



# COUNCIL WORK SESSION II

## Affordable Housing Trust Fund

# **PED Staff Recommendations**

16 May 2012



# Approved Housing Policies



# Housing Policy Direction: Comprehensive Plan

**Policy 3.2** - Support new housing opportunities for low-income households throughout the city.

**Policy 3.3** – Provide affordable housing in new production units.

For City/HRA-assisted units:

Rental units: 20% at 60% AMI; 10% at 30% AMI

Ownership units: 20% at 80% AMI; 10% at 60% AMI



# Housing Policy Direction: Housing Action Plan

A three-year (2010-2013) work plan to **implement** the Housing Chapter of the Comp. Plan. It sets the following targets -

- **Preservation** (extended affordability):  
1,000 units
- **New construction/conversion:**  
1,000 units



# Housing Policy Direction: HUD Consolidated Plan

A 5-year planning document (2010-2014) that sets targets for the expenditure of HUD funds (CDBG, HOME and ESG):

- Preservation/extended affordability: 700 rental units
- New construction/conversion: 200 units (including up to 50 permanent supportive and 50 homeowner units)



# Council Survey Results

## Draft Goal Statement

The Affordable Housing Trust Fund is designed to leverage additional resources to implement effective, ongoing programs to build and preserve affordable housing in the City of Saint Paul.



# Key Focus Areas

City Council identified 3 focus areas:

- New construction/rehab-conversion (i.e., new units) of affordable housing
- Housing rehabilitation (i.e., preservation)
- Keeping people in their homes

*Current deployment of PED resources reflect these focus areas.*



# Resource Allocation





# Funding Sources

<b>Funding Source</b>	<b>Multi-Family Development</b>	<b>Single-Family Development</b>	<b>Keeping People In their Homes</b>
HOME	X	X	
Community Development Block Grant	X	X	
Low Income Hsg Tax Credits	X		
Historic Tax Credits	X		
New Market Tax Credits	X		
Conduit Revenue Bonds	X		
Mortgage Revenue Bonds		X	
Tax Increment Financing	X		
Invest Saint Paul	X	X	
Neighborhood Stabilization Program		X	
STAR	X		
CRV (spell out)			X
HUD Counseling Grant			X
National Foreclosure Grants			X
HECAT			X
Fannie Maie Partnership			X
Wells Fargo ERCP Pilot			X



# HUD-Funded Housing Activities FY 2010 & 2011

Activity	CDBG	HOME	NSP	Total
Construction of New Units	\$1,700,000	\$2,500,000	\$0	\$4,200,000
Rehabilitation/Preservation	\$500,000	\$1,600,000	\$30,000,000	\$32,100,000
Keeping People in Homes**	\$4,400,000	\$0	\$0	\$4,400,000

\* FY 2012 projects have not been selected and approved.

\*\* Through homeowner rehab and emergency loans.



# Other Efforts to Keep People in their Homes

## Mortgage Foreclosure Counseling

- 3 FTE mortgage foreclosure counselors (\$300K +)
- Counseling Efforts
  - From October 1, 2010-September 30, 2011, we counseled 667 families, helping to avert 181 foreclosures.
  - From October, 2011 to June 30, 2012, we've counseled 428 families, helping to avert 145 foreclosures.
  - The majority of the remaining families are still in counseling.



# Other Efforts to Keep People in their Homes

Affordable rehab and emergency loans since 2006:

- CDBG – 323 loans
  - Deferred (\$4,057,563.80) – 198 loans
  - Emergency Deferred (\$1,123,644.66) 125 loans
  
- CDBG-R Deferred Loan – \$700,000 - 77 loans
  - for energy/weatherization improvements, used in conjunction with the regular deferred loan. There was \$700,000 set aside for this program. We were able to help 77 deferred loan applicants.
  
- MHFA CRV - \$750,000 awarded to HRA in May; 100% is committed, 20 loans have been closed.
  
- MHFA Fix-Up Fund - \$2,153,150.15 – 107 loans
  - We've used HRA funds to write-down the interest rate on these loans.
  
- SHOP Program



# Other Efforts to Keep People in their Homes

## Principal Write Down:

- Attorney General's Servicer Settlement: includes incentives for servicers to write down principal; helping qualified borrowers stay in their homes with a lower value and a new, lower, and more affordable payment. This also requires banks to refinance mortgages for people under water (if they're current on their mortgage).
- HAMP 2: The Obama administration's second phase of the Home Affordability Mortgage Program (HAMP- 2) also promotes principal write downs. This has been very successful thus far.
- HARP 2: Home Affordable Refinance Program. Reduced amount of time one has to be current on mortgage (6 months now) and other requirements have been relaxed.



# Foreclosures & Vacant Buildings Down

<u>Year</u>	<u>Total Foreclosures</u>	<u>% Change</u>
2007	1,888	-
2008	2,289	21.2%
2009	1,824	-20.3%
2010	1,791	-1.8%
2011	1,372	-23.4%
Jan-Mar 2012	295	
Annualized 2012	1,180	-14.0%

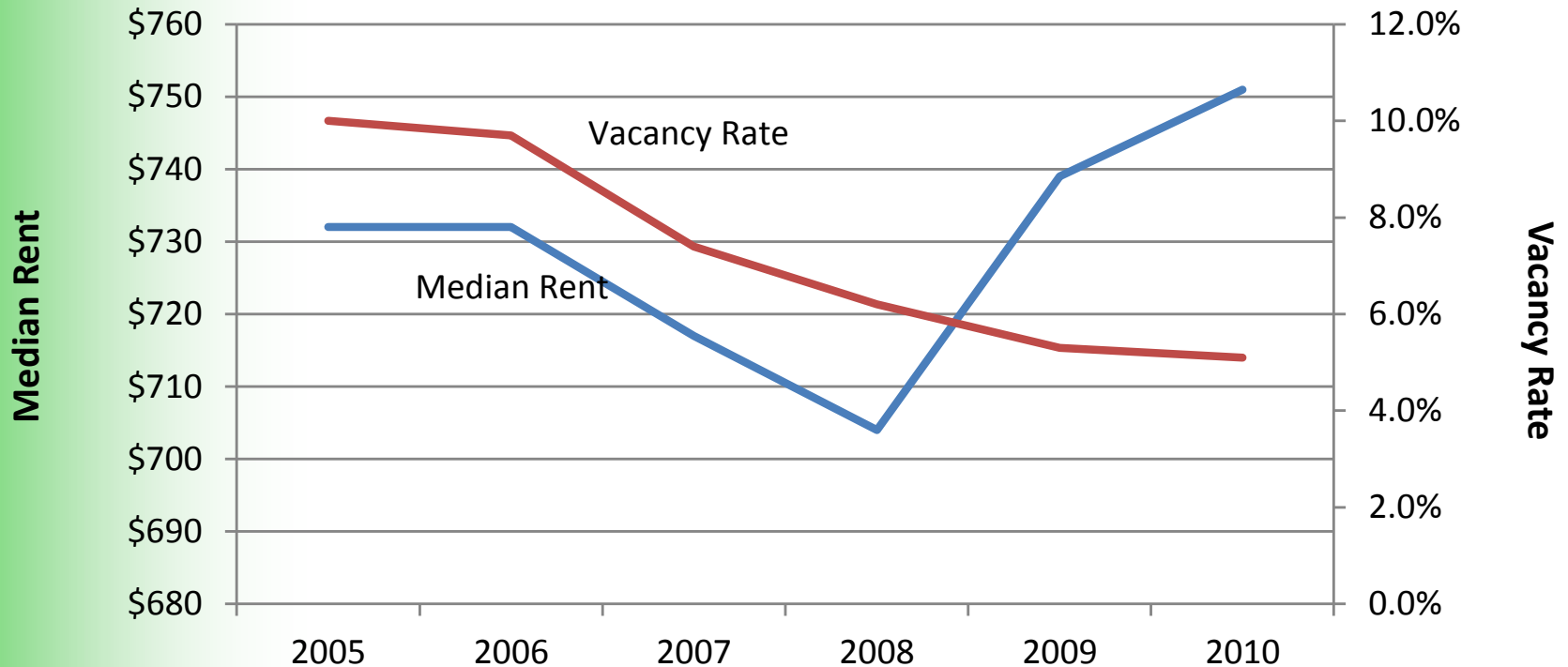
**Vacant buildings down 32% since 2008; 1,365 as of August 1, 2012**



# Affordable Housing Need

# Apartment Vacancy Decreases as Rents Increase

## St. Paul Apartments Vacancy Rates and Median Rent







# Affordability

## Budget Breakdown....Getting by in the Twin Cities

Annual Income (Fed Poverty Threshold) family of 4 **\$22,000**

	<b>Cost</b>	<b>Amount Remaining</b>
Rent (\$927/month for a 2 bedroom apt)	11,124	\$10,876
Utilities	2,136	\$8,740
Transportation (2 bus passes @ \$170)	2,040	\$6,700
Food (\$548/month)	6,576	\$124
Healthcare (\$247/month)	2,964	(\$2,840)
Child care (\$64/month if subsidized)	768	(\$3,608)
Taxes	1,663	(\$5,271)
School supplies	578	(\$5,849)
Clothing	500	(\$6,349)

These are all based on annual costs



# Funding Availability



# Resource Decline

Funding Source	FY 2006	FY 2009	FY 2010	FY 2011	FY 2012	Projected FY 2013	Projected Change
Community Development Block Grant Program	\$8,211,748	\$8,006,999	\$8,645,504	\$7,216,949	\$6,304,518	\$6,000,000	-5.00%
HOME Program	\$2,291,390	\$2,448,932	\$2,434,542	\$2,159,920	\$1,383,544	\$1,325,000	-5.00%
Emergency Shelter Block Grant Program	\$348,842	\$353,576	\$350,982	\$547,291	\$624,969	\$600,000	-4.00%

From FY06 to FY12, Saint Paul **lost \$1,907,230 -- 24%** -- in CDBG funding.

From FY06 to FY12, Saint Paul **lost \$907,846 -- 40%** -- in HOME funding.



# Conclusions

- The Council-approved priorities (policies) were based on extensive research and broad community engagement.
- Foreclosure counseling works to keep people in their homes
- There are new, effective programs in place serving people who need it most to help keep people in their homes. (The MN Homeownership Center does not believe there is a service gap.)
- We have over \$30 million for single-family, mitigation efforts.



# Conclusions

- We have lost nearly \$3.0 million for the quality programs we now administer.
- Rents are going up; vacancies are going down. Incomes are not rising.
- We have 11 affordable, multi-family projects (in wards 1,4,5,7), with current total of requests exceeding \$10million.
- Significant financial leverage with multi-family, and leverage of other community priorities (e.g., locationally-efficient/transit oriented development)



# Recommendation

PED staff recommend that the AHTF dollars be used to fund critically-needed, work-force and supportive multi-family housing projects.



Thank you.

Saint Paul HRA/PED