



STRATEGIC VISION
AND CAPITAL PLAN
2018 – 2020
2020-2030 HORIZON

BUILDING A FOUNDATION FOR LOW INCOME HOUSING – THE NEXT 50 YEARS

AS APPROVED BY THE MPHA BOARD OF COMMISSIONERS
MAY 23, 2018

MPHA AT-A-GLANCE

Mission

To promote and deliver quality, well-managed homes to a diverse, low-income population and, with partners, contribute to the well-being of the individuals, families and community we serve.

42
high-rise buildings
with
5,006
apartments

26,000+
people

~6,000
Vouchers

710
Project-based
vouchers

746
single family
homes/duplexes

184
townhomes

DEFINING THE PROBLEM

Consistent with MPHA's mission to provide housing for low-income families, MPHA must seek **new public and private sources of funding** to implement a capital plan **to preserve MPHA's low-income housing** for the future.

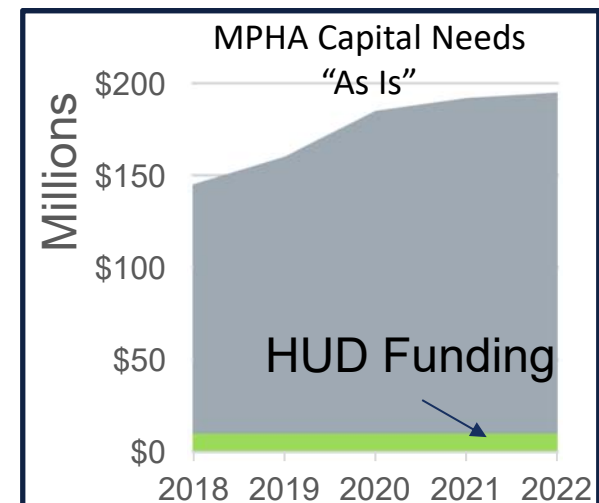
Inadequate Operating Subsidy

and

Inadequate Capital Funding

has led to

Capital Backlog



MPHA HOUSING SERVES A CRITICAL NEED

In an environment of constrained capital funding and increasing need for affordable housing, MPHA will focus on sustainable, low- to very low-income housing and the well-being of residents and participants.

MPHA STRATEGIC INITIATIVES



Housing Preservation & Creation

- Rehabilitate and add units when feasible – high-rises, townhomes, scattered sites.
- Implement Quality Maintenance Program for properties not yet undergoing capital improvements.
- Diversify the housing portfolio and funding sources – land, targeted use of project-based vouchers.



Education, Employment & Health

- Create new family housing linked to education and employment outcomes.
- Re-establish a resident services program.
- Increase access to health services in MPHA properties.



Operational Excellence

- Increase organizational capacity and strengthen workforce recruitment with focus on jobs for MPHA families.
- Migrate to single IT platform; improve business processes.
- Implement continuous improvement program.

CAPITAL PLAN REQUIRES LONG- AND SHORT-TERM SOLUTIONS

Over the next ten years, MPHA will employ three key strategies to preserve its properties while building new units, as funding is available.



Pilot Programs & Testing

- Rehabilitation or new build to 21st century energy-efficient construction standards and new technologies.
- Building includes demolition and construction of replacement units.
- Design guidance:
 - Energy: energy-efficient standards, air quality
 - Livability: accessibility, floor plans, **security**, common areas
 - Community Connection: community resource



Rehabilitation and Construction

- Full rehabilitation of a building includes envelop, systems, and units.
- New build includes demolition and construction to passive house standards.
- Temporary relocation of tenants onsite or offsite may be necessary. All relocated tenants have the right to return to the building.

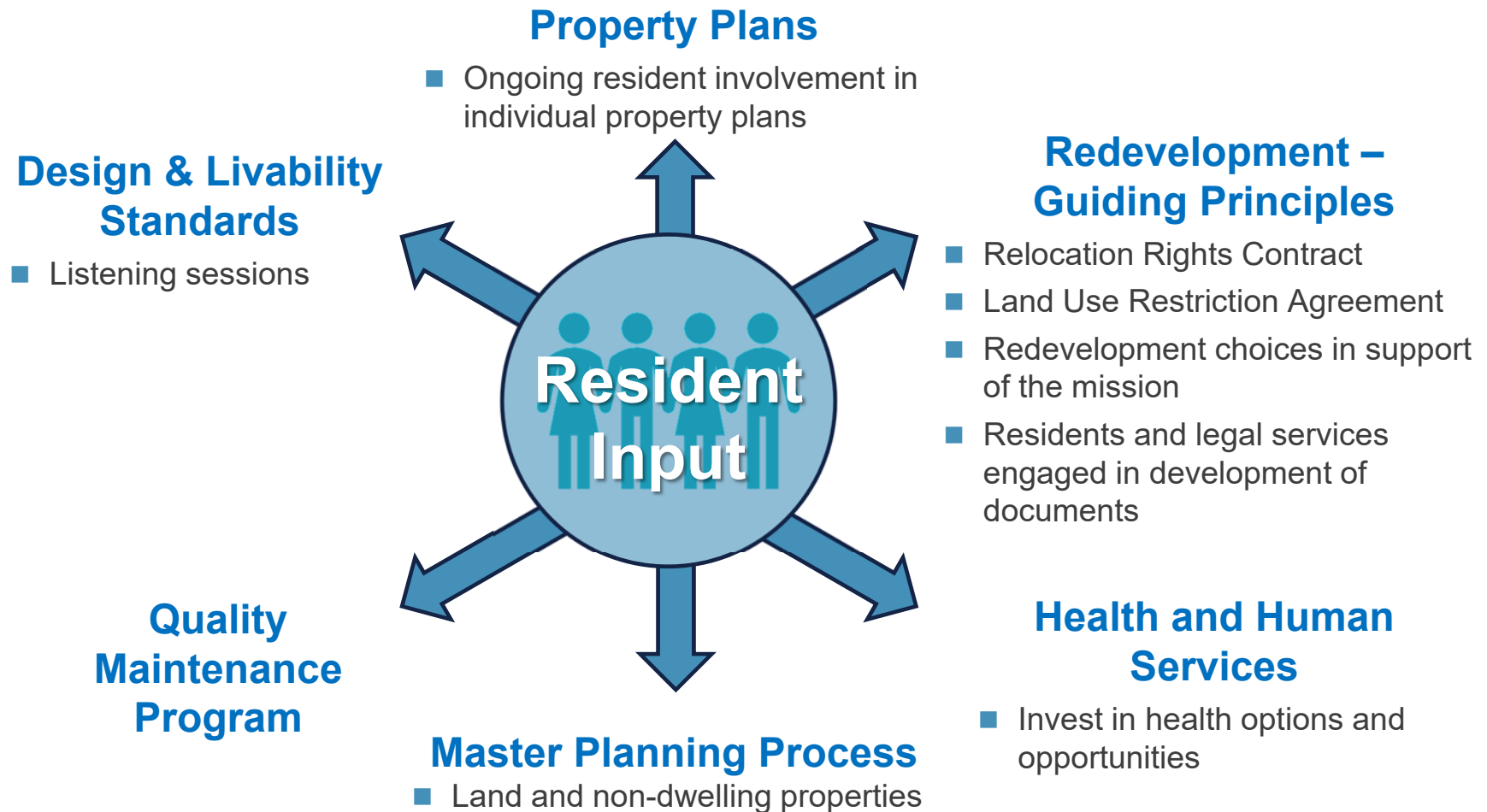


Quality Maintenance Program (QMP)

- Improved approach to grounds, janitorial, pest control, major systems maintenance.
- Weekly, monthly, quarterly, and seasonal production schedules.
- Checklists for each unit – includes modest repairs and replacements due to wear-and-tear, cycle painting

RESIDENT INPUT AT EVERY STEP

From design to implementation, MPHA will continue to work with residents and other stakeholders to ensure that MPHA addresses current and future residents' needs.





HOUSING PRESERVATION & CREATION: *SENIOR HIGH-RISES*

MPHA will update its senior high-rises to 21st century construction standards and technology and design to support aging in place. *GOAL: Energy savings/generation; improved livability, security and improved access for aging and disabled residents.*

2018-2019 2020-2024 2025-2029 2030→

- **Pilot: 87 units**, Full rehab to energy-efficient standards.
- Apply for conversion or RAD to MPHA-controlled non-profit.

Elliot Twins Apartments



- Apply for conversion or RAD to MPHA-controlled non-profit.

1710 Plymouth Ave
809 Spring St NE
1900 3rd St NE



- **Scale: Full rehabilitation to energy-efficient standards.**
- **QMP:** Scheduled modest updates to units and building until rehab begins.

All Other Highrises





HOUSING PRESERVATION & CREATION: *TOWNHOMES*

MPHA will preserve its family properties while building new units as funding is available.
GOAL: Preservation; new housing.

| 2018-2019 | 2020-2024 | 2025-2029 | 2030→ |
|-----------|-----------|-----------|-------|
|-----------|-----------|-----------|-------|

Glendale Townhomes

184 units



- **Pilot QMP:** Scheduled modest updates to units and buildings (including weatherization, cycle painting). (2018)
- Apply for disposition to an MPHA-controlled non-profit to generate Tenant Protection Vouchers. (2018)
- Issue RFQ for community engagement consultant to create redevelopment plan with residents and community. (2019)

Minnehaha Townhomes

16 units



- **Build:** New 16-unit townhouse property for formerly homeless families. (2018/2019)



HOUSING PRESERVATION & CREATION: *SCATTERED SITES*

MPHA will renovate its properties to energy-efficient standards or construct a new multi-unit building onsite. *GOAL: Energy savings/generation; increased density.*

| 2018-2019 | 2020-2024 | 2025-2029 | 2030→ |
|-----------|-----------|-----------|-------|
|-----------|-----------|-----------|-------|

Scattered Sites
 746 units in portfolio
 577 single family
 68 duplex
 12 fourplex

Pilot:



- Comprehensive rehabilitation of **one single family unit** to energy-efficient standards.



- Build an ultra energy-efficient **fourplex unit.**
- Apply for disposition of entire scattered site portfolio to MPHA-controlled non-profit. (generates Tenant Protection Vouchers)

Scale:



- Full rehabilitation of units to energy-efficient standards.
- Seek sponsor partners for the green building materials and energy technology.
- Demolish and replace obsolete units with fourplexes (100+ units)

Maintain:



- Quality Maintenance Program



HOUSING PRESERVATION & CREATION: *OTHER PROPERTIES*

While we are constrained by time and resources, MPHA will not ignore “out of phase” opportunities. *GOAL: create new housing; diversify the portfolio and funding.*

| 2018-2019 | 2020-2024 | 2025-2029 | 2030→ |
|-----------|-----------|-----------|-------|
|-----------|-----------|-----------|-------|

**Heritage Park
Mixed-Income
Community**
(including vacant land)

- Explore whether to exercise options to purchase the development (by phase). (2019)
- Issue RFP to begin Master Planning and redevelopment process to align with Blue Line extension/Van White Station Area Plan. Engage all residents (assisted, non-assisted) in planning and community-building. (2019/20)

**Portfolio
Diversification
Opportunities**

- Purchase Naturally Occurring Affordable Housing (NOAH) properties, as available, with a mix of subsidy types.
- Explore highest and best use options for 1301 Bryant site. (2018)
- Partner on Plymouth Ave Corridor. (2018)
- Explore community solar options (2018)
- Issue RFP for redevelopment of MPHA headquarters site as offices and housing (2019)
- Explore options to build on high-rise campuses with adjacent land. (2020 and beyond)

MHOP

- Convert to Project Based Vouchers (PBV) (2018/2019)



EDUCATION, EMPLOYMENT & HEALTH

Housing is a foundation that can lead to stable families, economic self-sufficiency and wellness. MPHA will use project-based vouchers (PBV) for targeted housing programs.

Education Initiatives *GOAL: Improve educational achievement, graduation rates*

- Create new housing voucher for students/families experiencing homelessness. Work with Minneapolis Public Schools, City of Minneapolis, Hennepin County and foundations.
- Strengthen partnerships with community non-profits such as Northside Achievement Zone to reach more families.

Employment Initiatives *GOAL: Increase job acquisition and retention.*

- Strengthen partnerships with employment programs such as Summit Academy and TMZ to support short-term housing needs of new graduates. Use green technologies as job creation tools.
- Develop housing continuum to help residents who want to move towards self-sufficiency.
- Complete sale of 14 townhomes in the Sumnerfield Lease-to-Own program and explore other homeownership opportunities.

Health and Wellness Initiatives *GOAL: Increase access to health and human services.*

- Strengthen existing partnerships and measure collective impact of resident services in high-rises. Partner with city, county and health insurance providers.
- Re-establish a resident services program for all residents and participants.
- Identify capital investors to develop community-based access to health and supportive services at MPHA properties.



OPERATIONAL EXCELLENCE

Operational excellence leads to savings. Money saved can be re-purposed and used to borrow or finance needed capital improvements. This “leverage” increases the value at a rate of 12-to-1.

System & Process Initiatives *GOAL: Streamline processes, improve customer service*

- Migrate to single IT platform and approach for housing programs and asset management.
- Implement continuous improvement teams in each department and across the agency.
- Enhance MPHA’s project-based voucher program with asset management approach.

Organizational Capacity Initiatives *GOAL: Grow from within; attract and retain staff*

- Align workforce recruitment, training and career pathing with strategic plan goals – asset management, real estate development, green construction, property management, partnership management, human services, communications.
- Align organization to combine eligibility and leasing activities across public housing and vouchers.
- Create internship and Section 3 jobs programs.

Partnerships and Outreach Initiatives *GOAL: Enhance MPHA’s reach, influence, and transparency*

- Apply for **Regional MTW status** and develop programming that expands housing choices.
- Promote policy agenda and messaging for city, community, county, state and national constituencies.



QUALITY MAINTENANCE PROGRAM

Until sufficient capital and capacity is available for comprehensive rehabilitation, MPHA will implement an enhanced preventive maintenance schedule at each building.

- **GOAL:** *Reduce the frequency of non-emergency work orders and system failures; update units; decrease turn times.*

- Elements
 - Weekly, monthly, quarterly, and seasonal production schedules.
 - Improved approach to grounds, janitorial, pest control, major systems maintenance.
 - Checklists for each unit – includes modest repairs and replacements due to wear-and-tear, cycle painting

- Implementation
 - Resident and staff input on repair issues informs design of the program.
 - Pilot program at Glendale and Horn Towers (2018).

PORTFOLIO FUNDING OPTIONS

To generate sufficient capital, MPHA must use all sources of available funding from federal, state, county and city sources, in addition to private and foundation sources.

Subsidy/Funding Conversion

of public housing to project-based vouchers under Rental Assistance Demonstration (RAD) or similar HUD program.



- Enables leverage with private funding sources.
- Protects affordability with land-use restriction agreement.

Transfer of Properties

to MPHA-Controlled Non-Profit



- Triggers Tenant Protection Vouchers, with deeper subsidies than current public housing operating subsidy.
- Increases available subsidy per unit three-fold.
- Protects affordability with land-use restriction agreement.

City Tax Levy



- Enables bond issuance in which the levy could service the bond obligations.
- Leverage could be worth \$95 million in capital funding.
- Requires long-term commitment from City

Private Loans (Banks, Foundations)



- Debt service must be paid from subsidy & rent.
- Low-income housing is eligible for Program-Related Investments (PRI) by foundations.

PRELIMINARY
ESTIMATES FOR
ILLUSTRATIVE
PURPOSES

FINANCIAL IMPACT OF CONVERSION

HIGH-RISE ILLUSTRATION (PER UNIT PER YEAR)

| | Public Hsg | RAD | RAD/ LIHTC | TPV/LIHTC |
|-----------|----------------------------|---------|------------|----------------|
| Operating | Rent | 3,000 | 3,000 | 3,000 |
| | Operating Subsidy | 3,000 | 3,000 | HAP Sub. 9,976 |
| | Cap. Grant | | 1,640 | 1,640 |
| | Other | 300 | 300 | 300 |
| | Income | 6,300 | 7,940 | 7,940 |
| | Operating Expenses | 6,600 | 6,600 | 6,600 |
| | Replacement Reserve | - | 450 | 450 |
| | Expense | 6,600 | 7,050 | 7,050 |
| | Net Operating Income | (300) | 890 | 890 |
| Capital | Annual Cap. Grant | 1,640 | - | - |
| | Loan | | 11,000 | 11,000 |
| | LIHTC Equity | | | 80,000 |
| | Total Capital Funding | | 11,000 | 91,000 |
| | Capital Need Over 20 years | 160,000 | 160,000 | 160,000 |

GAP

PRELIMINARY
ESTIMATES FOR
ILLUSTRATIVE
PURPOSES

FINANCIAL IMPACT OF CONVERSION

FAMILY HOUSING ILLUSTRATION (PER UNIT PER YEAR)

| | Public Hsg | RAD | RAD/ LIHTC | TPV/LIHTC | |
|-----------|----------------------------|---------|------------|-----------------------|----------------------|
| Operating | Rent | 5,400 | 5,400 | 5,400 | |
| | Operating Subsidy | 3,900 | 3,900 | HAP Sub. 9,976 | |
| | Cap. Grant | | 1,900 | 1,900 | |
| | Other | 300 | 300 | 300 | |
| | Income | 9,600 | 11,500 | 11,500 | 15,676 |
| | Operating Expenses | 9,600 | 9,600 | 9,600 | 9,600 |
| | Replacement Reserve | - | 450 | 450 | 450 |
| | Expense | 9,600 | 10,050 | 10,050 | 10,050 |
| | Net Operating Income | - | 1,450 | 1,450 | 5,626 |
| Capital | Annual Cap. Grant | 1,900 | - | - | |
| | Loan | | 17,900 | 17,900 | Loan 69,220 |
| | LIHTC Equity | | | 106,500 | 106,500 |
| | Total Capital Funding | | 17,900 | 124,400 | Total 175,720 |
| | Capital Need Over 20 years | 213,000 | 213,000 | 213,000 | 213,000 |

GAP

CHANGE THE FUNDING, NOT THE PROGRAM

Because of recent changes in HUD funding and programs, MPHA can take advantage of a window of opportunity to *preserve the properties through conversion* of the subsidy from public housing operating funds to project-based vouchers funds.

■ **Problem:**

- HUD Capital grants will not meet building rehab needs.
- Public housing funding method does not produce cash flow to borrow or attract Low Income Housing Tax Credit (LIHTC) investors.

■ **Strategy:**

- Convert the public housing platform to a project-based Section 8 platform.

■ **Why convert:**

- Section 8 platform provides higher HUD subsidy and a more reliable revenue stream.
- Higher revenue stream permits borrowing and attracting LIHTC investment.

■ **Why now:**





- In March, 2018, HUD published an updated Demolition/Disposition Notice that provides improved opportunities to convert.
- Current funding is favorable for RAD conversions.

■ **How:**

- Through a conversion process that disposes of the public housing unit to an MPHA-controlled non-profit and replaces it with a project-based voucher.

PROPOSED SUBSIDY CHANGES

Over the next 15 years, MPHA must implement a capital plan to preserve its low-income housing for the future. After any financial transfers of properties, MPHA would continue to manage the properties as “public housing” for its residents.

| Group | Properties | Units | Transfer units with Funding Conversion | Tax Credit Project |
|---------|---|--|--|--------------------|
| Group A | Scattered Sites |  730 | 100% Tenant Protection Vouchers | No |
| Group B | Elliot Twins Glendale |  358 | 100% Tenant Protection Vouchers | Yes |
| Group C | 1710 Plymouth Ave 809 Spring St NE 1900 3 rd St NE |  148 | 100% Tenant Protection Vouchers | Yes |
| Group D | All Other Highrises |  4,684 | 25% Tenant Protection Vouchers 75% RAD Project Based Vouchers | Yes |

FINANCIAL SUMMARY OF CONVERSION STRATEGY

*PRELIMINARY
ESTIMATES FOR
ILLUSTRATIVE
PURPOSES*

These are preliminary estimates and funding goals to be used for general planning purposes.
Assumes 20-year timeframe. In \$millions.

| Group | Properties | Units | Total Development Cost (TDC) | Loan Proceeds | Tax Credit (LIHTC) Benefit | Funding Gap |
|------------------------|---|--------------|------------------------------|---------------|----------------------------|--------------|
| Group A | Scattered Sites | 730 | \$125 | \$51 | \$0 | \$74 |
| Group B | Elliot Twins Glendale | 358 | \$107 | \$25 | \$62 | \$20 |
| Group C | 1710 Plymouth Ave 809 Spring St NE 1900 3 rd St NE | 148 | \$42 | \$6 | \$23 | \$13 |
| Group D | All Other Highrises | 4,684 | \$825 | \$100 | \$428 | \$297 |
| Total Portfolio | | 5,920 | \$1,099 | \$182 | \$513 | \$404 |

Potential Gap Funding

| | |
|---------------------------------------|-------|
| Public Housing Tax Levy Leveraged | \$95 |
| MTW Enhancement | \$24 |
| Tax Levy and MTW Enhancement Leverage | \$119 |


















Remaining Gap **\$285**








APPENDICES



SUMMARY OF ALL REDEVELOPMENT INITIATIVES

| | 2018-2019 | 2020-2024 | 2025-2029 | 2030→ |
|---|---|---|---|---|
| Scattered Sites |  |  |  | |
| Glendale Townhomes |  |  | | |
| Minnehaha Townhomes |  | | | |
| Elliot Twins |  |  | | |
| 1710 Plymouth Ave 809 Spring St NE 1900 3 rd St NE |  |  | | |
| All Other Highrises |  |  |  |  |
| Heritage Park Mixed-Income Community | |  |  | |
| Portfolio Diversification Opportunities & MHOP |  | | | |

LEGEND

-  Energy-Efficient Rehabilitation or Construction
-  Quality Maintenance Program
-  Construction
-  Community-based Master Planning
-  Funding Conversion and Investments

PRESERVATION IS THE FIRST PRIORITY

MPHA seeks capital to rehabilitate existing stock or replace existing stock with new construction that increases density, livability and sustainability.

Priorities

1st

**Age &
Poor
Condition**



**No recent
capital
investments**



**Rehabilitate
or Rebuild**

2nd

Available Land in Key Location



**Add new
buildings**

3rd

**Age &
Poor
Condition**

**High Cost
to Operate
(Energy
Usage)**

**Available
Land**



**Replace &
Add new
units**

GUIDING PRINCIPLES FOR REDEVELOPMENT AND CAPITAL INVESTMENTS AT MPHA

Approved by the MPHA Board of Commissioners on May 24, 2017

MPHA will engage in a public, portfolio-wide planning process to assess the needs and mission-oriented opportunities at all properties owned by MPHA. This process has two primary goals:

- Ensure the long-term physical and financial viability of MPHA's existing public housing stock; and
- Increase the livability and overall marketability of units, through high-quality design.

MPHA's goal is to provide housing that meets the current and projected needs of low-income households in Minneapolis, and preserves—and where possible increases—affordable housing options in all Minneapolis neighborhoods.

MPHA commits to protect those MPHA residents who are particularly vulnerable, including the elderly, persons with disabilities, persons with income below 30 percent of the area median income, and immigrant families (as permitted by law).

MPHA will encourage active and meaningful resident and community participation throughout the planning and implementation process, and seek collaborations and partnerships with the City of Minneapolis, other governmental agencies, and housing advocates where appropriate to enhance and improve MPHA's affordable housing portfolio.

MPHA intends that residents participate and contribute to the planning and design discussions. If MPHA has a redevelopment opportunity that includes strategies not previously anticipated by the agency, MPHA commits to bring these approaches to the residents as soon as possible for an open review and discussion of the options.

MPHA will make real estate investment decisions for each property and MPHA's city-wide housing stock that reflect MPHA's mission statement: *The mission of Minneapolis Public Housing Authority (MPHA) is to promote and deliver quality, well managed homes to a diverse, low income population and, with partners, contribute to the well-being of the individuals, families and community we serve.*

MPHA intends to preserve all existing public housing units. If the eventual redevelopment effort results in the loss of units, MPHA commits to develop replacement units elsewhere in the city. To the extent feasible, MPHA will develop replacement units prior to the demolition of existing units. MPHA will also look to create phased demolition and reconstruction plans so that these activities are closely timed, with on-site and replacement units provided in coordinated fashion.

GUIDING PRINCIPLES FOR REDEVELOPMENT AND CAPITAL INVESTMENTS AT MPHA – CONT'D

Approved by the MPHA Board of Commissioners on May 24, 2017

MPHA commits to preserving the high-rise properties and to limit demolition at these sites to work necessary to reconfigure units or common spaces in accordance with an approved design, expand community spaces, add units, or provide for additional service options and amenities at the site.

MPHA commits to provide adaptable and accessible design features so that residents might have the opportunity to stay in units longer as they age in place.

MPHA's planning efforts shall include development of a comprehensive relocation plan with the residents of each affected property. The relocation plan will describe options and choices for relocation, provide a complete description of relocation assistance provided by MPHA (such as packing and unpacking, type and amount of payments provided to residents impacted by the move, and other features or services as negotiated between the residents and MPHA. Relocation benefits apply to both the move out and the return move.

MPHA intends that the redevelopment efforts result in no permanent displacement of any current MPHA resident. Relocation plans negotiated with the residents will include a right-of-return for families displaced by redevelopment work.

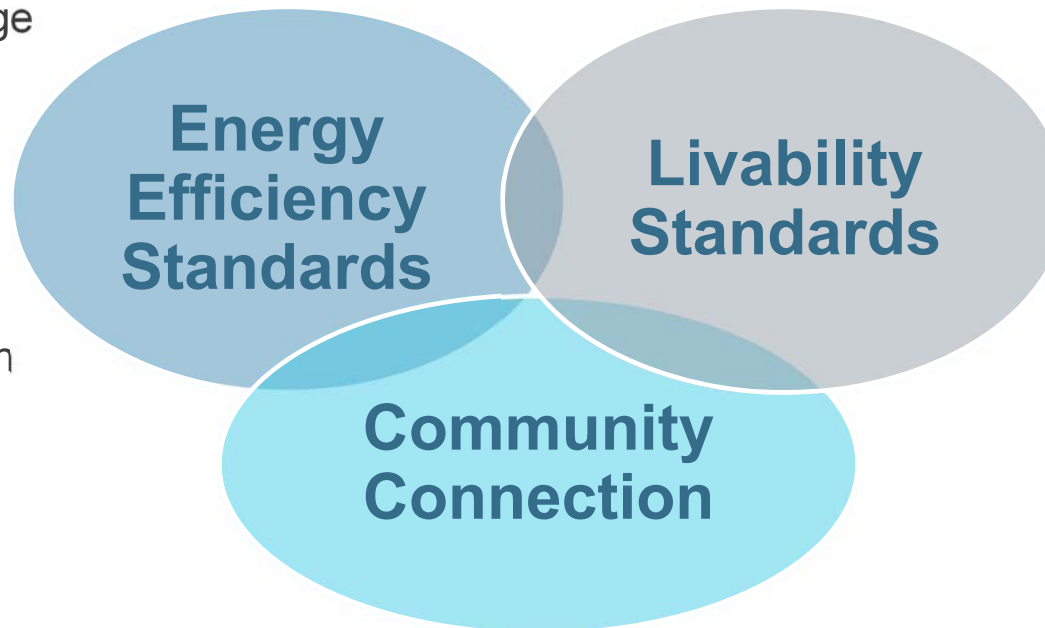
MPHA commits to keeping existing resident participation and support programs: resident councils, the city-wide resident organization (MHRC), Project Lookout, joint diversity initiatives, active living initiatives, the high-rise laundry project, vending machines and other income options that support resident programs, resident council funding, and services provided by others at the buildings (such as the Volunteers of America).

Post redevelopment, MPHA commits to retain management and maintenance responsibilities for all the buildings. This commitment is subject to specialized redevelopment, such as assisted living or supportive housing, where a third party may manage. If the redevelopment of a site demands any deviation from MPHA management and maintenance, this will be vetted with the resident organizations as part of the redevelopment planning process.

Should MPHA undertake redevelopment of a property with a private for-profit or nonprofit developer partner, MPHA will require that the developer/partner contribute to MPHA's mission including, where feasible, the provision of resident services, job, or educational opportunities. The partnership must result in a development agreement that provides permanently affordable housing and a return on investment that clearly benefits the MPHA and its residents.

DESIGN PRINCIPLES FOR DEVELOPMENT

- Less energy usage
- Lowers cost of operations
- Improves air quality
- Lowers MPHA's carbon footprint in the City.



- Modern use of space
- Adaptable for aging residents
- Open floor plans
- Smart storage

- Hub for surrounding neighborhood
- Movement of families
- Relationships with property owners

EXAMPLE OF DESIGN FOR HIGHRISES



Example of a High-rise Retrofit

Source: Intep

EXAMPLE OF DESIGN FOR SCATTERED SITE REHAB



Example of Single Family Rehab

- Rehab one scattered site home.
- Identify one site to build an ultra energy-efficient four-plex unit.
- Seek sponsor partners for the energy technology and building materials.
- Host Resident design sessions.
- Create high-rise unit mock-up design for walk-throughs.

Source: Intep