



Affordable Housing

City Council Workshop

April 12, 2021

Why Are We Talking About Affordable Housing?



- ▶ Topic of interest for members of the City Council.
- ▶ Developer inquiries:
 - Approximately 6 times per year.
 - Want to know what financial support would be provided by the City.
 - Want to know preferences for size, type, location, etc.
- ▶ Ensure there is common understanding among the Council on the City's affordable housing goals and implementation.

Outcome of the Discussion



- ▶ Written policy for consideration of financing requests for new affordable housing.
 - Include amounts and sources of funds.
- ▶ Council recommendation of housing programs to consider.

Tonight's Agenda



1. Introduction to Affordable Housing
2. Recap of recent and ongoing affordable housing activities
3. Blaine's affordable housing assets
4. Blaine's affordable housing deficits
5. Adopted housing goals
6. Outline of next presentation



Introduction to Affordable Housing

What is Affordable Housing?



- ▶ Housing that a particular household can afford to live in while also meeting their other needs.
- ▶ Spending less than 30% of pretax income on housing
 - \$600,000 home is affordable to a household making \$150,000/year
 - \$200,000 home is affordable to a household making \$50,000/year



Affordability is of most concern for low and moderate income households who are more likely to require some sort of assistance to be able to afford housing

What is Affordable Housing? (continued)



- ▶ This can be “Naturally Occurring Affordable Housing” that due to age is affordable to lower income households.



Centennial Square



Royal Oaks Apartments



What is Affordable Housing? (continued)



- ▶ New affordable housing is built through government or philanthropic contribution to a project to allow it to be financially feasible to provide the housing at a lower cost.



North Gables



Raven Court



Habitat for Humanity

What about Section 8?

(AKA Housing Choice Vouchers)



- ▶ Tenant based rental assistance program.
- ▶ Tenant receives a rent voucher to use to help afford rent in a unit of their choice.
- ▶ The tenant pays 30% of their income, federal government pays the rest.

What about Section 8? (continued)

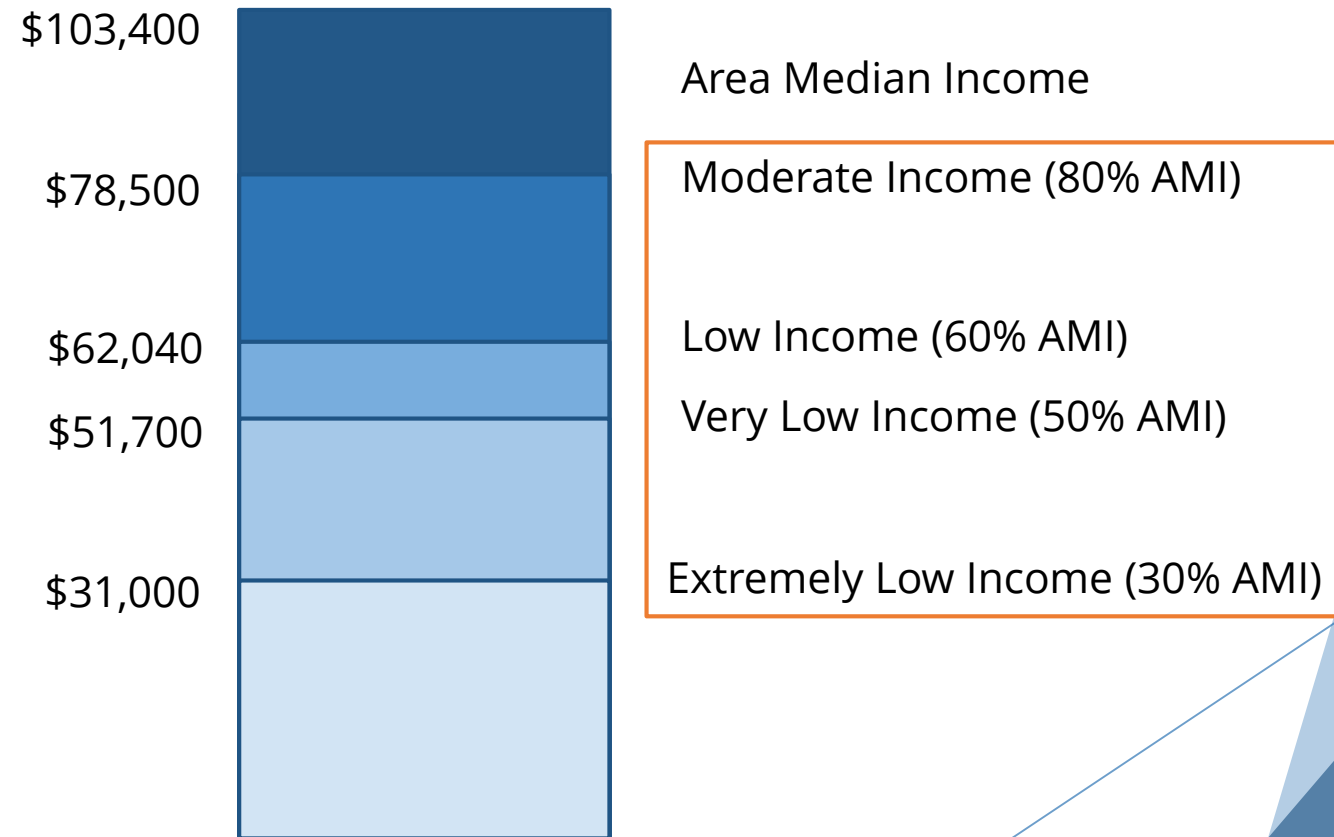
(AKA Housing Choice Vouchers)



- ▶ Supply of rent vouchers is far less than the need.
 - ▶ Waitlist is rarely open and is currently 5-7 years long
- ▶ 150 households in Blaine use Section 8 in rental homes or apartments.
- ▶ Entire apartment buildings are not “Section 8”, tenants use Section 8 in the building of their choice, so a given apartment building may have a few tenants using vouchers.

Levels of Affordability

- ▶ The median income in the metro is a benchmark for affordability.



Moderate Income



A childcare worker and carpenter with two children earn \$78,000 a year, putting them at 80%AMI.

This \$300,000 home would be affordable.

13,000 homes are affordable at or below this level.



Moderate Income (continued)



A single social worker earns \$55,000 a year, placing them at 80% AMI.

A one bedroom apartment at Berkshire Central is \$1,300 per month and is affordable to this individual.

The rental market in Blaine has many new apartments renting at rates affordable at 80% of the Area Median Income



Low Income

A bank teller and cosmetologist with two children earn \$62,000 a year, placing them at 60% AMI.

They could afford to purchase this \$225,000 home.

5,500 homes in Blaine are affordable at or below this level.



Low Income

A single administrative assistant (who is 50+) earns \$43,500, placing them at 60% AMI.

A one bedroom age restricted apartment at Legends of Blaine is \$1,164 per month and is affordable at this level.

Financial support from the federal government (through tax credits) and the City allow The Legends to charge below market rent.



Very Low Income

A food processing worker and cashier with two children earn \$51,700 a year, placing them at 50% AMI.



A newer manufactured home costs \$90,000 with \$500/month lot rent and is affordable to this family.

Manufactured housing is an achievable option for homeownership for households that otherwise would not have the option to purchase.

Very Low Income

A single veterinary technician earns \$36,000, placing them at 50% AMI.



A one bedroom apartment at Stonegate Apartments is \$950 per month, and is affordable to this individual.

This is an example of Naturally Occurring Affordable Housing that has aged into being affordable at lower incomes.

Extremely Low Income

A dry cleaning worker and part time barista with two children earn \$31,000, placing them at 30% AMI.

An older manufactured home costs \$50,000 with \$500/per month lot rent, which is affordable for this family.

Older manufactured homes are the only unsubsidized housing affordable to extremely low income households.



Extremely Low Income

A food service worker earns \$22,000 a year placing them at 30% AMI.



Rent at Northgate Woods is based on the actual income of tenants and therefore is affordable to people at all income levels. This tenant would pay \$550/month.

Extremely Low Income households almost always require a monthly rent subsidy to be able to afford housing.

What is Cost Burden?



- ▶ Households that pay more than 30% of their pretax income on housing are considered cost burdened.
- ▶ 50% of Blaine renter households are cost burdened.
 - ▶ 1,800 existing Blaine renter households
- ▶ 23% of Blaine renter households are severely cost burdened, spending over 50% of their income on housing.



Source: American Communities Survey

What is Cost Burden?

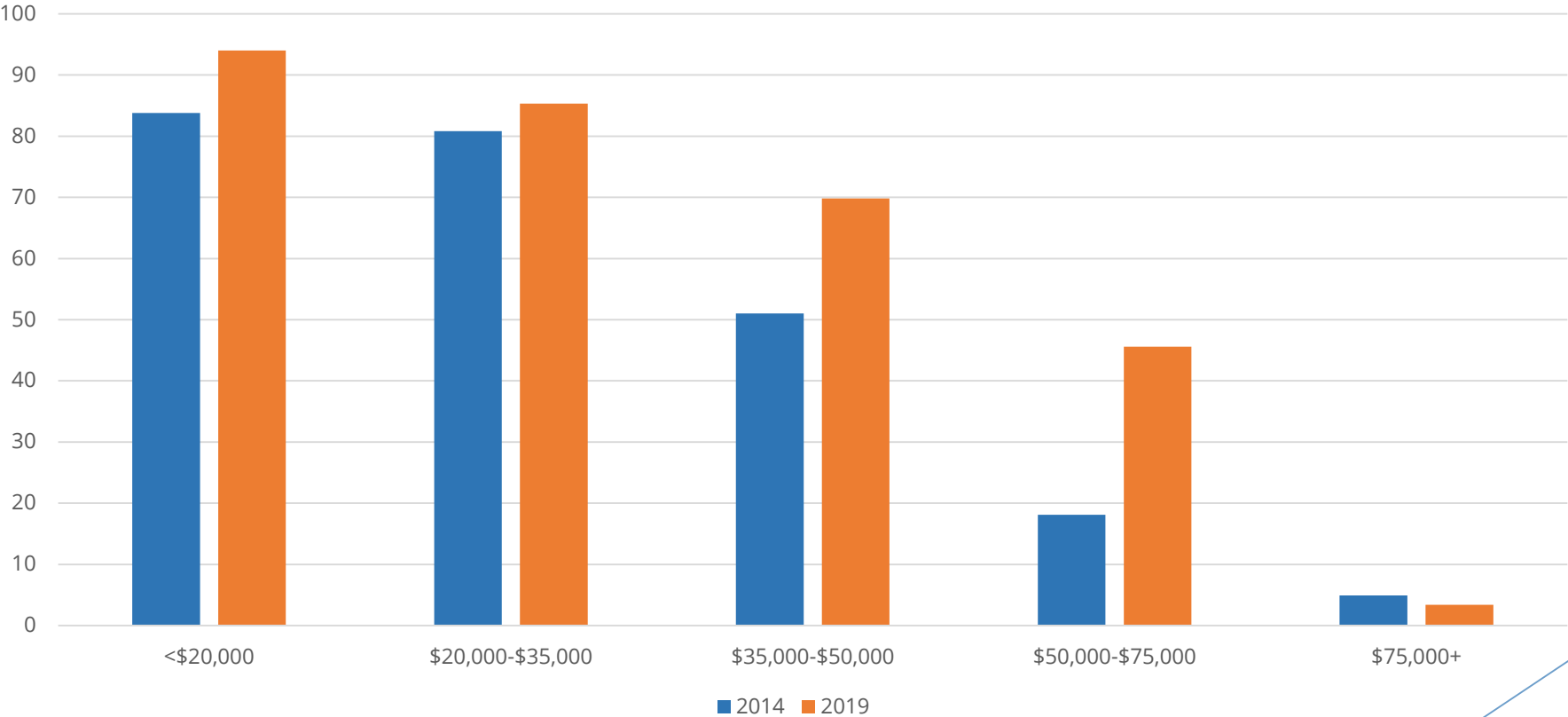
- ▶ 18% of Blaine homeowners with mortgages are cost burdened
- ▶ 2,400 owner households with mortgages are cost burdened



Cost Burden by Income



Percent of Renters Cost Burdened by Income

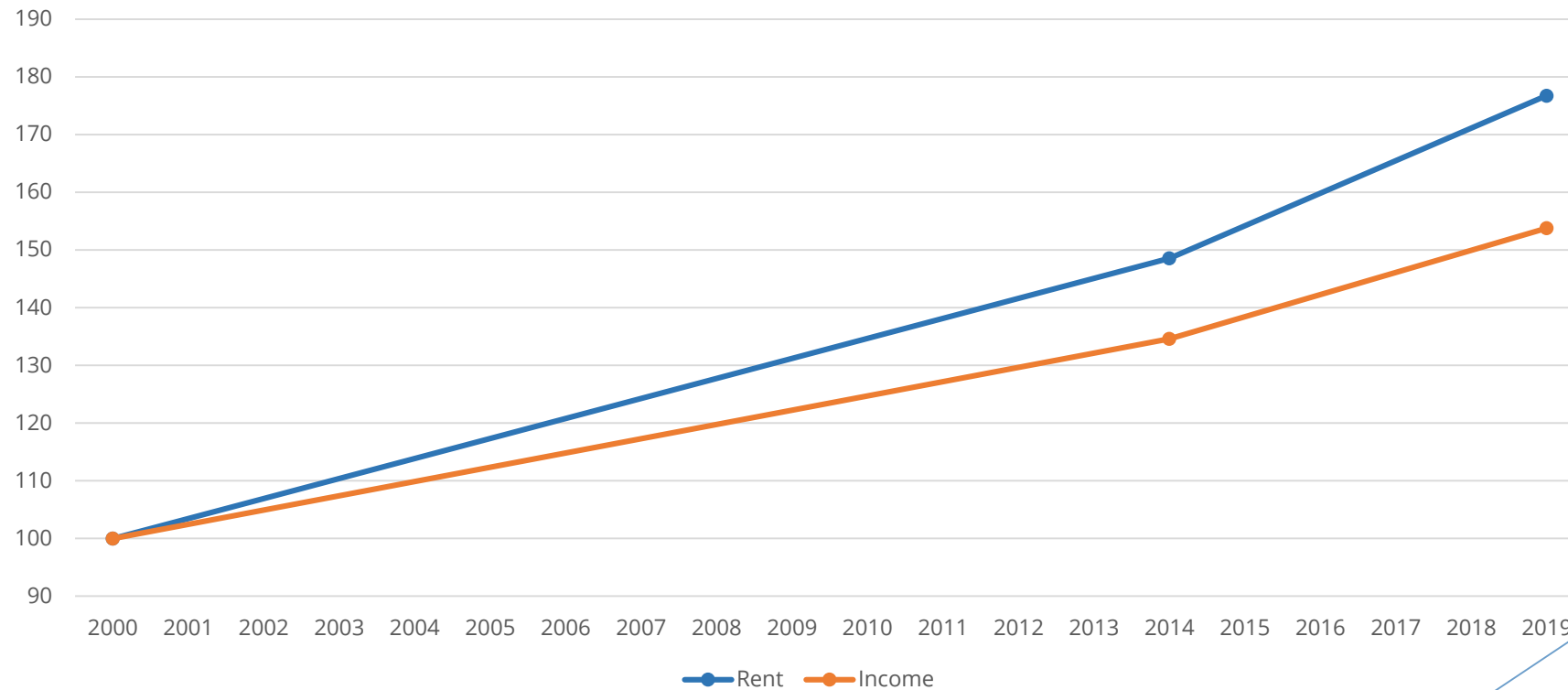


Source: American Communities Survey

Growing Disparity Between Incomes and Rental Costs



Change in Rent and Income

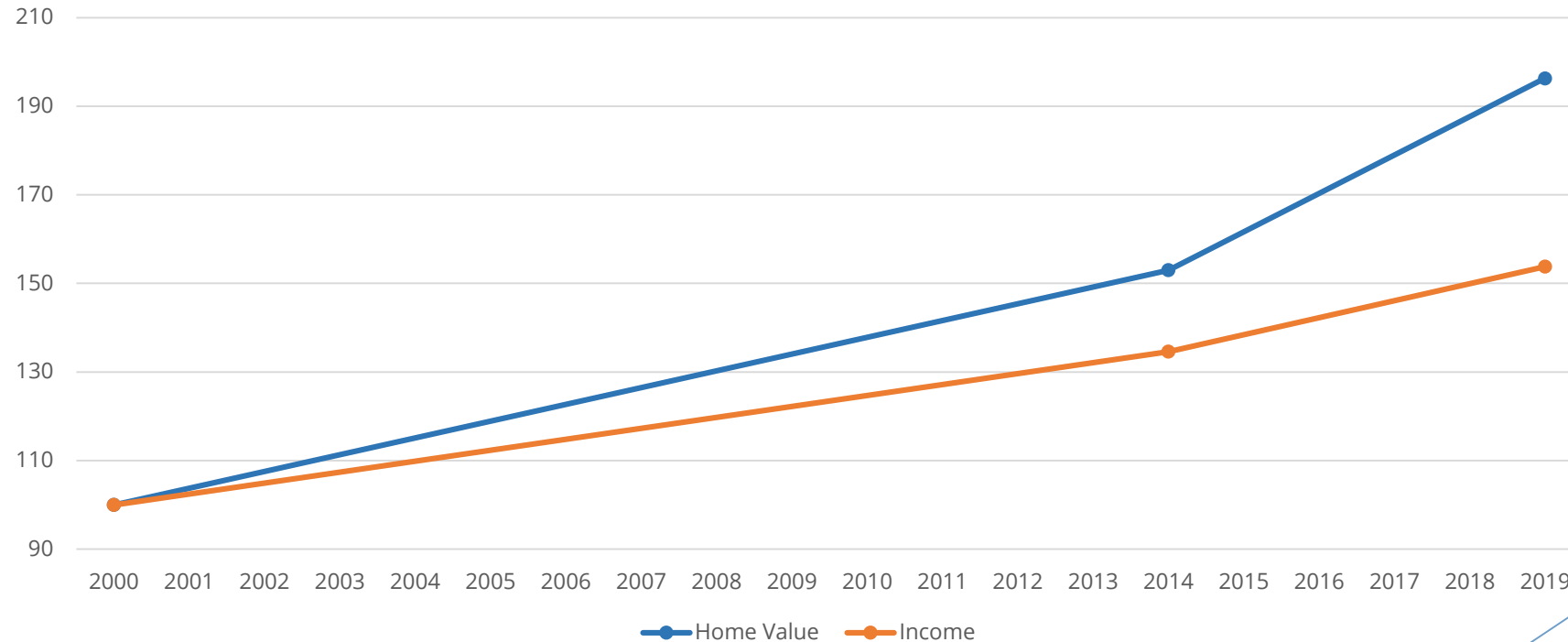


Source: Policy Map Analysis of American Communities Survey

Growing Disparity Between Incomes and Home Prices



Change in Home Price and Income



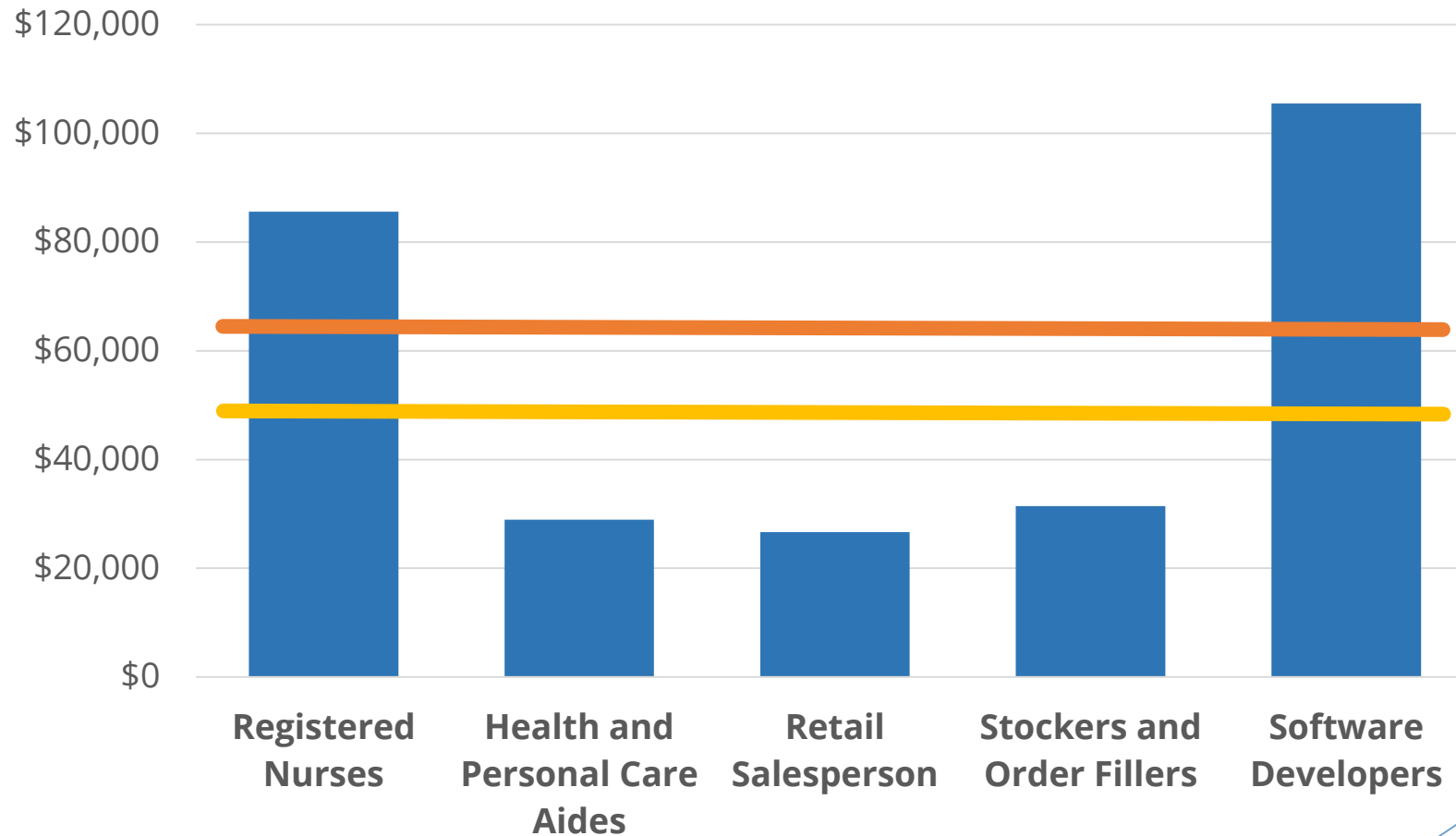
Source: Policy Map Analysis of American Communities Survey

Wages vs Housing Cost

7-County Metro



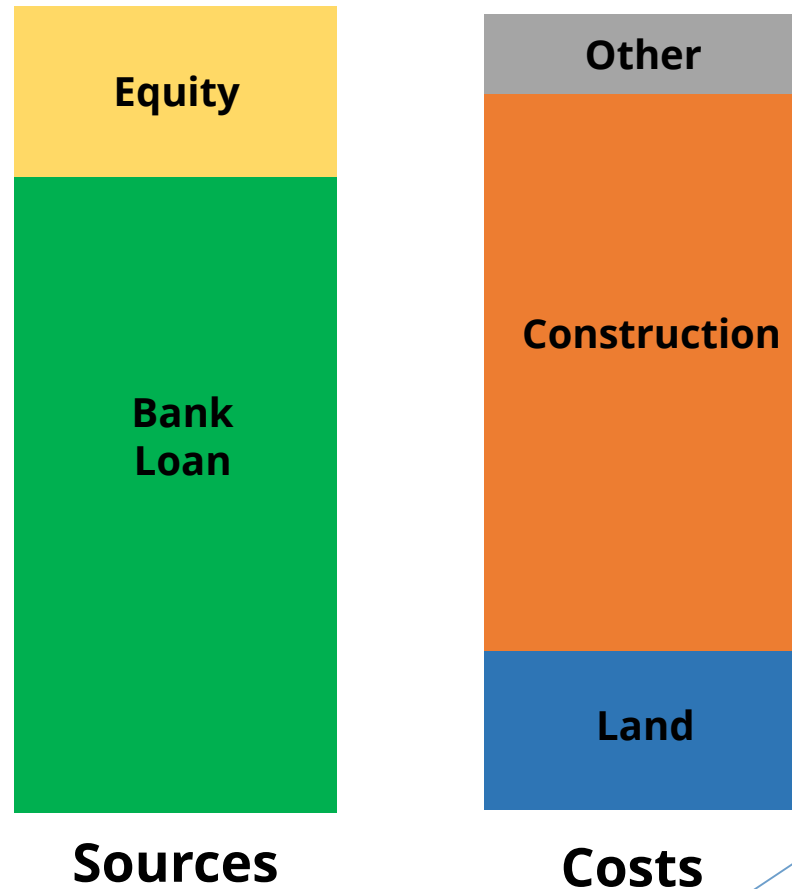
High Demand Jobs



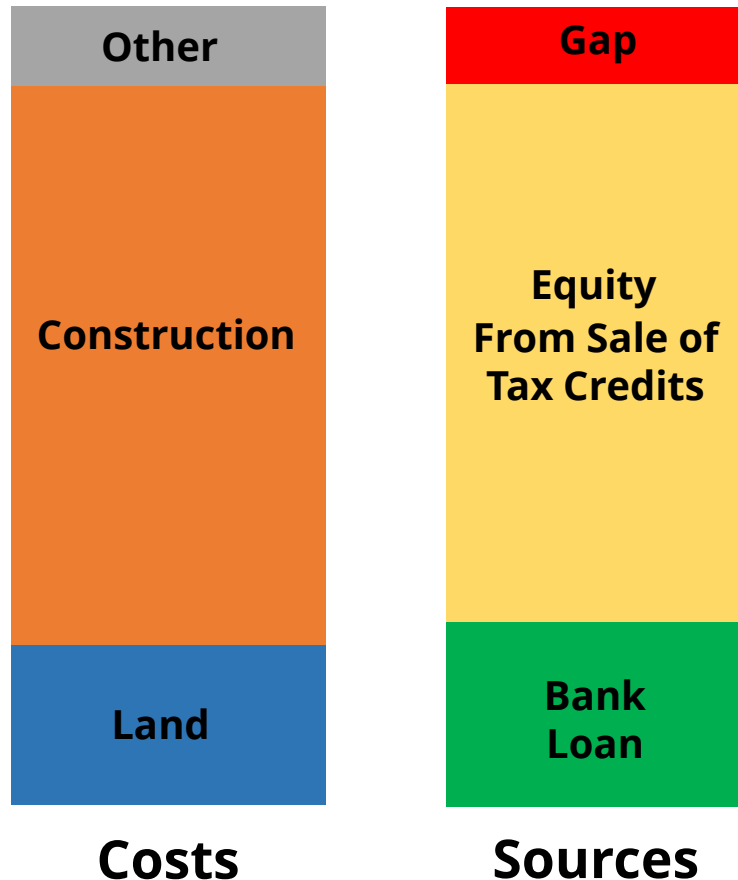
How is New Market Rate Housing Built?

Developer finds investors to pay for the rest of the costs who will receive annual profits after paying the loan and will eventually have the profits from the sale of the property.

A bank provides a loan that will be paid back from the rental revenue.



How is New Affordable Housing Built?



The loan and tax credit sales aren't enough so there is a gap to fill.

The federal government provides a limited amount of tax credits each year to incentivize affordable housing. The developer will sell the tax credits to an investor to receive cash to pay for the construction.

Banks can't provide loans for very much of the project cost on affordable housing projects since the reduced rents can't pay off a larger loan.



What has Blaine Done?

ACCAP: University Ave Townhomes



Who:

Households earning 80% of Area Median Income

How:

- ▶ Pooled TIF funds



Dominium: Legends of Blaine



Who:

Households earning 60% of Area Median Income (at least one person must be 50+)

How:

- ▶ Low Income Housing Tax Credits
- ▶ Pooled TIF



Habitat for Humanity: Woodland Village



Who:

Households meeting Habitat for Humanity requirements

How:

- ▶ Grant funds for clean-up (affordable housing component included to make application more competitive).
- ▶ Pooled TIF



Sherman Associates: Town Square Senior



Who:

Seniors at 60% of Area Median Income

How:

- ▶ Low Income Housing Tax Credits
- ▶ New TIF district



Crestview



Who:

Seniors at 60% of Area Median Income

How:

► New TIF district



Raven Court Townhomes (Rehab)



Who:

Households 60% of Area Median Income

How:

- ▶ Low Income Housing Tax Credits
- ▶ City letter of support



City Home Improvement Programs



- ▶ Low interest loans for improvements to owner occupied homes (including manufactured homes).
 - Often for smaller projects like windows, doors, roofs.
 - Can also be used for kitchen remodels, additions, adding bathrooms, etc.
 - Current interest rate similar to bank rates due to low commercial interest rates.

City Home Improvement Programs

(continued)

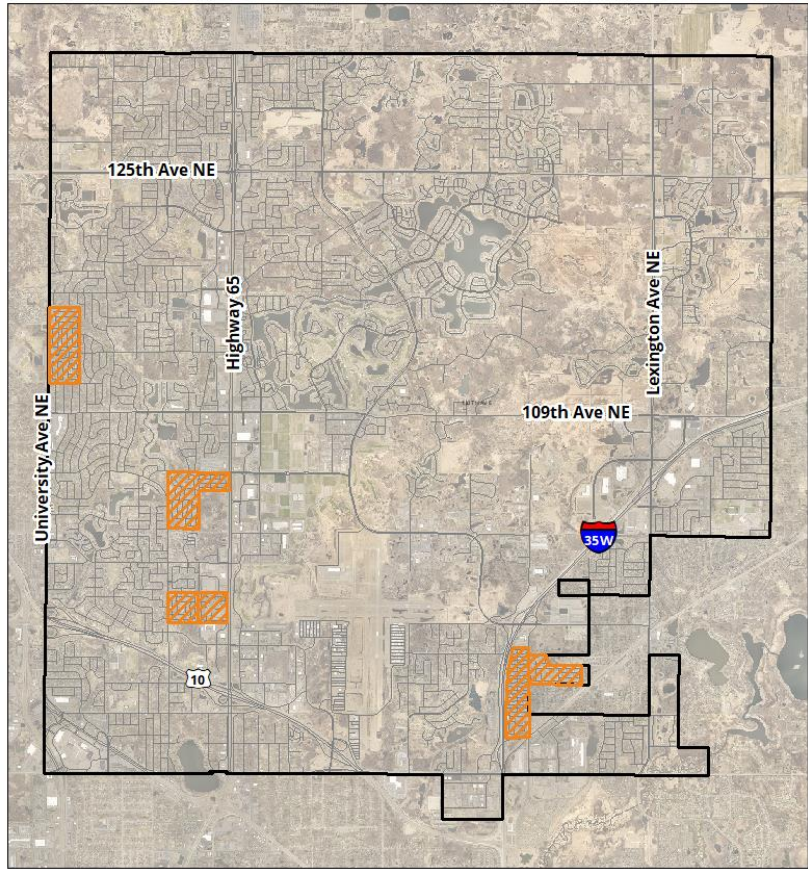


- ▶ No interest, deferred, last resort emergency loans.
 - Typically for furnaces, water heaters, roofs, etc. that otherwise could not be replaced or repaired.
 - Only used when there is no other financing option available.



Affordable Housing Assets

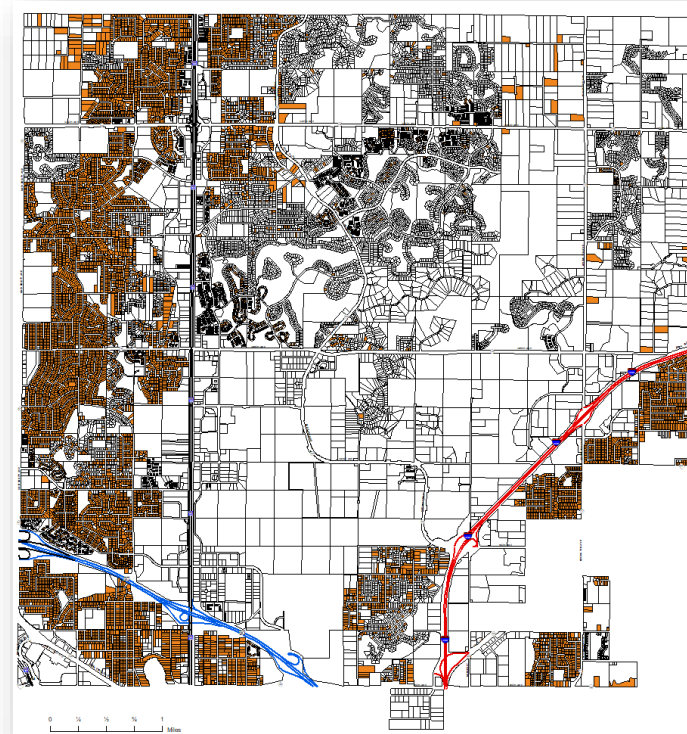
Manufactured Home Parks



- ▶ Five manufactured home parks.
- ▶ 2,000 units of highly affordable housing without government subsidy.
- ▶ Blaine outperforms most communities in units affordable to 30% of Area Median Income because of these homes.

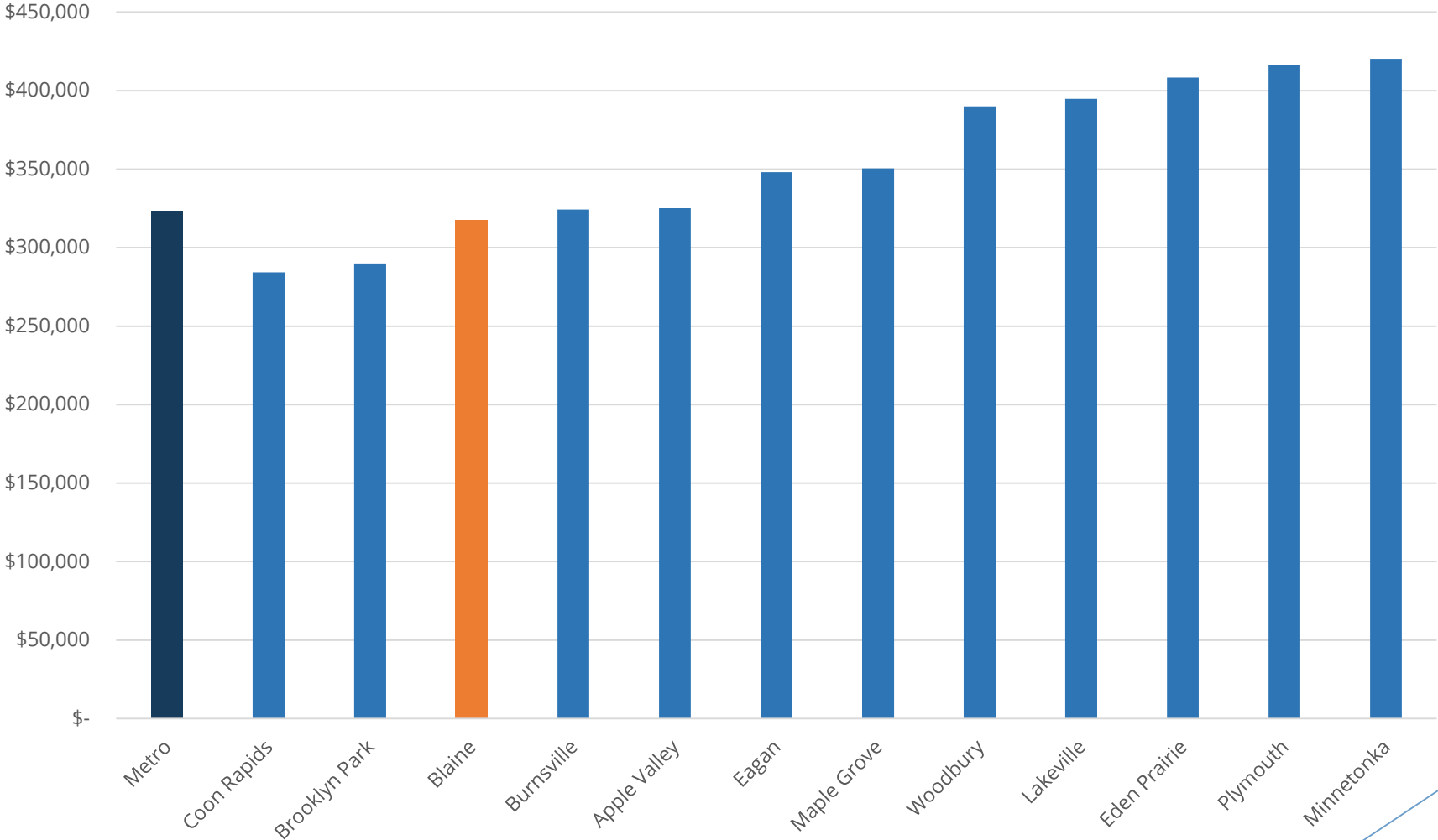
Existing Single Family Homes

- ▶ 5,500 existing single family homes are affordable for buyers at 60% of Area Median Income.
- ▶ 13,000 existing single family homes are affordable for buyers at 80% of Area Median Income.
- ▶ Zillow Home Value Index shows the typical value for a mid tier home in Blaine is \$317,000 and \$260,000 for a low tier home (bottom 35% of value).



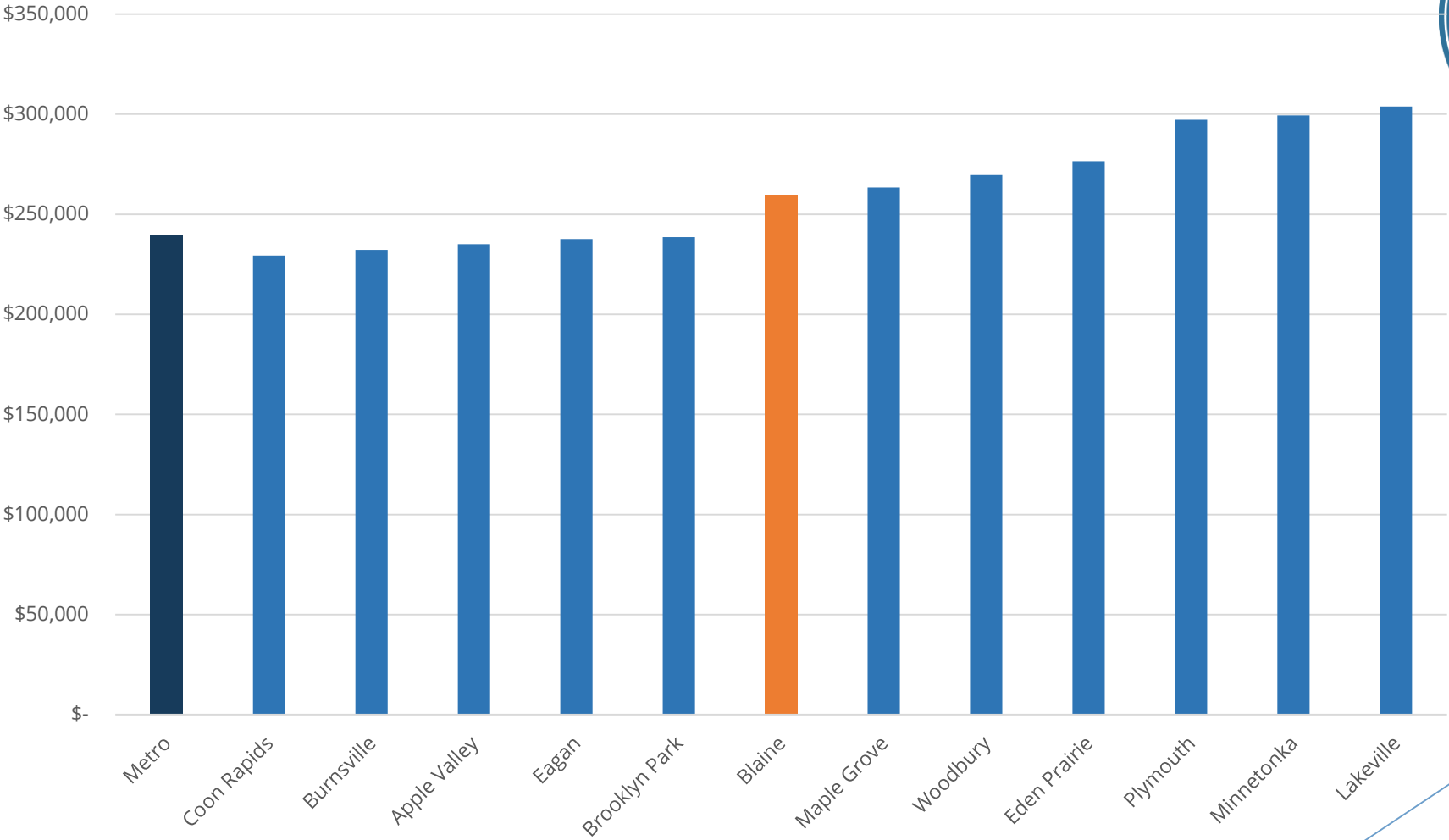
Homes Affordable at 80% AMI

Zillow Home Value Index (Mid Tier)



Source: Zillow

Zillow Home Value Index (Bottom Tier)



Source: Zillow

Existing Affordable Senior Housing

- ▶ Town Square Senior and Legends of Blaine have reduced rents set below market value.
- ▶ North Gables residents pay 30% of their income and some services are provided.
- ▶ Crestview has 26 reduced rent units in their independent living/continuum of care facility.



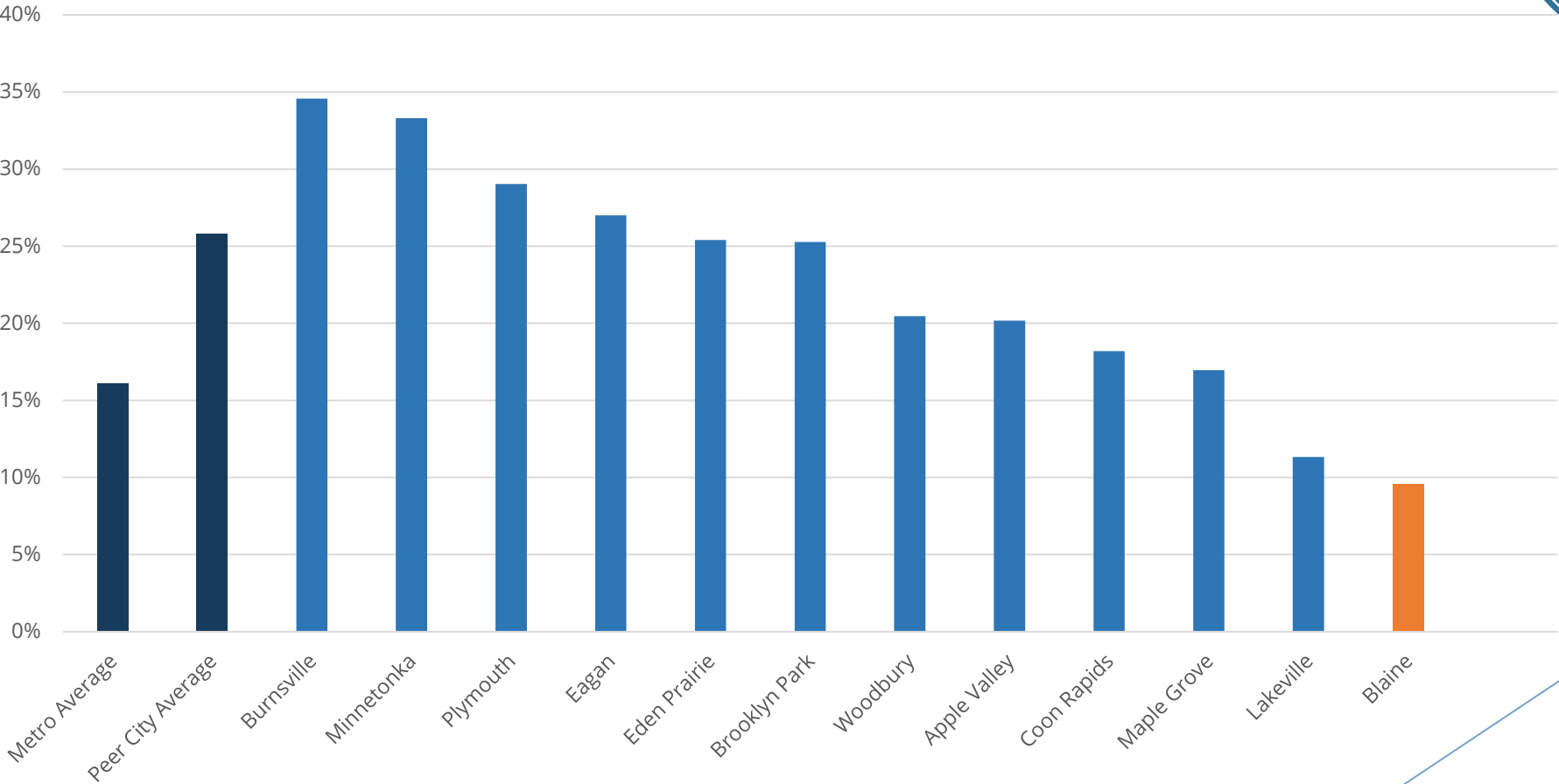


Affordable Housing Deficits

Lack of Multifamily Housing



Percent Existing Housing Units in Multifamily Buildings

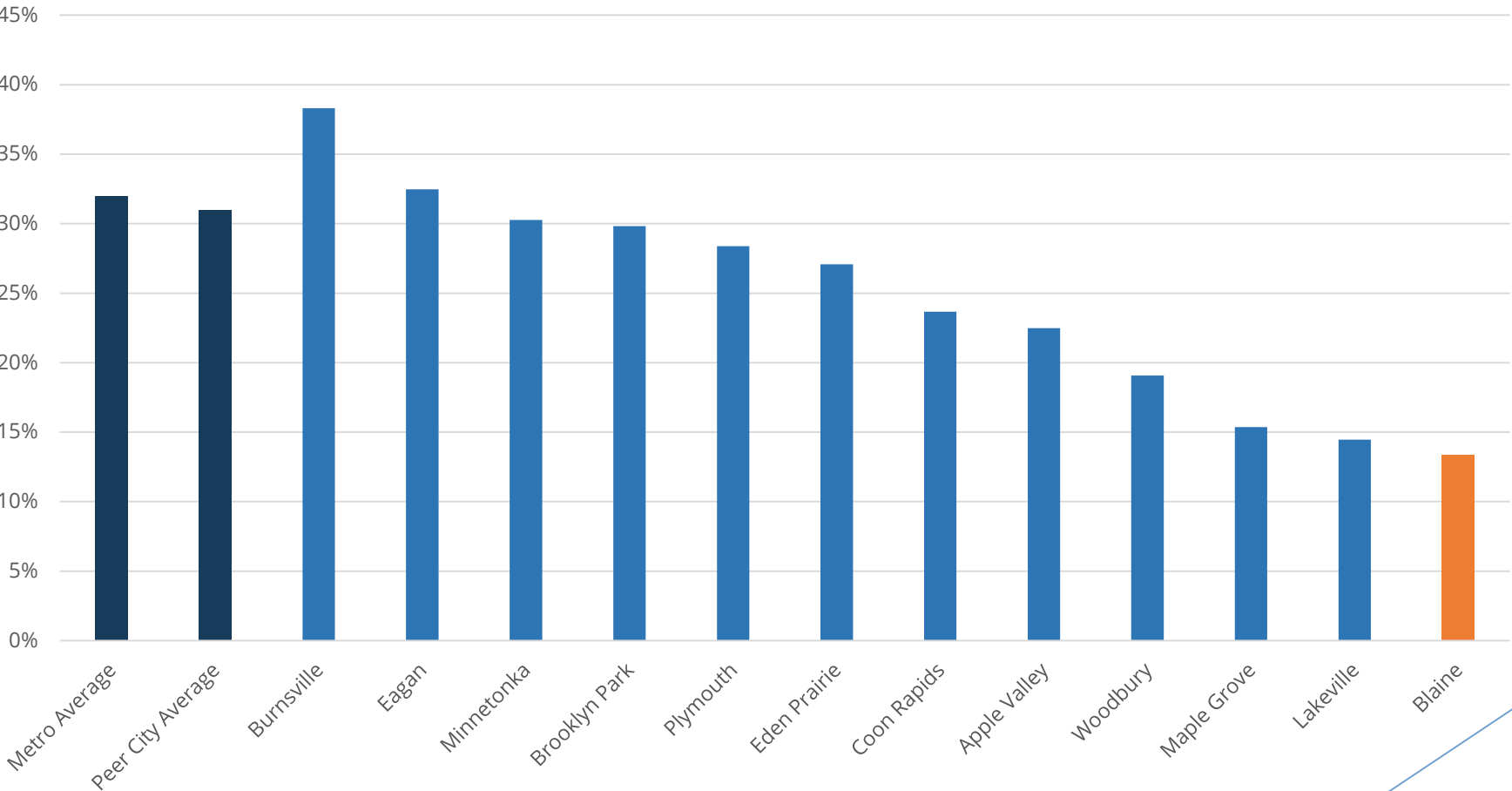


Source: Met Council

Lack of Rental Housing



Percent of Housing Units Occupied by Renters



Source: Met Council

Large Need of Current Residents

- ▶ 1,800 renter households in Blaine are cost burdened (American Communities Survey).
- ▶ 248 people in Anoka County are experiencing homelessness (Anoka County Point in Time Count).





Goals

2040 Comprehensive Plan



Goal #1

Provide housing opportunities, which meet the needs of all generations and income levels, particularly varying types of independent and accessible senior housing.

Goal #2

The City supports the development of well-designed and appropriately-located multi-family housing projects when these developments **improve access to affordable housing** and transit, creative positive community impacts, and preserve natural resources.

2040 Comprehensive Plan (continued)



Goal #3

As housing preferences change, the City supports taking actions that improve the quality of the existing housing stock and supports the development of **housing that meets the needs of the population today.**

Goal #4

Preserve the manufactured housing communities within Blaine as important affordable housing option.

Affordable Housing Goals (2021-2030)



- ▶ Need for new affordable housing: **1,139 units**
 - Based on the Blaine share of the metro need for affordable housing
- ▶ Goal for affordable housing: **626 units**
 - Goal is the portion of the need that can be achieved with anticipated federal funds
- ▶ 6-8 new affordable apartment buildings in the next ten years would be needed to meet the goal amount

Affordable Housing - Part 2



- ▶ What are other cities doing?
- ▶ What challenges face the construction of new affordable housing?
- ▶ What should we do?
 - Policy direction on city financial support for new affordable housing proposals.
 - Direction on other housing programs.