

2021 Community Development Division Preliminary Operating Budget

July 20, 2020

Community Development Committee



Budget Development Schedule

May – July	Staff: Budget Development Activities
July	CDC: Initial 2021 Budget Conversation (July 8) CDC: 2021 Preliminary Operating Budget & Targeted Topics (July 20)
August	CDC: Capital Program Conversation Council: Staff Present Preliminary Operating Budget / Levies (Aug 12) Council: Adopt Preliminary Budget / Levies (Aug 26)
Q4	Council: Capital Program Presentation (Oct 14) CDC: HRA Rent Standards & Utility Allowance CDC: LCA and Equity Grant Programs Council: Adopt Final Budget/Levies (Dec 9) CDC: Start Annual Division Workplanning
Q1, 2021	CDC: Finalize Annual Division Workplan

For Today

2021 Preliminary Budget

- Proposed Budget & Revenue Sources
- Proposed Uses by Category
- 2021 Investments

Metro HRA

Parks Interest Earnings

Major Responsibilities



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



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



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



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



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



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



Facilitate community collaboration.

Budget Objectives

Support Implementation Of

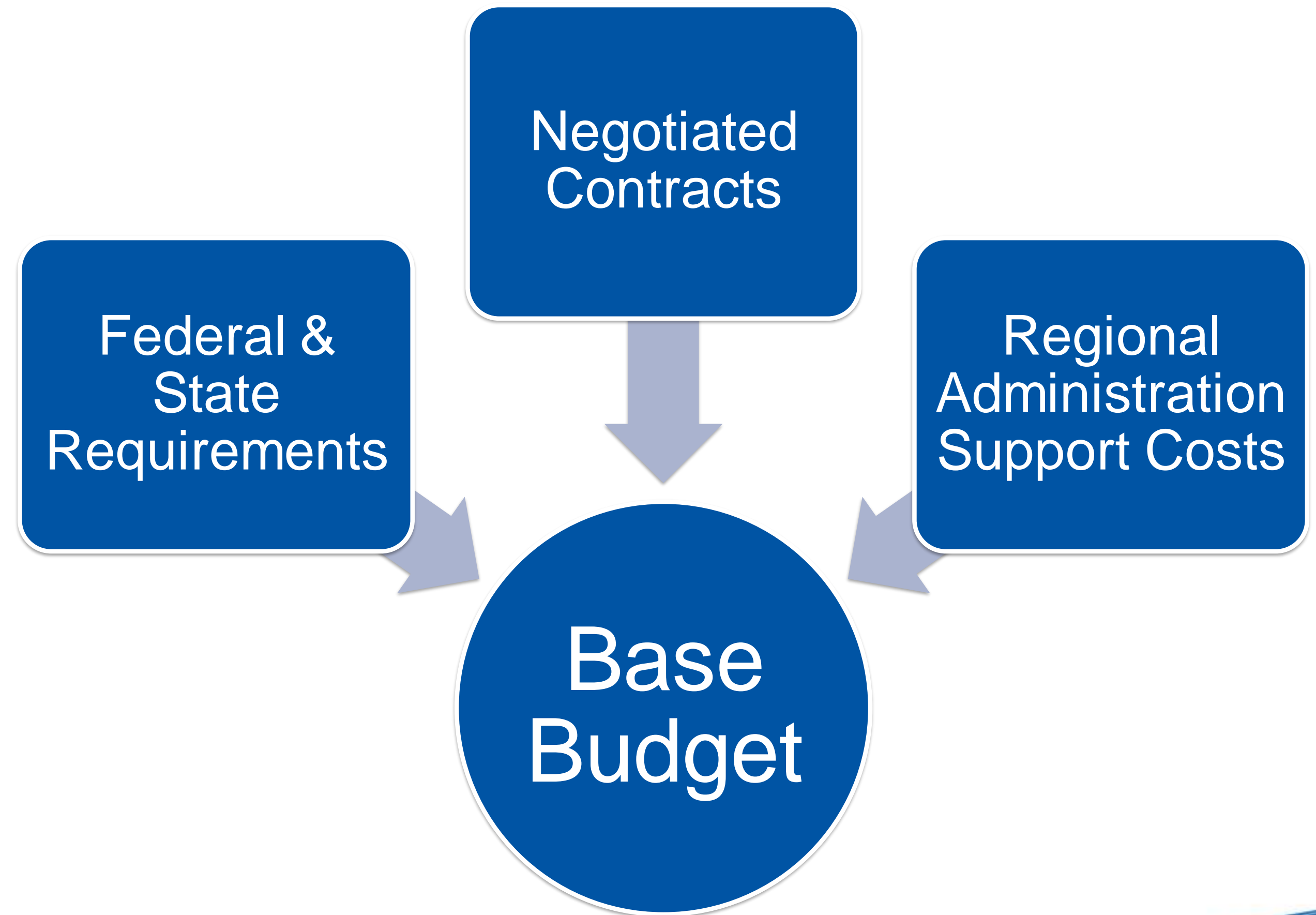
- Thrive MSP 2040
- Housing and Regional Parks Policy Plans

Financial Stewardship

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

2021 Overview

- 2020 Amended Budget: \$129.9M
- 2021 Preliminary Budget Summary
 - \$123.9M Division Budget (-5%)
 - HRA (-2%)
 - Non-HRA Programs (-24%)



COVID-19 Twin Cities Economic Impacts

- Initial Findings
 - Poverty rate changes and housing cost burden changes will depend on the duration of business closures and reduced economic activity.
 - Relief from the federal relief package (the CARES Act) mostly mitigate earnings losses, provided that industries re-open and deferred economic activities resume in mid-2020.
 - People of color have experienced a disproportionately large share of job losses since the beginning of the pandemic. The benefits provided by the federal relief package will temporarily reduce disparities by race and ethnicity, though disparities will remain quite large.
- Sample of Council Research and Reports
 - [COVID-19 Impacts on Unemployment, Income and Housing Cost Burden](#), May 20 Committee of the Whole
 - [COVID-19 Transportation Survey](#), July 13 Transportation Committee
 - [Interactives](#): Job loss by industry and occupation, Racial, Ethnic and Cultural Groups with the Greatest Job Losses

2020 COVID Summary

Increasing*

HUD Admin Revenue
HUD Voucher Revenue
Overhead Expenses (some areas)
Average Housing Payments
Encampment Expenses
COVID-19 Staff Work

Decreasing*

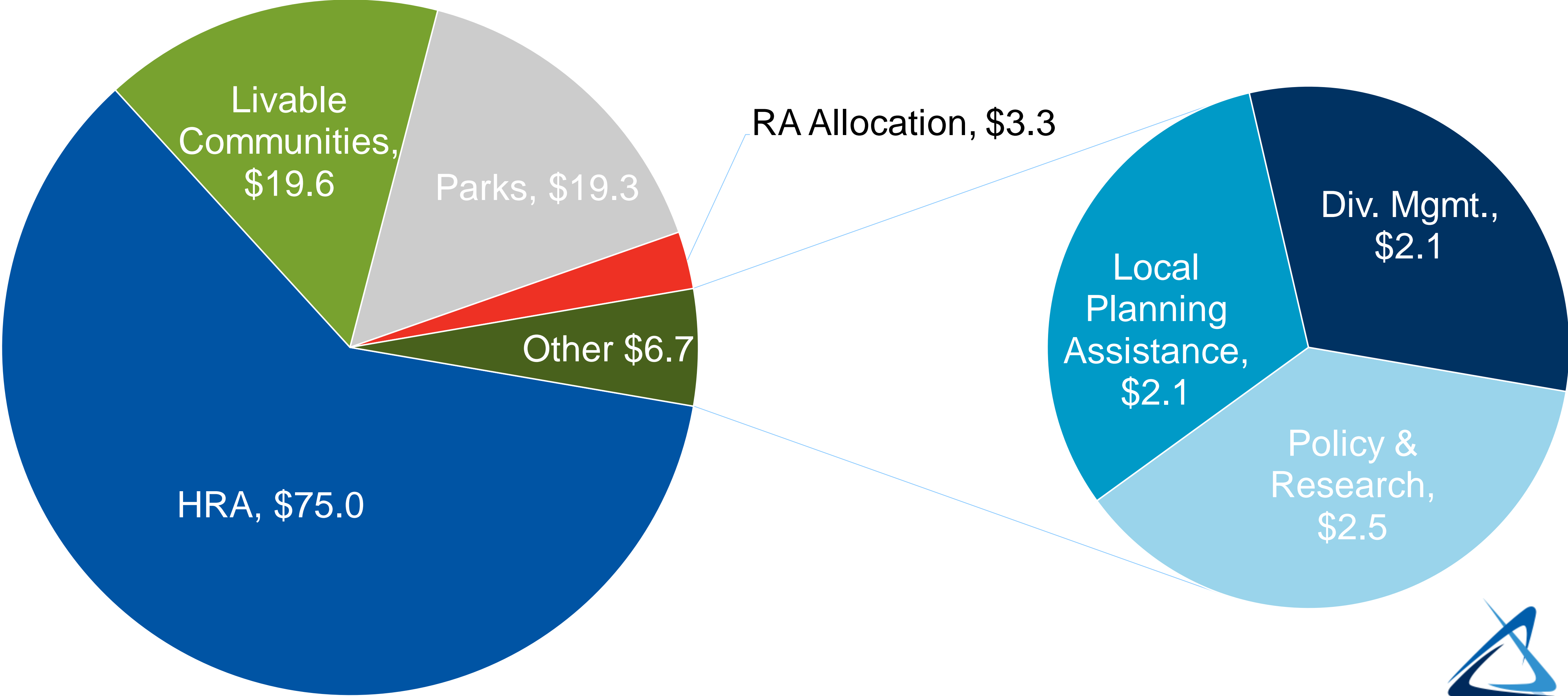
SFY21 Legacy Revenue
Consulting Projects Delayed
Salary (soft hiring freeze)

Monitoring / Holding Steady

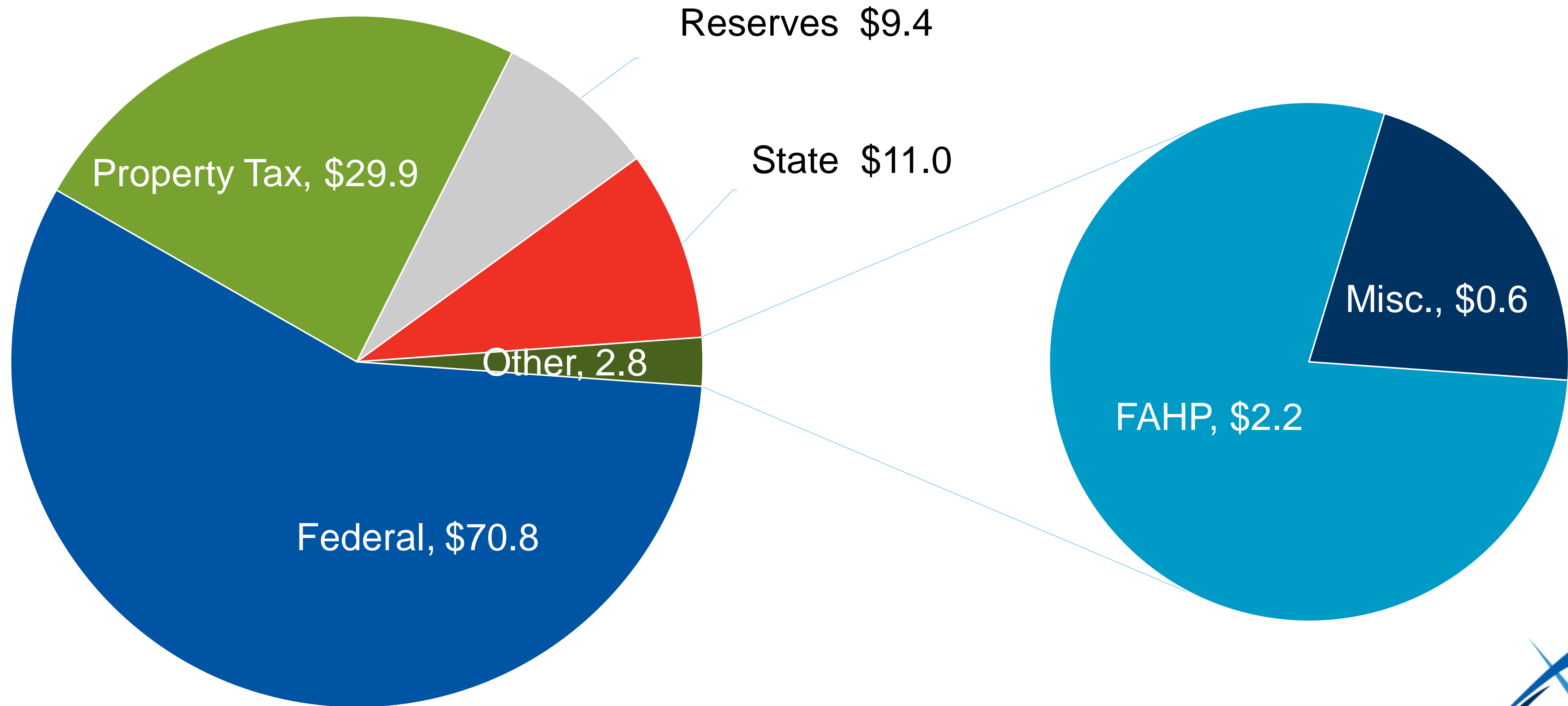
Property Tax Revenues
Fiscal Disparities Revenue
Lottery-in-Lieu Revenue
New State Appropriations
New Federal Appropriations

*Documented and anticipated impacts

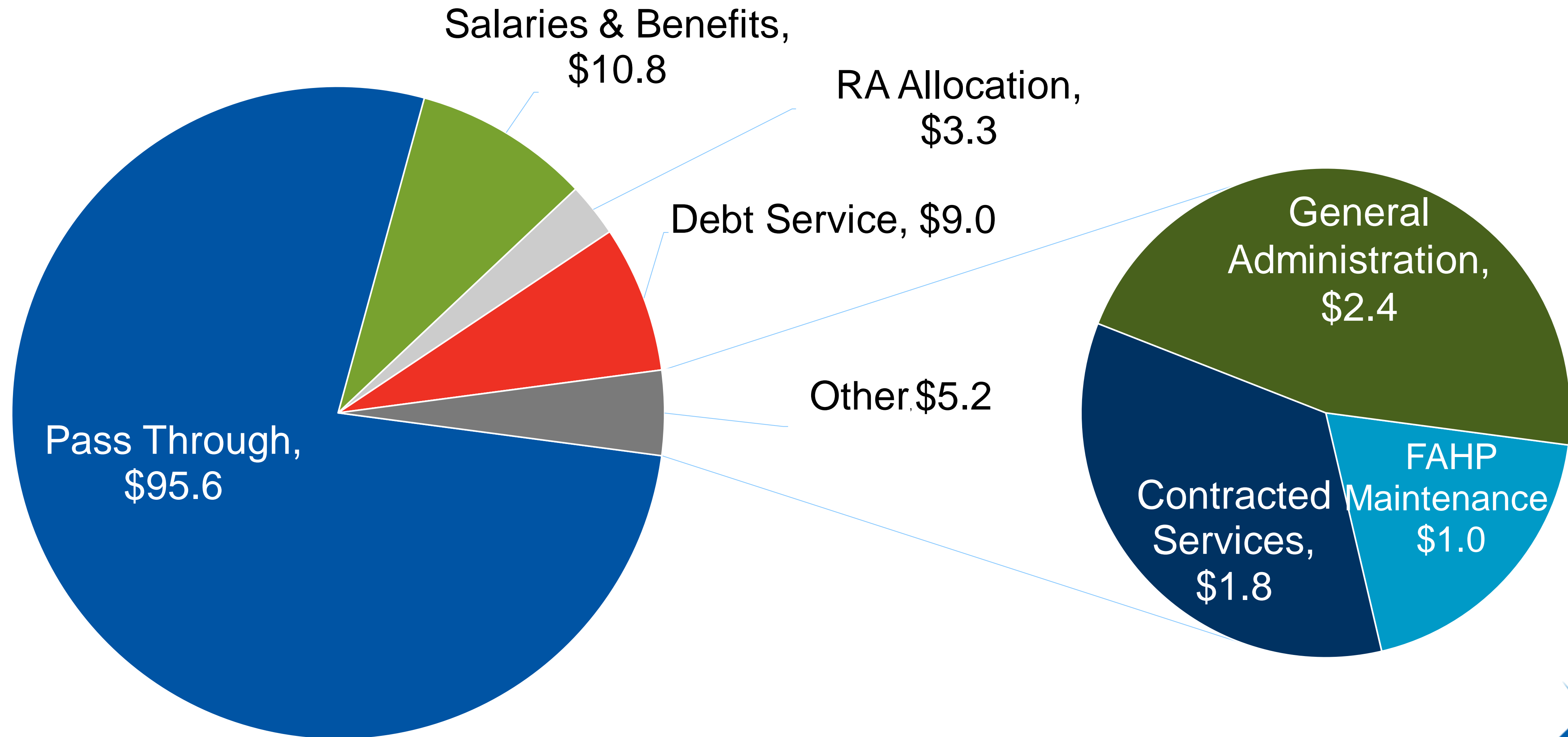
2021 Proposed Budget - \$123.9M



2021 Proposed Revenue Sources - \$123.9M



2021 Proposed Uses by Category - \$123.9M



2021 Equity in Action (Operating & Capital)

HRA Passthrough

\$~70M

Policy & Admin
Plans

Community
Choice Program

Mainstream
Voucher

Project Based
Vouchers

Grant Programs

\$~50M

Housing & Parks
Policy Plans

Investment
Strategies

Scoring Criteria

Outreach &
Engagement

Annual Workplan

~\$11M

Strategic
Initiatives

Investment in
Place Strategies

Equity Change
Team

Outreach &
Engagement

Contracts & Consulting

~\$2M

Strategic
Initiatives

MCUB

Council Actions

Metro HRA



Metro HRA: Structural Deficit



Housing & Employment Trends

- Rising rents
- Low vacancy rates
- Rising unemployment rates due to COVID-19

Federal Appropriations

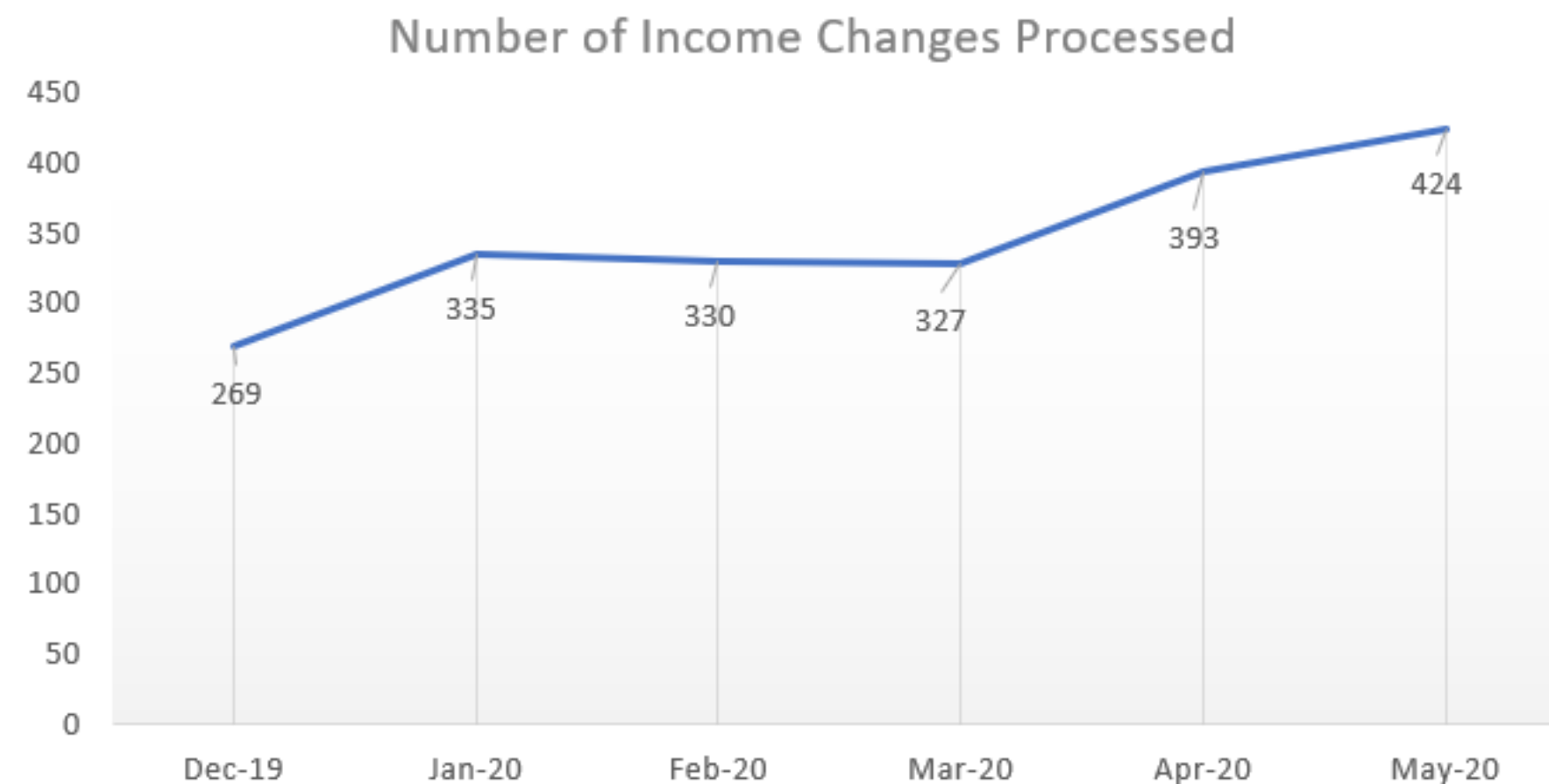
- Lag in timing
- Proration doesn't cover costs: Council costs increasing even higher than previous years due to families making less



2020 Council Direction

2020 Council Direction

- Apply for Moving to Work Status
- Adopt rent limits high enough to ensure voucher success
- Maintain Exception Rent Communities
 - Transition to Small Area Fair Market Rents



Changes since January 2020

- HUD Approval to move forward with Moving To Work exploration
- COVID-19
 - Federal Cares Act Funding
 - New Vouchers
 - Inspections Suspended
 - Rising income change request
 - Rising Council housing payments - **New voucher issuance on hold as of July 9**
- Encampment
 - Health, Safety and Security



Bottom Line Remains Similar to 2020

- The Council's HRA cannot lease to all possible families within current federal funding levels.
 - Due to rising housing costs.
 - Economic downturn due to COVID-19 is worsening the problem.
- Council will again face difficult choices
 - Reduce program size
 - Reduce choice in where families can rent units.

Rent Limits

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

Higher Rent Limits

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



Lower Rent Limits

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



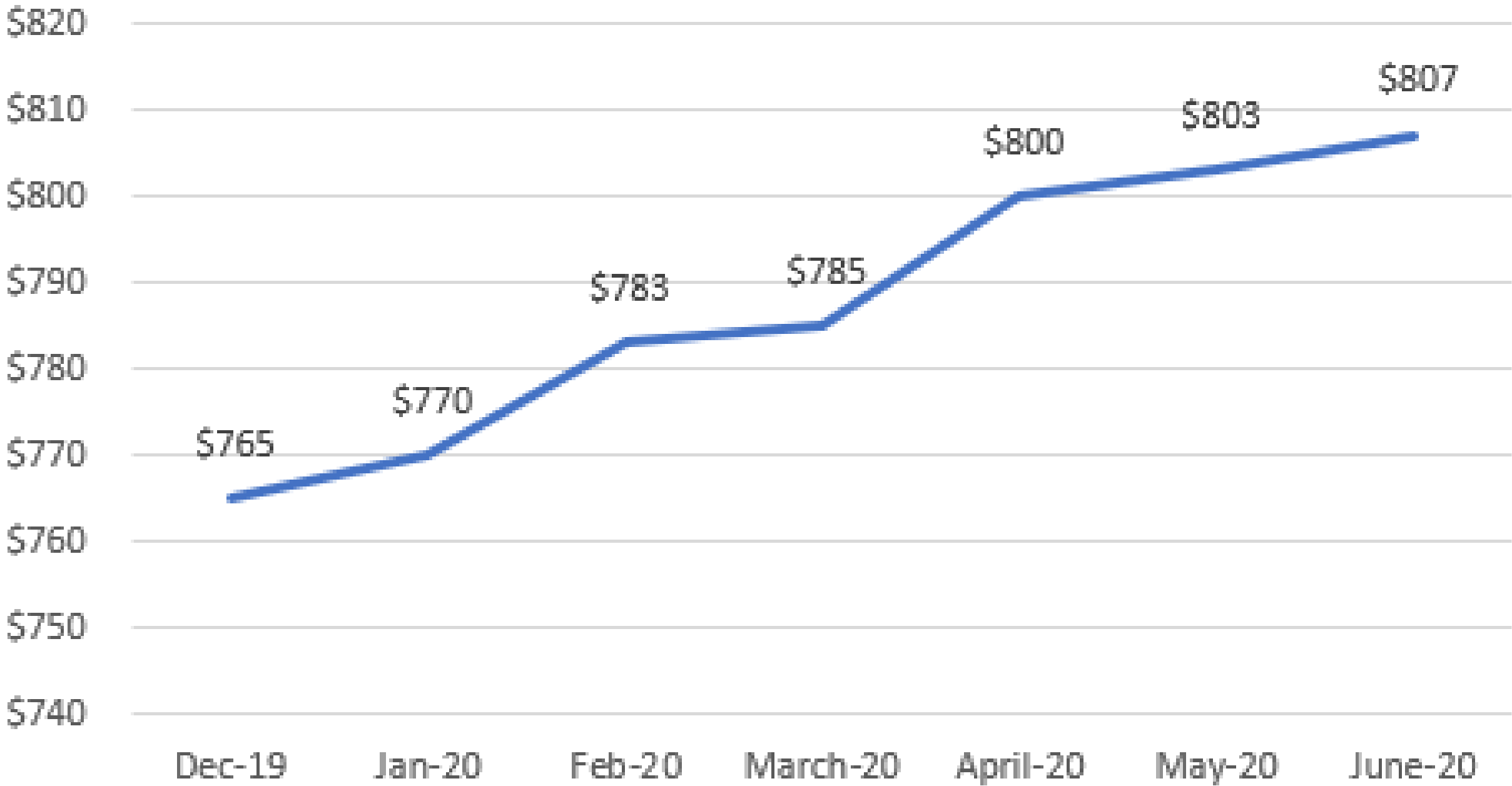
Federal Funding and Budget

Example Budget = \$65M

- Higher subsidy per family = fewer families served
- A \$25 increase in average subsidy = service to ~200 families

Average Per Family Subsidy	# Families Served
\$775	6989
\$800	6671
\$825	6566

HRA Average Per-Family Subsidy Payments



2021 Preliminary HRA - \$75M

Tenant Education Workshops

Tenant Education Workshops provided by The Metropolitan Council Community Choice Program

• We will learn about •

- Tenant Rights and Responsibilities
- Budgeting
- Effective Communication Skills
- Savings Plans
- Housing Search
- Application Process
- Debt and Credit
- Understanding Your Lease
- Repair Request
- Assets
- Home Maintenance and Housekeeping
- Fair Housing
- Home Ownership
- Security Deposits
- Building Wealth and more!

- Unknowns
 - Fair Market Rent
 - Federal Funding
 - COVID-19 Impacts on Average Housing Assistance Payments
- Future Council Actions
 - Rent Standards (Oct)
 - Utility Allowance (Oct)

Parks Interest Earnings



Parks Interest Earnings

Presentation

- High level budget options
- Stakeholder input
- Staff recommendation

Discussion

- Council Member feedback
- Objective: Direction for 2021 Operating Budget

Future Conversation

- Programming and Execution Details

Parks Interest Earnings: Overview

Statute 1985-2017

- All interest earned on Regional Parks System appropriations to the Metropolitan Council was legislatively earmarked to support North Mississippi Regional Park.

Statute 2018-present

- All interest earned on Regional Parks System appropriations to the Metropolitan Council shall be used... for the use and betterment of all regional recreational open space lands under the jurisdiction of the Metropolitan Council.”

Starting Assumptions

- Can fund operating or capital initiatives
- ~\$1.4M available for programming
- Interest earnings are one-time money and annual earnings can be variable.

Parks Interest Earnings



Earnings rounded to nearest \$10,000



Stakeholder Feedback

- Targeted Conversations (Pre-COVID)
 - Community Development Committee
 - Equity Advisory Committee
 - Park Implementing Agencies
 - Metropolitan Parks and Open Space Commission
- Themes
 - Support Equity
 - Incentivize Community Engagement & Partnerships
 - More flexible funding for operating work, including programming and special events
 - Improve Data
 - Strengthen Communications / Marketing



Foundational Budget Decisions

Operating
vs. Capital

100%
Operating

100%
Capital

Blended

Competitive
vs. Formula

Competitive

Formula

Blended

Investment
Level

\$1.4M

<\$1.4M
>\$0

\$0

Timing

2020

2021

2022+

Type of Projects and Work Supported

Operating vs. Capital

100% Operating

100% Capital

Blended

- Operating
 - Council passes through ~\$9M state funds annually
 - Majority of needs identified through stakeholder feedback are operating projects
- Capital
 - Council 2020-2025 capital program ~\$390M
 - Capital investment needed to meet Regional Parks Policy Plan goals

How Funds Are Allocated

Competitive vs. Formula

Competitive

Formula

Blended

- Competitive
 - Parks has one competitive grant program - Equity Grant Program
 - Council able to prioritize how funds used through eligibility and scoring criteria, only some agencies benefit, time intensive to administer
- Formula
 - Established formulas exist to pass through most Parks funds (e.g., Legacy, Bonding, Operations & Maintenance)
 - Predictable, all agencies benefit, simple to administer

Investment Considerations

Program Amount

\$1.4M

<\$1.4M and >0

\$0

- Aggressive Investment
 - Allows Council to make maximum investment
 - Implementing Agencies face financial pressures due to COVID-19
 - Risks ability to invest in future years; earnings are one-time and can be variable
- Conservative Investment
 - Allows Council to invest but maintain a reserve to react to future high priority needs
 - Provides opportunity to invest in smaller pilots or save for a larger future investment

Timing Considerations

Timing

2020

2021

2022+

- Operating Options
 - Program funds into 2021 operating budget through adoption of Unified Council Budget
 - Amend funds into authorized budget mid-year through budget amendment
- Capital Options
 - Program funds into 2021-2026 Capital Improvement Program (CIP) through adoption of Unified Council Budget
 - Amend funds from into authorized budget through budget amendment.

Option 1 (Pre-COVID Recommendation)

Operating
vs. Capital

**100%
Operating**

100%
Capital

Blended

Competitive
vs. Formula

Competitive

Formula

Blended

Program
Amount

\$1.4M

\$1M

\$0

Program
Timing

2020

2021

2022+

Option 2 (Post-COVID Recommendation)

Operating
vs. Capital

**100%
Operating**

100%
Capital

Blended

Competitive
vs. Formula

Competitive

Formula

Blended

Program
Amount

\$0.4M

\$1M

\$0

Program
Timing

2020

2021

2022+

For Discussion

Operating
vs. Capital

100%
Operating

100%
Capital

Blended

Competitive
vs. Formula

Competitive

Formula

Blended

Program
Amount

\$1.4M

<\$1.4M
>\$0

\$0

Program
Timing

2020

2021

2022+

Looking Ahead

- Forecasting 2020 revenues and expenses
- Forecasting 2021 and beyond
- Special Session
- Leveraging state and federal funds
- State forecasts
- General economic conditions
- Data analysis and research
- 2021 Council targeted initiatives

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Additional Questions and Discussion

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