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Affordable Housing Discussion

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What is Defined as Affordable?

HUD Income Definitions:



- Low Income – Household income at or below **80%** of area median income (AMI)
- Low to Very Low Income – Household income at or below **60%** of AMI
- Very Low Income – Household income at or below **50%** of AMI
- Extremely Low Income – Household income at or below **30%** of AMI

Income Limits By Household Size				
# of Persons	30%	50%	60%	80%
1	\$18,990	\$31,650	\$37,980	\$47,600
2	\$21,720	\$36,200	\$43,440	\$54,400
3	\$24,420	\$40,700	\$48,840	\$61,200
4	\$27,120	\$45,200	\$54,240	\$68,000

Affordable Rent Limits (HUD 2017)



Rent Limits			
Unit Type	30%	50%	60%
Studio	\$474	\$791	\$949
1 - Bdrm	\$508	\$848	\$1,017
2 - Bdrm	\$610	\$1,017	\$1,221
3 - Bdrm	\$705	\$1,175	\$1,410

Rent Maximum For Family of 4 in 2-Bedroom

Area Median Income (AMI):	Median	30%	50%	60%	80%
Household Income (Family of 4):	\$ 90,400	\$ 27,120	\$ 45,200	\$ 54,240	\$ 72,320
Monthly Affordable Rent (2 bedroom):	\$ 2,480	\$ 610	\$ 1,017	\$ 1,221	\$ 1,990

HUD 2017, Twin Cities MSA

What Does St. Anthony Have For Affordable Rental Property?

Number of Properties	Number of Units	Number of Affordable units	Percent of Units Affordable	Number & Percent Affordable at 30% of AMI	Number & Percent Affordable at 50% of AMI	Number & Percent Affordable at 60% of AMI
13	1,458	1,221	84%	45 4%	423 35%	753 62%

- **30%** of the City's units (433) have been constructed in last **15 years**
 - Of those, **52%** were affordable
 - The Landings – **20%** affordable at **50%** of AMI
 - The Legends – **100%** affordable at **60%** AMI



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Allocation of Regional Affordable Housing Goals

- Metropolitan Council's Allocation Methodology:
 - Total Forested Growth (*Thrive MSP Regional Plan*)
 - Adjusted by Ratio of Low-wage Jobs to Low-wage Workers
 - Adjusted by Existing Affordable Housing
- St. Anthony's Allocation:
 - Time Period: **2020 to 2030**
 - Total Forecasted Household Growth (excludes Lowry Grove redevelopment): **100 households**
 - Allocated Affordable Housing Need: **38 New Affordable Units**
 - **19 Units** Affordable at or below **30%** of Area Median Income
 - **13 Units** Affordable between **31% and 50%** of Area Median Income
 - **6 Units** Affordable Between **51% and 80%** of Area Median Income



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Case Study – Market Rate vs Affordable Rents

- 97- unit apartment complex
- \$200,000/unit in total development costs
 - Total development costs of \$19.4 million
- 5% vacancy rate
- Revenues and expenses increase at 2% annually
- Developer cash/equity 20%
- Finance/mortgage 80%
- Expected return on developer cash/equity 10%

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Difference in Net Operating Income – Market Rate vs. Affordable

97-Unit Apartment			
Type	# of Bedrooms	Monthly Rent	Income Available for Debt Service
Market Rate Rents	1	\$ 1,400	\$ 1,475,094
	2	\$ 2,500	
	3	\$ 2,800	
Rents @ 50% AMI	1	\$ 848	\$ 288,514
	2	\$ 1,017	
	3	\$ 1,175	
Difference	N/A	N/A	\$ (1,186,580)

97-Unit Apartment			
Type	# of Bedrooms	Monthly Rent	Income Available for Debt Service
Market Rate Rents	1	\$ 1,400	\$ 1,475,094
	2	\$ 2,500	
	3	\$ 2,800	
Rents @ 30% AMI	1	\$ 508	\$ (137,949)
	2	\$ 610	
	3	\$ 705	
Difference	N/A	N/A	\$ (1,613,043)

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Financial Impact

- **50% rent** “write down” over 30 years = \$35.6M (**\$1.186M/year**)
 - Annual impact to average value home (**21%** tax increase)

TAX IMPACT ANALYSIS				
Type of Property	Estimated Market Value	Market Value Exclusion	Taxable Market Value	Proposed Tax Increase*
Residential Homestead	\$ 150,000	\$ 23,740	\$ 126,260	\$ 259
	200,000	19,240	180,760	371
	260,000	13,840	246,160	505
	300,000	10,240	289,760	595
	400,000	1,240	398,760	819

- **30% rent** “write down” over 30 years = \$48.4M (**\$1.613M/year**)

TAX IMPACT ANALYSIS				
Type of Property	Estimated Market Value	Market Value Exclusion	Taxable Market Value	Proposed Tax Increase*
Residential Homestead	\$ 150,000	\$ 23,740	\$ 126,260	\$ 352
	200,000	19,240	180,760	505
	260,000	13,840	246,160	687
	300,000	10,240	289,760	809
	400,000	1,240	398,760	1,113



Sources of Funding For Affordable Housing

Type of Funding	Level of Competitiveness
Low Income Tax Credits (4% and 9%)	High
Tax Exempt Bonds	High
Minnesota Housing Finance Agency (MHFA) Deferred Loan	High
HOME	High
CDBG	High
AHIF (Hennepin County)	High
Livable Communities Demonstration Account (LCDA)	High
Local Housing Incentives Account (LHIA)	High
Tax Increment (only source cities have control over)	* Low

* If City doesn't have a large amount of its tax capacity captured by TIF



What Does the City Really Have to Offer?

- For **no tax impact** to existing residents and businesses
 - City can provide tax increment assistance (TIF) on a pay-as-you-go basis
 - Based upon 97 units
 - Value of \$150,000/unit
 - 4d tax classification (affordable housing tax rate)
 - Approximately **\$121,000/year**
 - Developers **have to seek other traditional funding sources** in order to develop affordable housing
 - Low income housing tax credits
 - CDBG, HOME or AHIF grants from the Hennepin County
 - Minnesota Housing Finance Agency (MHFA) deferred loan

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Final Comments

- St. Anthony already provides a variety of affordable rental housing options, well above what many other communities do
- St. Anthony has **always been committed to affordable housing** as demonstrated in their financial participation in the only two (2) rental developments proposed and completed in the last 15 years
- St. Anthony is open to financially assisting future affordable rental projects if/when they come forward
- St. Anthony alone cannot solve providing housing for very low or extremely low-income residents since they are limited in what they have as financial tools (only TIF)

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Questions

