorized Capital Improvement Program (2019-2024)



Livable Communities Grant Programs

Program	• Funding Source • Distribution Methodology	
Tax Base Revitalization Account (TBRA)	• Property Tax • Competitive	• Grant programs are funded by property tax • Council passes through 100% of funding to 96 communities that have chosen to participate in the Livable Communities Program • Current portfolio is over 200 grants valued at ~\$102M • Projected to award ~\$20M a year
Livable Communities Demonstration Account (LCDA)	• Property Tax • Competitive	
Local Housing Incentives Account (LHIA)	• Property Tax • Competitive	
Transit Oriented Development	• Property Tax • Competitive	



Metro HRA – Structural Deficit



Housing Market Trends

- Rising rents
- Low vacancy rates

Federal appropriations

- Lag in timing
- Proration doesn't cover costs



HRA – Long Term Problem?

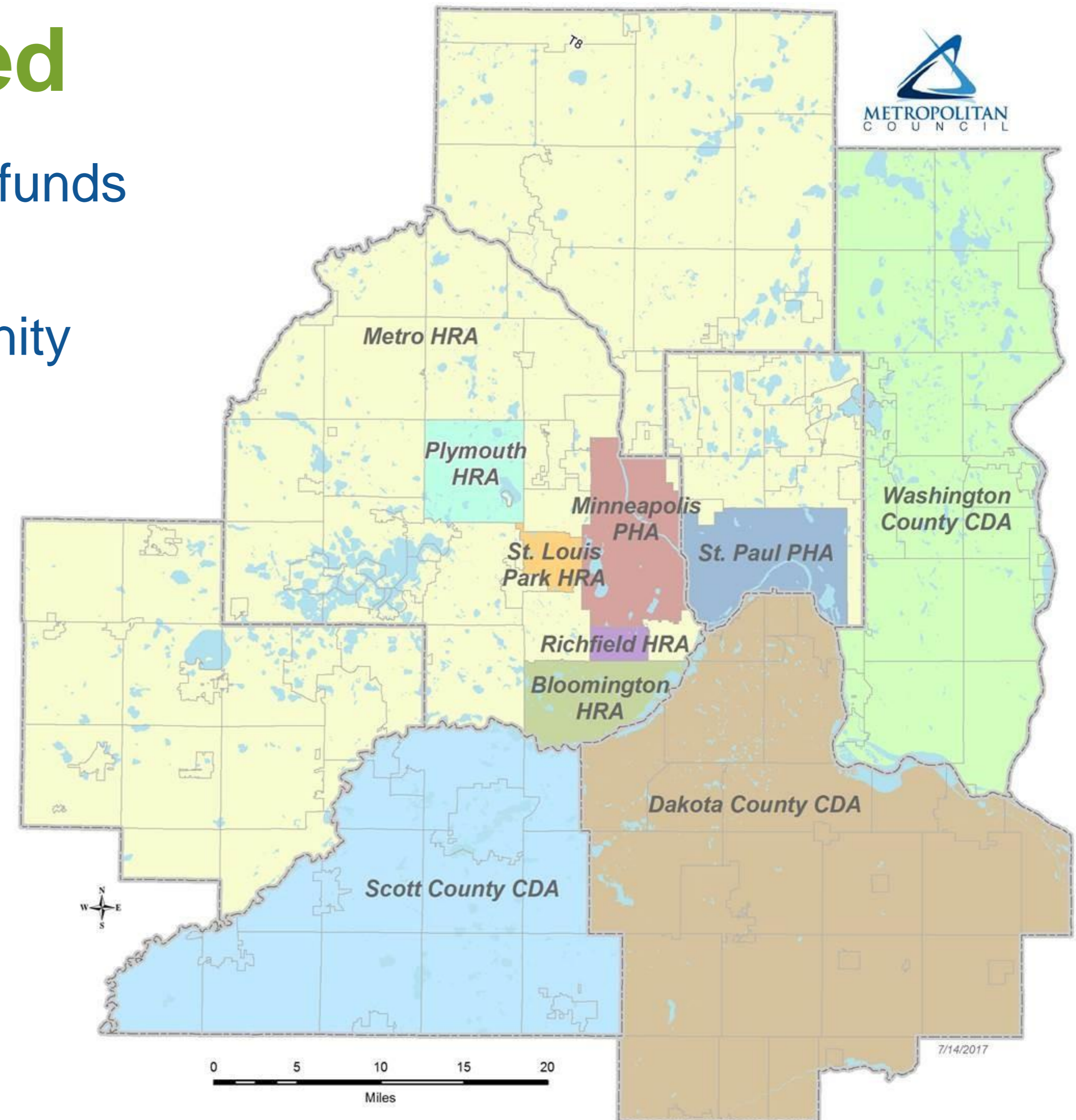
- Housing voucher deficit is due to rising housing costs and federal revenue is not keeping pace with rent
 - Structure of housing market would need to change to address this problem
 - Research indicates rents are starting to level off
- Council budget decisions impact
 - Low income families in the region - increase in homelessness
 - Impact on Areas of Concentrated Poverty
 - Council investment in other initiatives
 - Council commitment in Thrive “will” statements
 - Future year federal funding levels

HRA: Options Examined

- Subsidize program with other Council funds
- Reduce vouchers through attrition
- Reduce cost through reduced community choice
- Secure alternate funding source(s)

2019 Budget Solution

- ✓ Subsidize Program with Council funds



2020 Budget Timeline

- Q1/Q2
 - Operating Budget Information Items
- July
 - Preliminary Operating Budget Presentation
- Q2/Q3
 - Capital Budget Information Items
- Q3
 - Capital Budget Presentation

- Targeted Discussions
 - HRA Budget / Rent Limits
 - HRA Council Owned Housing (FAHP)
 - Parks Equity Grant Program
 - Parks Interest Earnings
 - Parks Visitor Study
 - Parks Capital Program

Council Member Engagement

- Are there other specific topics you would like to hear about as part of our budget development process?
- What else would you like us to know as we prepare for future budget conversations?

METRO HRA Budget Introduction



Bottom Line

- The Council's HRA cannot lease to all possible families within current federal funding levels.
 - Due to rising housing costs
- Council faces difficult choices:
 - Reduce the program size
 - Reduce choice in where families can rent units
 - Eliminate or limit high rent areas
 - Subsidize the program by \$1-2 million annually



2019 Budget - Council Direction

- ✓ Fully fund the HRA Program and issue all vouchers
- ✓ Maintain Exception Rent Communities
 - ✓ Allows for choice in all the region's communities
- ✓ Adopt rent limits high enough to ensure voucher success
- ✓ Provided direction to explore alternative funding sources
- ✓ Committed \$2.9M General Purposes Levy Funding
 - ✓ Bridge funding to allow time to determine longer term solutions



Federal Funding and Budget Scenarios

For Example

Budget = \$59 Million

- Higher subsidy per family = fewer families served
- A \$20 increase in average subsidy = service to nearly 200 less families

**Average
Per Family
Subsidy**

**#
Families
Served**

\$720

6,712

\$730

6,621

\$740

6,531

- Federal funding for the current year is dependent on spending in the previous year



**METROPOLITAN
COUNCIL**

Rent Limits

- Rent Limits impact average rent payments and determine how many families can be served within allotted funding
- Rent Limits are set annually and limited by Fair Market Rents (FMR) set by HUD - Issued each October

Higher Rent Limits

- Higher average subsidy
- Fewer vouchers issued
- Increased choice for families
- Build future year funding

Lower Rent Limits

- Lower average subsidy
- More vouchers issued
- Reduced choice for families
- Risk future year funding

Voucher Costs

- The average cost of a voucher increased from \$671 per month in 2016 to \$742 per month in 2018
 - 10% increase over two year
- Historically, voucher costs have increased by about 2% per year
- Market is starting to level out
- Without recently approved increases in rent limits, voucher holders would not have been able to find housing they could afford.
 - Vouchers get turned back

Policy Options Examined in 2019

- Reduce program size
 - Could be accomplished without terminating families from the program
 - Reducing vouchers results in a downward spiral of reductions for the program
- Use other funds to cover subsidy costs
- Maintain Exception Rent Communities- higher rent limits for higher rent communities
 - Supports Thrive 2040 “will” statements
 - Offer housing options that give people in all life stages viable choices for stable housing
 - Develop and provide tools, including competitive rent limits in higher-cost communities, to enable voucher holders to choose a location that best meets their needs
 - Cost \$1 Million per year
 - Communities: Chanhassen, Chaska, Eden Prairie, Edina, Excelsior, Golden Valley, Hopkins, Maple Grove, Minnetonka, Roseville, Shoreview, St. Anthony, White Bear Lake

Program Performance

- Metro HRA rated as a high-performer by the U.S. Department of Housing and Urban Development (HUD) for 15 years
 - HUD assessment recommended HRA have 47 front line staff
 - HRA has 39 front line staff today
- Staff caseloads: 375 in 2011 to 450 today
 - Implemented new housing software system
 - Electronic case management
 - Paperless system
 - On-line waiting list management
 - Streamlined quality control / file review process
 - Biennial inspections

Up Next

- Operational Assessment completed
 - Identify potential efficiency areas
- Expand biennial inspections
- Expand use of inspection certifications in lieu of reinspection
- Implement software system enhancement to expand landlord online services
- Continue collaboration efforts with neighboring agencies to align policies and practices
- Convene regional policy makers
- Advocate for full federal program funding

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