



NOTICE AND AGENDA

May 25, 2016

REGULAR MEETING OF THE MINNEAPOLIS PUBLIC HOUSING AUTHORITY IN AND FOR THE CITY OF MINNEAPOLIS WILL BE HELD AT 1:30 P.M. AT 1001 WASHINGTON AVENUE NORTH, MINNEAPOLIS, MINNESOTA

The Tenant Advisory Committee will meet at 12:00 Noon, same date and place

Commissioners: **F. Clayton Tyler, Chair**
 Charles T. Lutz, Vice Chair
 Mikkel Beckmen, Commissioner
 Tawanna Black, Commissioner
 Tom DeAngelo, Commissioner
 Abdullahi Isse, Commissioner
 Cara Letofsky, Commissioner
 Tamir Mohamud, Commissioner
 Hon. James Rosenbaum, Commissioner

GENERAL:

- Roll Call
- Approval of Agenda
- Minutes of Regular Meeting of March 23, 2016

TENANT ADVISORY COMMITTEE – TAC Chairperson Comments

DISCUSSION:

1. Elevator Capital Improvements (Tim Gaetz, Managing Director of Facilities & Development)
2. Use of Accumulated Development Proceeds (Dean Carlson, Development Project Manager)

RESOLUTION:

3. Extending the MPHA Moving to Work Agreement to 2028 (Bob Boyd, Director of Policy & Special Initiatives)



RECEIVE AND FILE:

- Presentation on 2015 Financial Results (Tim Durose, DED / CFO)
- Monthly Performance Report for March 2016 (Cora McCorvey, Executive Director / CEO)
- Monthly Performance Report for April 2016 (Cora McCorvey, Executive Director / CEO)
- Memorandum to the Board - Creative Financing Report (Tim Durose, DED / CFO and Dean Carlson, Development Project Manager)

Next Regular Meeting:

**Wednesday, June 22, 2016 - 1:30p.m.
1001 Washington Avenue North
Minneapolis, MN 55401**

Notice: *A portion of this meeting may be closed to the public pursuant to Minnesota Statutes Section 13D.03 or 13D.05.*



**MINUTES OF A REGULAR MEETING OF THE
MINNEAPOLIS PUBLIC HOUSING AUTHORITY
IN AND FOR THE CITY OF MINNEAPOLIS
March 23, 2016**

The Minneapolis Public Housing Authority in and for the City of Minneapolis met in a regularly scheduled meeting at 1:30 P.M. on March 23, 2016, at 1001 Washington Avenue North, Minneapolis, Minnesota, the date, time, and place established for the holding of such meeting.

Roll Call:

The Chair called the meeting to order, the following members of the Board being present:

F. Clayton Tyler	Chair
Charles T. Lutz	Vice Chair
Daisy Nguyen	Secretary
Tom DeAngelo	Commissioner
Hon. James Rosenbaum	Commissioner

The following members of the Board were absent:

Cara Letofsky	Commissioner
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The following others were also present:

Cora McCorvey	Executive Director / CEO
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The Chair declared the presence of a quorum.

Approval of Agenda:

Commissioner Nguyen moved to amend the agenda to include Resolution No. 16-163 concerning the City's Analysis of Impediments. The motion was seconded by Commissioner Lutz. Upon a voice vote, the Chair declared the motion carried. Commissioner DeAngelo moved approval of the amended agenda. The motion was seconded by Commissioner Rosenbaum. Upon a voice vote, the Chair declared the motion carried.

Approval of Minutes:

The Minutes of the Regular Meeting of January 27, 2016, were presented for approval. Commissioner Lutz moved the minutes be accepted as presented. The motion was seconded by Commissioner Nguyen. Upon a voice vote, the Chair declared the motion carried.



Item No. 1: Workers Compensation Insurance Policy

After a brief presentation by staff and discussion, Commissioner Rosenbaum moved approval of the recommendation set forth in the Report. Commissioner DeAngelo seconded the motion. Upon a voice vote, the Chair declared the motion carried. [See Document No. 2016-06]

Item No. 2: Authorization to Purchase the Urban Garden Development

After a brief presentation by staff and discussion, Commissioner Rosenbaum moved approval of the recommendation set forth in the Report along with the corresponding Resolution which was attached thereto. Commissioner Nguyen seconded the motion. Upon a roll call vote, four Commissioners voted "aye" (Commissioners, DeAngelo, Lutz, Nguyen and Rosenbaum) and one Commissioner was absent (Chairman Tyler). The Vice Chair declared the motion carried. [See Document No. 2016-07]

Item No. 3: Resolution Concerning the City's Analysis of Impediments

After a brief presentation by Chairman Tyler and an explanation of an "Impediment Analysis" by Commissioner Lutz, Commissioner DeAngelo moved approval of the Resolution. Commissioner Rosenbaum seconded the motion. Upon a roll call vote, five Commissioners voted "aye" (Commissioners, DeAngelo, Lutz, Nguyen, Rosenbaum and Tyler). The Chair declared the motion carried. [See Document No. 2016-08]

Receive and File Items:

The following items were received and filed by the Board:

- The Monthly Performance Report for January 2016. [See Document No. 2016-09]
- The Monthly Performance Report for February 2016. [See Document No. 2016-10]

Adjournment:

There being no further business to come before the meeting, and upon a motion duly made and seconded, the meeting was adjourned at 2:48 p.m.

Secretary of the Board of Commissioners

Date These Minutes Approved

May 25, 2016

Agenda Item 1

REPORT TO THE COMMISSIONERS

FROM: Cora McCorvey, Executive Director / CEO

SUBJECT: Elevator Capital Improvements

Previous Directives: In previous action, the Board approved MPHA's 2016 Moving to Work (MTW) Plan which included elevator capital improvements.

Resident Council Review/Recommendation: The 2016 MTW Plan was presented to MPHA residents and to the Resident Advisory Board (RAB). This matter will be discussed with the Tenant Advisory Committee (TAC) immediately prior to the Board's May 25, 2016 meeting.

Budget Impact: Elevator Capital Improvements are funded in MPHA's MTW Plan as part of the Capital Fund Program.

Affirmative Action Compliance: The recommended contractor has an approved Affirmative Action Plan. MPHA will monitor compliance.

Procurement Review: This recommendation has been reviewed and approved by the Agency's Contracting Officer.

RECOMMENDATION: It is recommended that the Board of Commissioners authorize the Executive Director or her designee to enter into contract #PH-16.033 with All City Elevator, Inc. in the amount of \$1,623,274.00 for elevator capital improvements at 2019 & 2121 South 16th Avenue, and 1415 East 22nd Street.

Elevator capital improvement needs are identified, categorized, and cost analyzed in MPHA's comprehensive needs assessment. The elevator equipment at the above referenced buildings is deemed in need of major replacement and current elevator code compliance.

MPHA staff and the Agency's elevator consultant, Van Duesen & Associates, collaborated in preparation of plans and specifications with lump sum bid requirements for major elevator upgrades at the following sites:

2019 South 16th Avenue:	12 story highrise with two elevators
2121 South 16th Avenue:	12 story highrise with two elevators
1415 East 22nd Street:	14 story highrise with two elevators

On April 8, 2016 technical specifications and a request for bids was publicized with a bid due date of May 2, 2016. Lump sum bids were received from the following firms:

Minnesota Elevator Inc:	\$2,736,105
Schindler Elevator Company:	\$1,935,000
ThyssenKrupp Elevator:	\$1,680,549
All City Elevator Inc:	\$1,623,274

MPHA staff and the Agency's elevator consultants evaluated the bids and determined that All City Elevator Inc. was the lowest responsive and responsible bidder. Prior experience with this vendor has been very good and staff is confident that All City Elevator Inc. will perform well for MPHA.

This Report was prepared by Tim Gaetz, Managing Director of MPHA's Facilities & Development Division. For further information, please contact Mr. Gaetz at (612) 342-1226 or tgaetz@mplspha.org.

May 25, 2016

Agenda Item 2

REPORT TO THE COMMISSIONERS

FROM: Cora McCorvey, Executive Director / CEO

SUBJECT: Use of Accumulated Development Proceeds

Previous Directives: None

Resident Association Notification: This matter will be discussed with the Tenant Advisory Committee (TAC) immediately prior to the Board's May 25, 2016 meeting.

Budget Impact: Authorizes MPHA to spend funds restricted to development purposes only.

Affirmative Action Compliance: Not applicable.

Procurement Review: Not Applicable.

RECOMMENDATION: It is recommended that the Board of Commissioners authorize the Executive Director to spend accumulated development proceeds for the creation of new public housing units or to purchase existing properties to be converted to public housing units.

BACKGROUND:

Over the past 20 years, MPHA has occasionally sold land and public housing units that no longer meet its needs to the City, other public entities, or to private owners. The use of proceeds from such sales is restricted by HUD; they can only be used for the development or acquisition of additional public housing units.

Considering MPHA's ability, through its "Faircloth allocation", to add up to 96 units of public housing to its portfolio, staff is seeking Board authorization to utilize these funds, and any additional sale proceeds in the future, as development opportunities arise. In order to fund the development costs for Faircloth units and/or other public housing development, MPHA will need to request additional funding from other public sources such as the Minnesota Housing Finance Agency, Hennepin County, the Met Council and the City of Minneapolis. When evaluating requests, funders, take into account and give more consideration to proposals where those seeking funds have pledged their own funds in a project.

To date, the accumulated balance in this fund is \$1,042,000 and there is no deadline for its use. These funds however are explicitly restricted to the production of new units. This could include land acquisition, construction of new units, acquiring and rehab of existing housing and converting them to public housing. Staff anticipates that a portion of these funds could be used for MPHA's proposed 16-unit Minnehaha Townhomes project located in south Minneapolis.

This Report was prepared by Dean Carlson, MPHA's Development Project Manager. For additional information, please contact Mr. Carlson at (612) 342-1213 dcarlson@mplspha.org.

May 25, 2016

Agenda Item 3

REPORT TO THE COMMISSIONERS

FROM: Cora McCorvey, Executive Director / CEO

SUBJECT: Extending the MPHA Moving To Work Agreement to 2028

Previous Directives: In January 2008, MPHA signed the Amended and Restated Moving To Work (MTW) Agreement. On July 9, 2008, the MPHA Board of Commissioners approved MPHA's first Annual MTW Plan. Subsequently, the MPHA Board has approved amendments to the MTW Agreement and Annual MTW Plans.

Resident Notification: The Resident Advisory Board (RAB) has been informed of the Congressional Action and HUD correspondence that extends MPHA's MTW Agreement for 10 years. This Board Report and Resolution will be reviewed by the Tenant Advisory Committee (TAC) immediately prior to the Board's May 25, 2016 Meeting.

Impact on Budget: The proposed Amendment to MPHA's MTW Agreement is budget neutral.

Procurement Review: Not applicable

RECOMMENDATION: It is recommended that the Board of Commissioners adopt the Resolution attached to this Report which approves an amendment to MPHA's MTW Agreement with HUD which extends the Agreement to 2028.

The Minneapolis Public Housing Authority (MPHA) signed a new Moving To Work (MTW) Agreement with the United States Department of Housing and Urban Development (HUD) in January 2008. The Agreement authorizes MPHA to waive certain rules and regulations to help make its programs and services more responsive to the Agency's mission and the needs of the community.

MPHA adopted the first Amendment to the MTW Agreement in February, 2008 and was subsequently referred to as the "Amended and Restated Moving To Work Agreement". The Amended and Restated MTW Agreement, which applied to the existing MTW Agreement and which was then about to expire, provided MPHA greater program flexibility and opportunities.

In 2014, HUD began negotiations with MTW Agencies on renewing the MTW Agreement with HUD that is due to expire at the end of 2018. HUD proposed changes that would have had significant impacts on various MTW Agencies in the nation including MPHA. MTW Agencies formed a coalition to represent their interests in the negotiation. The Agencies formed a “Steering Committee” of Executive Directors that led the negotiations with HUD. The negotiations were challenging; HUD insisted on language in the new Agreements that the affected Agencies felt was not in their best interest.

MTW Agencies continued negotiations with HUD but also worked with their federal legislators and the Council of Large Public Housing Authorities (CLPHA) to introduce legislation designed to extend MTW Agreements with HUD under the same terms and conditions as are in current MTW Agreements. Ultimately, Congress passed and the President signed an Appropriations bill which included the following language:

“The Secretary shall extend the current Moving to Work agreements of previously designated participating agencies until the end of each such agency’s fiscal year 2028 under the same terms and conditions of such current agreements, except for any changes to such terms or conditions otherwise mutually agreed upon by the Secretary and any such agency and such extension agreements shall prohibit any statutory offset of any reserve balances equal to four months of operating expenses. Any such reserve balances that exceed such amount shall remain available to any such agency for all permissible purposes under such agreement unless subject to a statutory offset”

On April 14, 2016, HUD sent correspondence (see attached) to all MTW Agencies informing them that their Agreements had been extended until 2028. MTW Agencies expressed concern that HUD had simply extended MTW Agreement by correspondence rather than by formal amendment. When MTW Agencies raised this concern to HUD, HUD acknowledged that Congress had directed HUD to extend the Agreements but refused to issue new (modified) Agreements or formal amendments for signature.

MTW Agencies have been advised by legal counsel that a greater measure of protection may be accorded to affected (MTW) Agencies if they formally accepted HUD's correspondence as an amendment to the Agency's MTW Agreement with HUD. Staff recommends that the Board formally adopt the attached Resolution which accepts HUD’s correspondence as an amendment to its MTW Agreement with HUD.

This Report was prepared by Bob Boyd, MPHA Director of Policy and Special Initiatives. For further information, please contact Mr. Boyd at (612) 342-1437 or bboyd@mplspha.org.

RESOLUTION NO. 16-164

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) and MPHA entered into an Amended and Restated Moving To Work (MTW) Agreement in January 2008; and

WHEREAS, the MPHA Board of Commissioners approved the First Amendment to the MTW Agreement with HUD at its February 2008 meeting; and

WHEREAS, HUD offered MTW Agencies who had signed earlier MTW Agreements an opportunity to adopt the later changes to the MTW Agreement negotiated by the other PHAs; and

WHEREAS, MTW Agencies and HUD entered negotiations related to a ten year extension of the current MTW Agreement to 2028; and

WHEREAS, HUD was requiring MTW Agencies to include language in the new Agreements that was unacceptable to the MTW Agencies; and

WHEREAS, MTW Agencies worked with Congressional representatives who ultimately passed language requiring HUD to extend the MTW Agency Agreements for an additional ten years under essentially the same terms and conditions as their existing MTW Agreements; and

WHEREAS, HUD sent correspondence to MTW Agencies, including MPHA, that their MTW Agreements were extended for ten years; and

WHEREAS, MTW Agencies requested that HUD provide revised Agreements that MTW Agencies and HUD could sign and HUD refused to do so, stating that its correspondence met the requirements of the enacted legislation; and

WHEREAS, MTW agencies have been advised that a greater measure of protection may be accorded to Agencies if they formally accepted HUD's letter as an amendment to the Agency's MTW Agreement,

NOW THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Minneapolis Public Housing Authority, that the Amendment to the MPHA MTW Agreement referenced in HUD's April 14, 2016 correspondence is approved and that the Executive Director is authorized to inform HUD that the Amendment to MPHA's MTW Agreement has been accepted by the MPHA Board of Commissioners.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE DEPUTY SECRETARY
WASHINGTON, DC 20410-0050

April 14, 2016

Ms. Cora McCorvey
Executive Director
Minneapolis Public Housing Authority
1001 Washington Avenue, North
Minneapolis, MN 55401-1043

Dear Ms. McCorvey:

In the 20 years since the authorization of the Moving to Work (MTW) Demonstration program, a number of flexibilities, which have been successfully designed and tested by you and other MTW agencies, have been made available to all public housing agencies (PHAs) across the nation. We are pleased that Congress has now extended the Demonstration through 2028, so that we may continue this great work together.

Pursuant to Section 239 of Title II, Division L of the Consolidated Appropriations Act, 2016 (P.L. 114-113) (The Act), Minneapolis Public Housing Authority's (the Agency) current MTW Agreement is hereby modified and extended until the end of the Agency's fiscal year 2028. Further, pursuant to that same act of Congress, and subject to any future acts of Congress, the Agency's Agreement shall be modified to prohibit any statutory offset of any reserve balances equal to four months of operating expenses. Reserve balances that exceed four months of operating expenses shall remain available to the Agency for all permissible purposes under the Agreement unless subject to statutory offset, notwithstanding any contrary term of the Agreement.

Your MTW Agreement shall be modified by the content of the second paragraph of this letter upon receipt of this letter by the Agency. If your Agency would instead prefer to conclude its MTW participation, please follow the process in Section VIII.D. of the Agency's MTW Agreement.

Under the Act, other terms of the Agreement may be modified by mutual agreement between the Agency and HUD. If your Agency would like to discuss modifications to other terms of its MTW Agreement, please contact the Moving to Work Office at mtw-info@hud.gov.

Throughout the next 12 years of the MTW Demonstration, we look forward to learning from the work of MTW Agencies, to improve the programs and services provided to low-income families across the country. We are confident that your locally-driven strategies will continue to identify creative solutions to serve the affordable housing needs of our nation's communities.

Sincerely,

A handwritten signature in black ink, reading "Nani A. Coloretti". The script is fluid and cursive, with the first name "Nani" being more prominent and the last name "Coloretti" following in a similar style.

Nani A. Coloretti



Cora McCorvey, Executive Director / CEO

Performance Report for March 2016

Board of Commissioners Meeting -

May 25, 2016

THIS MONTH'S REPORT

- Asset Management Project (AMP) Reports
- Procurement
- Rent Collections
- Facilities and Development
- Finance
- Housing Choice Voucher Program
- Policy & Special Initiatives

**ASSET MANAGEMENT PROJECT (AMP) REPORT
(UNITS LEASED/TURNAROUND/WORK ORDERS/OCCUPANCY)
HEADQUARTERS: 2709 ESSEX ST. SE
MARCH 2016**

Glendale AMP 1 –

Total Units 184

- Units Leased: 3
- Average Turnover: 29
 - Down Time: 3
 - Days Make Ready: 21
 - Days for Re-rental: 5
- Total Work Orders
 - 0 emergency work order completed in 24 hours – 100%
 - 277 non emergency work orders completed – 58%

◦ **Occupancy Level: 98%**

Scattered Sites AMP 2 –

Total Units 736

- Units Leased: 8
 - Average Turnover: 24
 - Down Time: 1
 - Days Make Ready: 14
 - Days for Re-rental: 10
- Total Work Orders**
- 9 emergency work orders completed in 24 hours – 100%
 - 542 non emergency work orders completed – 73%

◦ **Occupancy Level: 99%**

ASSET MANAGEMENT PROJECT (AMP) REPORT (UNITS LEASED/TURNAROUND/WORK ORDERS/OCCUPANCY) MARCH 2016

North AMP 3 – Headquarters: 315 Lowry Total Units 1296

- Units Leased: 15
- Average Turnover: 34
 - Days Down Time: 13
 - Days Make Ready: 8
 - Days for Re-rental: 12
- Total Work Orders
 - 3 emergency work orders completed in 24 hours – 100%
 - 867 non emergency work orders completed – 62%

○ Occupancy Level: 99%

Northeast AMP 4 – Headquarters: 1815 Central – Total Units 944

- Units Leased: 12
- Average Turnover: 17
 - Days Down Time: 3
 - Days Make Ready: 3
 - Days for Re-rental: 11
- Total Work Orders
 - 4 emergency work orders completed in 24 hours – 100%
 - 1252 non emergency work orders completed – 94%

○ Occupancy Level: 100%

ASSET MANAGEMENT PROJECT (AMP) REPORT (UNITS LEASED/TURNAROUND/WORK ORDERS/OCCUPANCY) MARCH 2016

Hiawatha AMP 5 – Headquarters: 2123 – 16th – Total Units 886

- Units Leased: 13
- Average Turnover: 23
 - Days Down Time: 4
 - Days Make Ready: 12
 - Days for Re-rental: 7
- Total Work Orders
 - 15 emergency work orders completed in 24 hours – 100%
 - 282 non emergency 76%

○ Occupancy Level: 99%

Cedar AMP 6 – Headquarters: 1611 So. 6th – Total Units 895

- Units Leased: 11
- Average Turnover: 28
 - Days Down Time: 6
 - Days Make Ready: 9
 - Days for Re-rental: 12
- Total Work Orders
 - 12 emergency work orders completed in 24 hours – 100%
 - 390 non emergency 76%

○ Occupancy Level: 99%

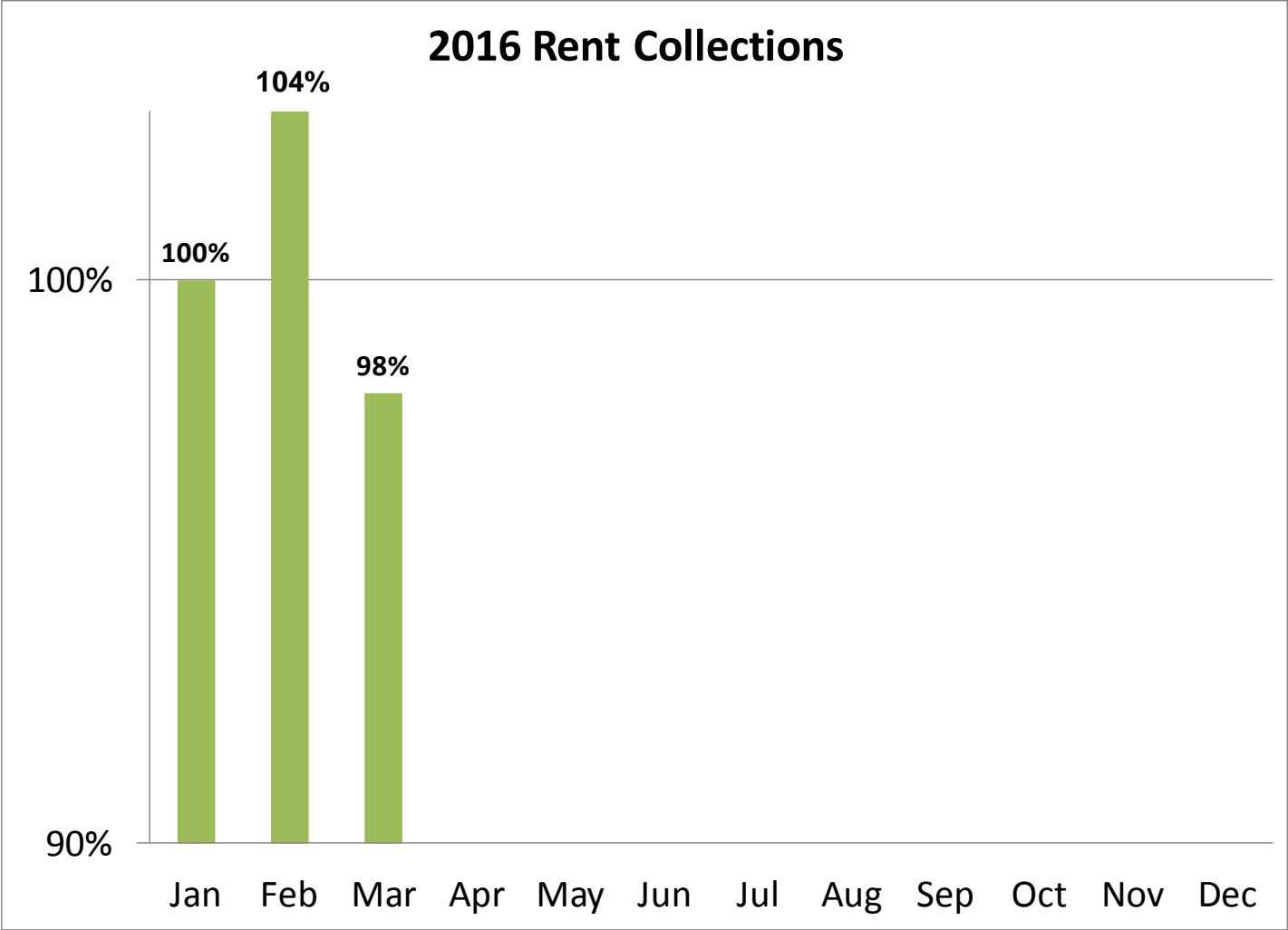
ASSET MANAGEMENT PROJECT (AMP) REPORT (UNITS LEASED/TURNAROUND/WORK ORDERS/OCCUPANCY) MARCH 2016

Horn AMP 7 – Headquarters: 3121 Pillsbury – Total Units 937

- Units Leased: 5
- Average Turnover: 14
 - Days Down Time: 2
 - Days Make Ready: 5
 - Days for Re-rental: 7
- Total Work Orders
 - 4 emergency work orders completed in 24 hours – 100%
 - 578 non emergency work orders completed 85%

◦ Occupancy Level: 99%

RENT COLLECTIONS



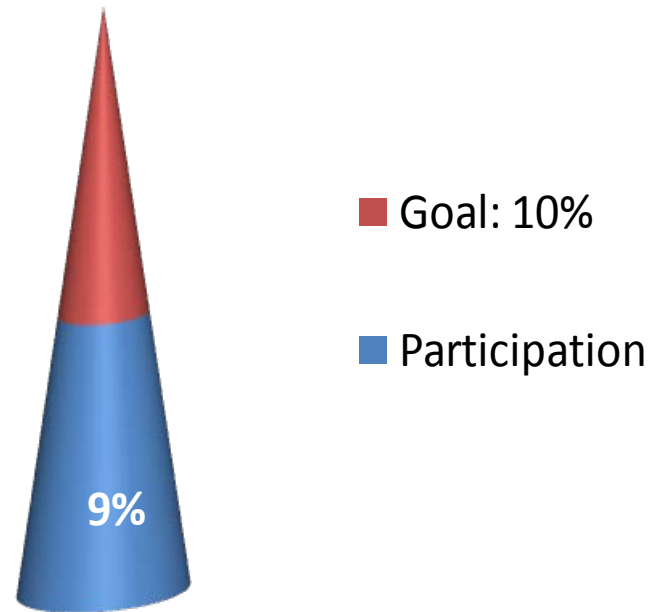
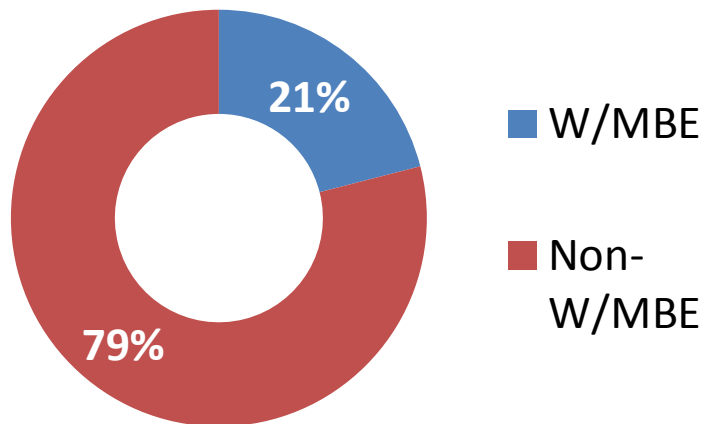
PROCUREMENT

MPHA CONTRACTING ACTIVITY

March 2016

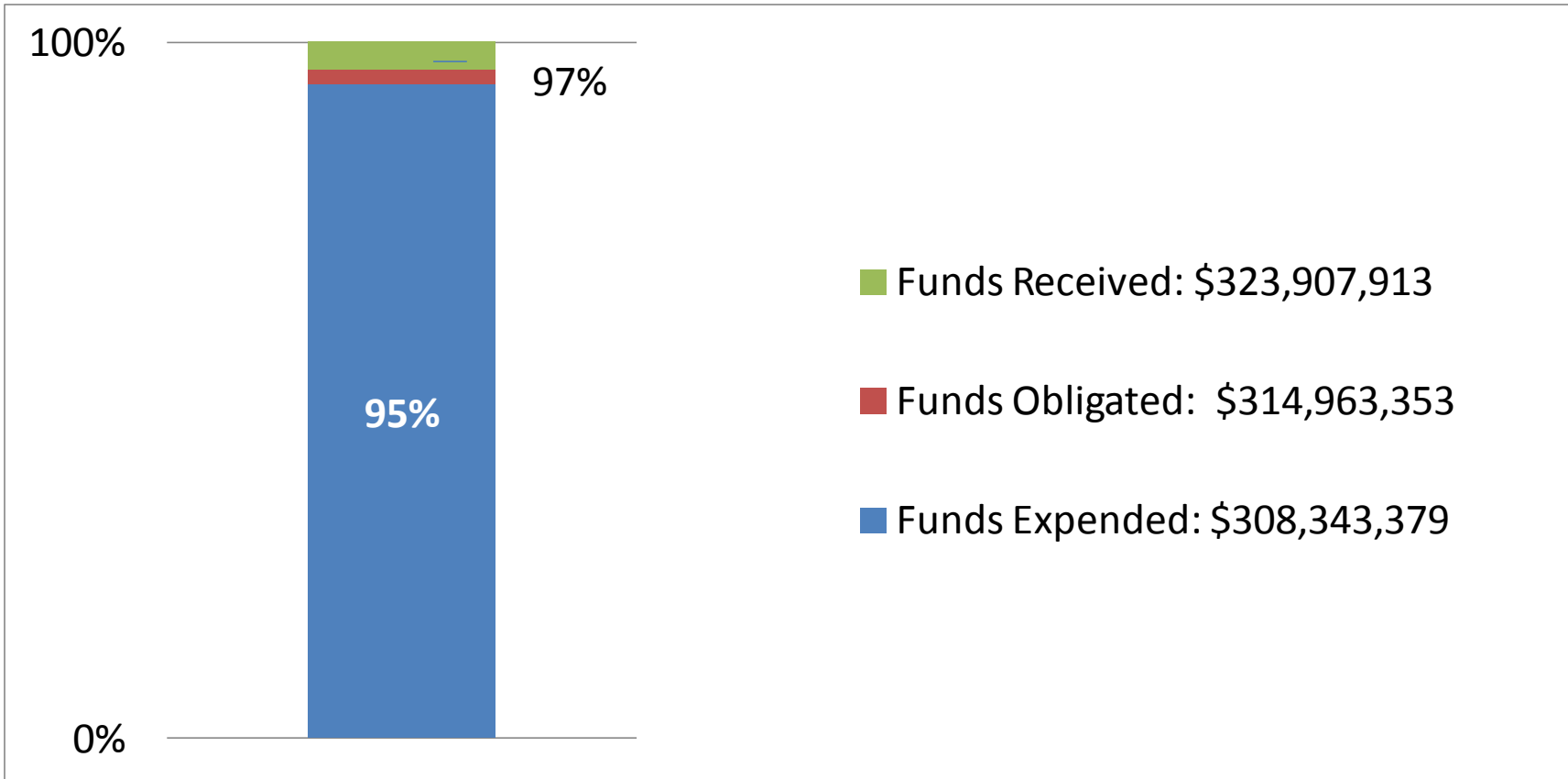
Section 3 Contracting

W/MBE Participation



**\$383,916 in Section 3 Contract
Payments out of \$4,452,414 in total
construction contract payments**

FACILITIES & DEVELOPMENT CAPITAL FUND PROGRAM OBLIGATION & EXPENDITURE REPORT



This period through March 31, 2016

FINANCE

- Through March 2016, all MTW programs are operating within the expected budgets at this time. The Central Office Cost Center is also operating within the expected budget.
- HUD is implementing rulemaking for re-federalizing Central Office funds and reserves with implementation by no later than December 2017.
- At the next Board of Commissioner's meeting, staff will present the unaudited financial results for Fiscal Year 2015.

HOUSING CHOICE VOUCHER PROGRAM

MPHA Housing Choice Voucher Program Report to Board of Commissioners

March 2016

MTW Funded Units (Excludes VASH, FUP, & Mod Rehab)	MTW Units Leased (Excludes VASH FUP & Mod) In March	Average Number of Vouchers Leased to Year to Date	% Variance of units Leased to Funded	# of Participants Moving and Searching In March	# of New Applicants Issued and Searching In March	# of New Applicant Admissions In March	# of Participant Move Lease ups In March
4,509	4,454	4,442	99%	58	0	24	42
# of Applicant Annual Reexams Completed In March	2016 Fiscal Year (Jan - Dec)					MTW Funded Per Unit Cost (PUC) Of Voucher	Actual Per Unit Cost (PUC) Of Voucher In March
	HAP Budget Authority (12 months)		\$38,051,047 2016 FY Funding				
	HAP funded to date		\$9,512,762 3rd month of 2016				
	HAP spent to date		\$9,119,129				
395	Variance		96% of HAP spent to funded			\$702	\$688
# of Owners at Owner Workshop In March	# of HQS Inspections Completed In March	% of Units that Failed HQS In March	# of Failed Units in Abatement for Noncompliance In March	Total HAP Amount Recouped (Abatement) In March	# of HAP Contracts Canceled for HQS Noncompliance In March	# of Family Sufficiency (FSS) Participants Enrolled In March	% FSS Participants contributing to Escrow Accts In March
8	683	30%	20	\$7,239	0	23	43%
# of Mobility Vouchers in Intake or Out Searching	# of Mobility Vouchers Leased To date	Total # of Port out Families Billed for In March	Total # Port in Families Administered In March	Amount Collected from Repayment Agreements In March	FY Total <u>to date</u> Collected from Repayment Agreements	# of Applicants Remaining On Waitlist	# Participants EOP'd (End of Participation) In March
1	29	148	597	\$6,879	\$14,198	**3886	25

4509 is MPHA's MTW Authorized HCV Unit Baseline for FY 2016. Units leased will fluctuate each month but by close of Fiscal Year, the average number of families served for year should be 4509.

NOTE: VASH (235 Vouchers for Homeless Veterans) FUP (100 Family Unification Vouchers) and Moderate Rehabilitation (274 units) are not included in the 4509 baseline; they are ineligible for MTW.

EOPs exclude Project Based Voucher Participants. * Includes All Reinspections **Beginning 2015, Waitlist is being purged

POLICY & SPECIAL INITIATIVES

Policy

- **Moving To Work (MTW):.**
 - **Initiated 2017 MTW Planning Process**
- **Finalized Plans for HUD MTW Office to Conduct Agency Review (September 2016)**
- **Responded to Congressional and Other Inquiries on Agency 'Smoke Free' Policy**
- **Initiated Analysis of HUD's New Rule on Affirmatively Furthering Fair Housing**

POLICY & SPECIAL INITIATIVES

Special Initiatives

➤ Development

○ Heritage Park /RAD:

- MPHA and McCormack Baron continue working together on initiative to transfer public housing adults with no children to transfer from Heritage Park to MPHA highrises.
- Extended timeframe on submission of MPHA RAD Finance Plan to allow MPHA, Legal Counsel, McCormack Baron and HUD to continue moving forward on RAD Conversion negotiations for Heritage Park.
- Engaged MPHA legal counsel to finalize Draft PILOT Opinion for Heritage Park Units Converted to Project Based Rental Assistance (PBRA)

POLICY & SPECIAL INITIATIVES

Special Initiatives

➤ Development

○ Glendale:

- Responded to media inquiries from Minnesota Spokesman and City Pages related to stories on Glendale.
- Finalized Agency responses to Council Member Cam Gordon on action related to outcomes from meeting with MPHA, Defend Glendale, Congressman Ellison's office and other City staff

POLICY & SPECIAL INITIATIVES

Special Initiatives

➤ Development

○ Rent To Own (RTO):

- Waiting List Remains Open
- 2 pre-applications under review
- 2 units remain vacant – Applications are being processed for Public Housing eligibility
- Submitted Application to HUD for Section 32 Home ownership program

POLICY & SPECIAL INITIATIVES

Website Contacts

- MPHA Received and Responded to 125 Website Contacts Requesting Assistance with Housing in March.

POLICY & SPECIAL INITIATIVES

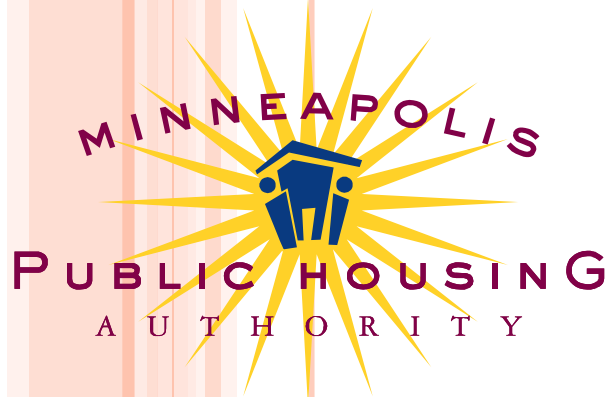
➤ OTHER:

- Collaborated with Executive Administration and Facilities and Development on MPHA ownership of Urban Garden Apartment
- Coordinated Marketing meeting with partners at HPHWC
- Continued with Heritage Park Health and Wellness Center partner engagement activities
- Arranged and worked with Northside Art Collective with the yearly calendar of art
- Finalized move in process for Grace Hospice at Heritage Park Health and Wellness Center

MPHA'S WEBSITE

*You can view information
about the Minneapolis Public
Housing Authority on our
Website*

www.mphaonline.org



Cora McCorvey, Executive Director / CEO

Performance Report for April 2016

Board of Commissioners Meeting -

May 25, 2016

THIS MONTH'S REPORT

- Asset Management Project (AMP) Reports
- Procurement
- Rent Collections
- Facilities and Development
- Finance
- Housing Choice Voucher Program
- Policy & Special Initiatives

**ASSET MANAGEMENT PROJECT (AMP) REPORT
(UNITS LEASED/TURNAROUND/WORK ORDERS/OCCUPANCY)
HEADQUARTERS: 2709 ESSEX ST. SE
APRIL 2016**

Glendale AMP 1 –

Total Units 184

- Units Leased: 3
- Average Turnover: 47
 - Down Time: 4
 - Days Make Ready: 29
 - Days for Re-rental: 14
- Total Work Orders
 - 2 emergency work order completed in 24 hours – 100%
 - 638 non emergency work orders completed – 54%

○ **Occupancy Level: 99%**

Scattered Sites AMP 2 –

Total Units 736

- Units Leased: 5
 - Average Turnover: 28
 - Down Time: 3
 - Days Make Ready: 21
 - Days for Re-rental: 5
- Total Work Orders**
- 4 emergency work orders completed in 24 hours – 100%
 - 442 non emergency work orders completed – 72%

○ **Occupancy Level: 99%**

ASSET MANAGEMENT PROJECT (AMP) REPORT (UNITS LEASED/TURNAROUND/WORK ORDERS/OCCUPANCY) APRIL 2016

North AMP 3 –

Headquarters: 315 Lowry
Total Units 1296

- Units Leased: 17
- Average Turnover: 28
 - Days Down Time: 4
 - Days Make Ready: 13
 - Days for Re-rental: 11
- Total Work Orders
 - 0 emergency work orders completed in 24 hours – 100%
 - 881 non emergency work orders completed – 63%

◦ Occupancy Level: 99%

Northeast AMP 4 –

Headquarters: 1815
Central – Total Units
944

- Units Leased: 8
- Average Turnover: 17
 - Days Down Time: 4
 - Days Make Ready: 2
 - Days for Re-rental: 11
 - 12 emergency work orders completed in 24 hours – 100%
 - 497 non emergency work orders completed – 74%

◦ Occupancy Level: 99%

ASSET MANAGEMENT PROJECT (AMP) REPORT (UNITS LEASED/TURNAROUND/WORK ORDERS/OCCUPANCY) APRIL 2016

Hiawatha AMP 5 – Headquarters: 2123 – 16th – Total Units 886

- Units Leased: 8
- Average Turnover: 27
 - Days Down Time: 3
 - Days Make Ready: 11
 - Days for Re-rental: 14
- Total Work Orders
 - 8 emergency work orders completed in 24 hours – 100%
 - 365 non emergency 57%
- Occupancy Level: 98%

Cedar AMP 6 – Headquarters: 1611 So. 6th – Total Units 895

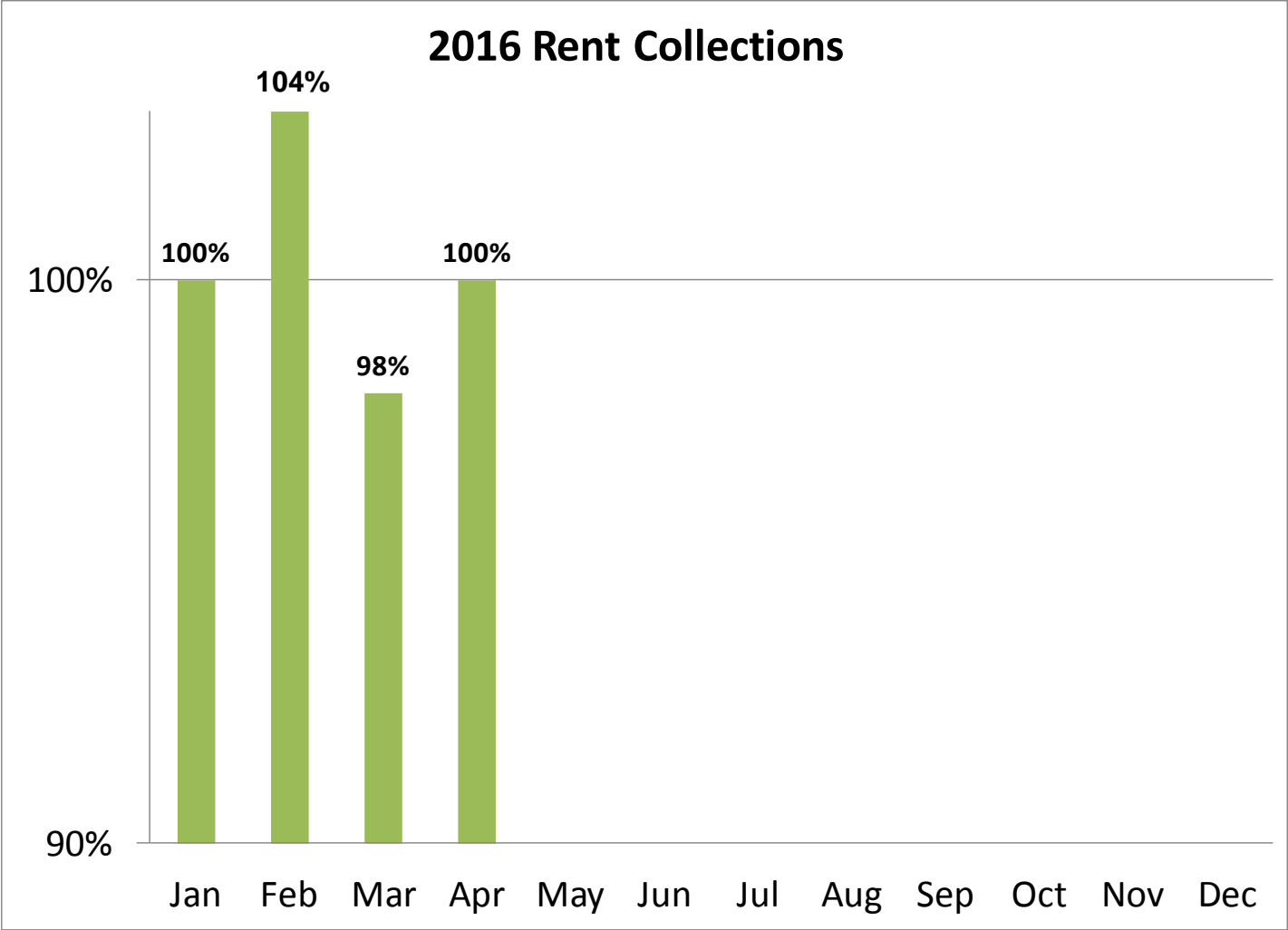
- Units Leased: 6
- Average Turnover: 31
 - Days Down Time: 4
 - Days Make Ready: 11
 - Days for Re-rental: 16
- Total Work Orders
 - 9 emergency work orders completed in 24 hours – 100%
 - 458 non emergency 80%
- Occupancy Level: 99%

ASSET MANAGEMENT PROJECT (AMP) REPORT (UNITS LEASED/TURNAROUND/WORK ORDERS/OCCUPANCY) APRIL 2016

Horn AMP 7 – Headquarters: 3121 Pillsbury – Total Units 937

- Units Leased: 13
- Average Turnover: 17
 - Days Down Time: 2
 - Days Make Ready: 3
 - Days for Re-rental: 12
- Total Work Orders
 - 3 emergency work orders completed in 24 hours – 100%
 - 487 non emergency work orders completed 74%
- Occupancy Level: 100%

RENT COLLECTIONS

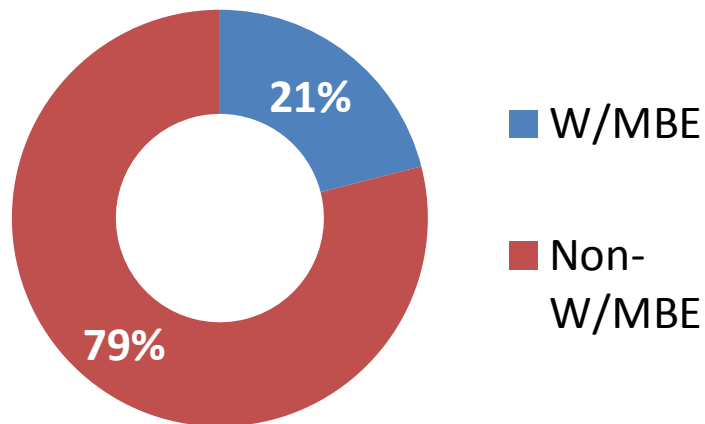


PROCUREMENT

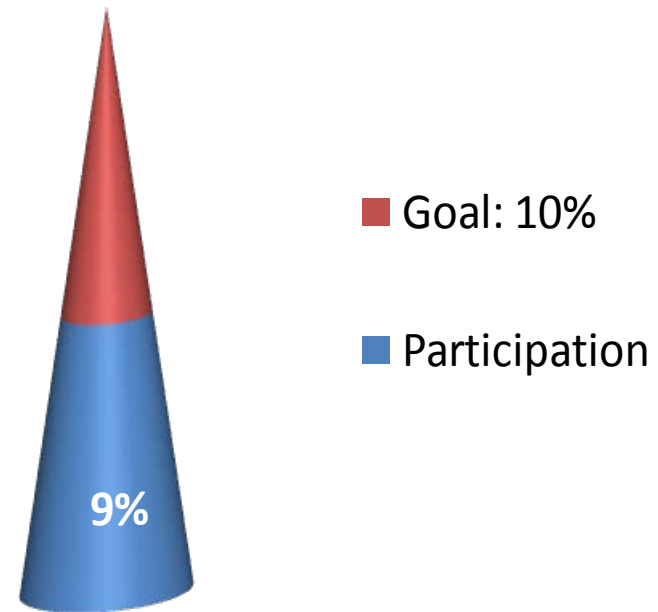
MPHA CONTRACTING ACTIVITY

April 2016

W/MBE Participation

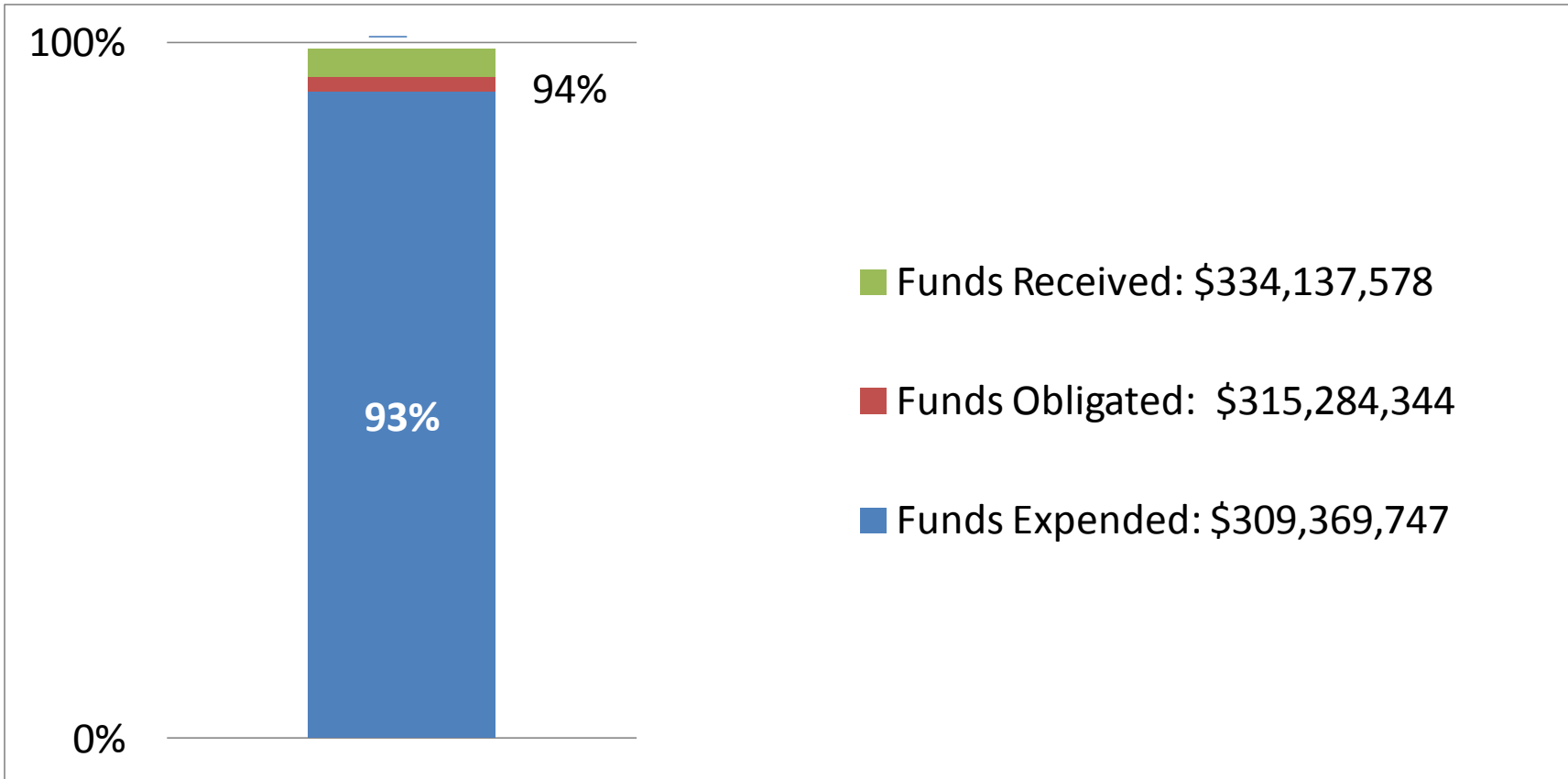


Section 3 Contracting



**\$485,713 in Section 3 Contract
Payments out of \$5,576,783 in total
construction contract payments**

FACILITIES & DEVELOPMENT CAPITAL FUND PROGRAM OBLIGATION & EXPENDITURE REPORT



This period through April 30, 2016



MPHA Headquarters – 1001 Washington
**SECURITY/BUILDING
IMPROVEMENTS**

Project Background

In 2012, the MPHA Board of Commissioners adopted MPHA's 2012-16 strategic plan which called for a "comprehensive assessment of security needs and practices with the goal of contributing to a safe and secure environment in a cost effective manner." The current physical layout of MPHA's headquarters building does not support a secure and safe work environment for its employees and visitors. After extensive review of reconfiguration options, MPHA staff believes it has an optimal design that will enhance building security and customer service in an economical manner.

Project Highlights

- ❖ Creation of new entry vestibule with exterior canopy and reconfiguration of existing vestibule to exit only, which will greatly improve traffic control and flow.
- ❖ Reconfigured lobby with guided access to front desk reception, a centrally located guard desk, and the addition of HCV admin presence on the first floor.
- ❖ A dedicated first floor meeting room for “high-risk” meetings.
- ❖ A more centrally located rent collections window.
- ❖ Secure access points at either side of first floor corridor and at elevator lobby; additional card readers on department suites.
- ❖ New finishes & furnishings.
- ❖ New visitor management policies & procedures.
- ❖ Estimated timeframe: construction start late fall 2016



PRELIMINARY
NOT FOR
CONSTRUCTION

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FINANCE

- The 2015 Financial Results will be Presented during today's board meeting.

HOUSING CHOICE VOUCHER PROGRAM

MPHA Housing Choice Voucher Program Report to Board of Commissioners April 2016

MTW Funded Units (Excludes VASH, FUP, & Mod Rehab)	MTW Units Leased (Excludes VASH FUP & Mod) In April	Average Number of Vouchers Leased to Year to Date	% Variance of units Leased to Funded	# of Participants Moving and Searching In April	# of New Applicants Issued and Searching In April	# of New Applicant Admissions In April	# of Participant Move Lease ups In April
4,509	4,412	4,445	98%	82	10	3	29
# of Applicant Annual Reexams Completed In April	2016 Fiscal Year (Jan - Dec)					MTW Funded Per Unit Cost (PUC) Of Voucher	Actual Per Unit Cost (PUC) Of Voucher In April
	HAP Budget Authority (12 months)		\$38,051,047 2016 FY Funding				
	HAP funded to date		\$12,683,682 4th month of 2016				
	HAP spent to date		\$12,168,181				
311	Variance		96% of HAP spent to funded			\$702	\$691
# of Owners at Owner Workshop In April	# of HQS Inspections Completed In April	% of Units that Failed HQS In April	# of Failed Units in Abatement for Noncompliance In April	Total HAP Amount Recouped (Abatement) In April	# of HAP Contracts Canceled for HQS Noncompliance In April	# of Family Sufficiency (FSS) Participants Enrolled In April	% FSS Participants contributing to Escrow Accts In April
NA	666	29%	14	\$9,168	2	22	50%
# of Mobility Vouchers in Intake or Out Searching	# of Mobility Vouchers Leased To date	Total # of Port out Families Billed for In April	Total # Port in Families Administered In April	Amount Collected from Repayment Agreements In April	FY Total to date Collected from Repayment Agreements	# of Applicants Remaining On Waitlist	# Participants EOP'd (End of Participation) In April
1	22	141	620	\$9,602	\$23,800	**3577	25

4509 is MPHA's MTW Authorized HCV Unit Baseline for FY2016. Units leased will fluctuate each month but by close of Fiscal Year, the average number of families served for year should be 4509.

NOTE: VASH (235 Vouchers for Homeless Veterans) FUP (100 Family Unification Vouchers) and Moderate Rehabilitation (274 units) are not included in the 4509 baseline; they are ineligible for MTW. EOPs exclude Project Based Voucher Participants. * Includes All Reinspections **Beginning 2015, Waitlist is being purged

POLICY & SPECIAL INITIATIVES

Policy

- **Moving To Work (MTW):**
 - HUD provided MPHA with Formal Notice of Renewal of MPHA's MTW Agreement for an additional 10 years.
- **Submitted MPHA's 2015 Moving To Work Report to HUD**
- **Drafted MPHA responses regarding proposed changes to HUD MTW Plan and Report Form 50900**
- **Attended MTW Conference Washington DC:**
 - Presented on MPHA/Alliance Soft Subsidy Initiative (See PowerPoint on MPHA Website www.mphaonline.org)

POLICY & SPECIAL INITIATIVES

Special Initiatives

➤ Development:

○ Heritage Park /RAD:

- Finalized plans and began implementing actions on MPHA-McCormack Baron initiative to transfer public housing adults with no children from Heritage Park to MPHA highrises.
- MPHA, Legal Counsel, McCormack Baron and HUD continue to move forward on RAD Conversion negotiations for Heritage Park.

○ Glendale:

- Responded on behalf of MPHA to Defend Glendale communications related to MPHA's January Board meeting and Consultant presentations.
- Provided detailed information per HUD request related to HUD meeting with Defend Glendale

POLICY & SPECIAL INITIATIVES

Special Initiatives

○ Faircloth:

- Challenged HUD's determination that MPHA Faircloth count was 75 units. HUD agreed that MPHA has at least 96 Faircloth units.

○ MHOP (Suburban Public Housing Units):

- 2 current vacancies at Mounds View . One long term vacancy at Turtle Ridge in St. Francis filled in February

○ Rent To Own (RTO):

- Waiting List Remains Open
- Three Pre applications are under review
- 2 units remain vacant – Applications for Public Housing eligibility are being processed for possible move ins

POLICY & SPECIAL INITIATIVES

Website Contacts

- MPHA Received and Responded to 86 Website Contacts Requesting Assistance with Housing in April.

POLICY & SPECIAL INITIATIVES

➤ Other:

- Events Committee continues planning for MPHA 25 Anniversary and 2016 Annual Employee Business Meeting – Date of Meeting – Thursday July 21, 2016.
- Created MPHA – YMCA Marketing Plan Update for Executive Director meeting with YMCA Executive Staff.
- Finalized MOU for Heritage Park Community Garden
- Engaged with Creative Finance Consultants on investigation of strategies for Report To MPHA Board
- Address Minnesota Housing Finance Agency Compliance issues related to MPHA POTH Property – House of Peace and Harriet Tubman
- Provided letter of support Heritage Park Y – Grant Request
- Engaged in planning effort with City of Minneapolis CPED and Regulatory staff on possible creation of a Landlord Damage Fund to encourage landlords in opportunity areas to accept Section 8 participants
- Led internal Negotiation strategies for Heritage Park Health and Wellness Center Partner Lease renewals
- Follow up meeting from HUD Secretary Castro's visit to Minneapolis to identify City and Regional strategies for expansion of affordable housing in areas of opportunity.

POLICY & SPECIAL INITIATIVES

➤ Other:

- Provided support letter from MPHA for Northside Achievement Zone funding.
- Conducted Sumner Field Homeowners Association Annual Meeting – approved budget and actions that support positioning the eventual sale of ‘Rent to Own’ units to participating MPHA residents.
- Led Agency efforts to create, solicit and evaluate ‘Request for Quotes’ for a Community Engagement consultant
- Collaborated with MPHA Section 8 Department to provide feedback and commentary on Family Housing Fund proposal to evaluate MPHA’s Section 8 HCV program – seeking to enhance mobility and increase landlord participation in accepting Section 8 Housing Choice Vouchers

MPHA'S WEBSITE

*You can view information
about the Minneapolis Public
Housing Authority on our
Website*

www.mphaonline.org

May 25, 2016

REPORT TO THE COMMISSIONERS

FROM: Cora McCorvey, Executive Director / CEO

SUBJECT: Creative Financing Report

Previous Directives: The Board of Commissioners requested that MPHA engage a consultant to examine creative ways to finance public housing development at its June 2015 meeting.

Resident Association Notification: This Report will be reviewed by the Tenant Advisory Committee (TAC) immediately prior to the May 25, 2016 Board meeting.

Budget Impact: None.

Affirmative Action Compliance: Not applicable.

Procurement Review: Not Applicable.

RECOMMENDATION: This is a “Receive and File” item only. No Board Action is required.

BACKGROUND:

At the request of the Board in the summer of 2015, MPHA hired a consultant to analyze, discuss, and make recommendations regarding potential development and funding resources available to MPHA to address Congressional underfunding of public housing; legal constraints on the MPHA in doing so; and to determine whether there are opportunities to better address the housing needs of Minneapolis’ extremely low income households who are currently poorly housed. MPHA hired The Housing Justice Center and attached is an Executive Summary of their report. A PowerPoint presentation of these findings will be made at the Board Meeting and the full report can be found at:

<https://www.dropbox.com/s/z3smdkipedpyaca/Creative%20Finance%20Memo%20to%20Board.pdf?dl=0>

This Report was prepared by Tim Durose, MPHA's DED / CFO and Dean Carlson, MPHA's Development Project Manager. For additional information, please contact Mr. Carlson at (612) 342-1213 or dcarlson@mplspha.org.

CREATIVE FINANCING ANALYSIS FOR MPHA

Executive Summary

The MPHA retained the Housing Justice Center and Aeon to analyze, discuss, and make recommendations regarding: The effect on MPHA of Congress' long term underfunding of its public housing and voucher program; the development potential of its physical assets and other assets such as its Moving to Work Authority (MTW) and authority to develop new public housing under HUD's Faircloth Amendment;¹ potential resources to address Congressional underfunding and fund development opportunities; legal constraints on the MPHA in doing so; and whether there are opportunities to better address the housing needs of Minneapolis' extremely low income households who are currently poorly housed.

We have spent the last several months analyzing these issues, looking at ways in which other PHAs have innovatively addressed them, and discussing our findings and potential solutions with MPHA staff. In this Memorandum we discuss our findings and then apply them and make recommendations with respect to various categories of MPHA assets: its authority to develop new public housing; the Heritage Park and 555 Girard sites adjacent to the Van White station area on the proposed Bottineau light rail line; the MPHA's highrise buildings; and its scattered site units. We have reserved our comments and recommendations regarding Glendale, the MPHA's remaining family project, until completion of the Sherman Associates report. We also examine potential MPHA contributions to current fair housing issues. Finally, we suggest exploration of some potential new sources of capital and operating funds for the agency.

This Memorandum consists of an Executive Summary briefly setting our main findings and recommendations, a more detailed discussion in the body of the memorandum, and three appendices containing further information

Important aspects of the current situation. Federal funding of the MPHA's public housing and housing choice voucher programs has been inadequate for a decade, leaving the MPHA with an approximately \$120 million capital needs backlog and years of inadequate operating subsidy. The lack of adequate public housing funding has forced the MPHA to divert a portion of its voucher resources to partially offset the underfunding of public housing, thus reducing the number of families that could be served with vouchers. In the face of Congressional underfunding (or in many cases, non-funding) of public housing and other affordable housing programs and the loss of existing affordable housing, there is a growing housing crisis for lower income households in the metro area. The crisis disproportionately affects racial and ethnic minorities, who are also disproportionately concentrated in high-poverty areas.

¹ Section 9(g) of the United States Housing Act of 1937. Under the Faircloth Amendment, PHAs have the authority to utilize HUD public housing capital and operating subsidies for the number of units that does not exceed the number owned, assisted, or operated by the PHA as of October 1, 1999. MPHA has authority to develop another 96 public housing units.

Here is our first conclusion: There are no magic bullets, no cure-alls to address these problems. The MPHA has not missed any obvious way to eliminate the \$120 million capital needs accumulation or to provide a lot more housing for the lowest income households who need it the most. But there are some additional resources in common use in the private sector with the potential to partially address the capital needs backlog and to develop new public housing units. One of these, the Low Income Housing Tax Credit (LIHTC) program, has the potential to raise a lot of private capital to produce affordable housing. It is also a program with many limitations for MPHA. We've identified some MPHA assets that could generate additional funds for PH programs; some which might benefit from use of LIHTC funds; and some which can be used to produce new public housing units. We note that the current political context is ripe for MPHA to play a significant role addressing some pressing needs of low income households and at the same time address some important needs of the City of Minneapolis as well as the metro area. Finally, we address some potential sources of additional PHA resources and indicate reasons why the MPHA should have access to those sources.

Standard development resources potentially available to the MPHA. Appendix 1 contains a list and description of potential financial resources from federal, state, local and other sources that are in common use in the production of LIHTC projects. Funds from these sources are typically allocated in relatively small amounts, so doing a new public housing project or completing the substantial rehabilitation of an existing project will require securing funds from several sources. There is a great deal of competition for them every year. So, while these funds will be necessary to develop new public housing units and may be useful in rehabilitating existing units, they are not likely to substantially reduce the \$120 million capital needs backlog. These funds are typically provided to LIHTC projects as non-amortizing loans. To fund public housing, they will need to be grants. It's not clear which of these sources will be willing to fund with grants rather than with loans which are ultimately repayable.

Low Income Housing Tax Credits (LIHTC). This program potentially provides the most significant source of new capital that the MPHA might use for new construction of affordable units or for rehabilitation of MPHA's existing supply of public housing. Investors in LIHTC projects can receive credits offsetting income tax liability amounting to 9% of most of the project costs each year for 10 years. In exchange, income limitations at no more than 60% of area median income (AMI) and rent limitations of no more than 30% of the income limits apply to the project for 30 years. For years 2013-2014, the average new construction project with credits allocated by the Minnesota Housing Finance Agency (MHFA) received \$84,000 (39% of the cost) from tax credit investors.

Because Congressional funding of public housing has been so inadequate and unreliable, it's probably not feasible to include public housing units in a LIHTC project beyond 10%-20% of the units, thus requiring 80%-90% of the units in the project to be tax credit, Section 8, or market rate. HUD's Rental Assistance Demonstration (RAD) program, described below, only partially offsets this problem. Conversion of public housing to Section 8 through RAD will allow more

stable rents. But initial Section 8 rents under RAD are still too low, again requiring additional tax credit, Section 8, or market rate units to supplement the RAD income. In the recent Indian Knoll Manor project by Aeon, 16 new units with project based Section 8 (24% of the total) had to be added to the site in order to make feasible the rehabilitation of 50 public housing units converted by RAD. So in general, LIHTC use for rehabilitation of MPHA's units is therefore limited to sites where MPHA has adequate surplus land for more income generating housing units. If the units remain public housing, substantially more new units are necessary than if they are converted to Section 8 using RAD.

LIHTC requires ownership by a limited partnership or a limited liability company. The operation of a LIHTC property is controlled by a general partner who is legally responsible for the operations and expected to make a number of guarantees to investors. The guarantees can last for 10 to 15 years. Developer fees on the order of \$1-\$1.5 million are available for a general partner in the development business, but will mostly be expected to be used for gap financing or, if in the development business, spent on the next project.

HUD programs facilitating use of LIHTC. HUD's mixed finance regulations permit public housing units to be owned by entities other than PHAs; so public housing can be included in LIHTC projects and the public housing units are eligible for tax credits. Implementation of the *Hollman* decree relied extensively on use of mixed finance, both in Heritage Park and in 13 suburban projects in which public housing represented an average of 16% of the total units – 6 to 7 units per project. HUD's RAD program permits conversion of public housing to project based Section 8. It facilitates inclusion in LIHTC projects by providing a somewhat more stable source of HUD funding with annual rent increases. But initial rents to the project are no greater than sources available as public housing. These will often be so low that the fifteen year cash flow projects developed as investors and lenders underwrite the project will show negative cash flows or inadequate debt service coverage in later years. In general, use of RAD will require development of additional revenue-generating units as part of the project.

Also, use of RAD will require MPHA to commit all subsidies (both operating and capital) provided by HUD to the project. MPHA should be careful to limit, as much as possible, this commitment to subsidies actually provided by HUD.

HUD's RAD requirements provide good protections for residents and assurances of long term low income use. Any shortcomings of the HUD policies in these regards can be addressed through careful MPHA drafting of project documents.

Currently no RAD conversion authority is available but HUD is requesting more through the 2017 Congressional budget process.

HUD has a Voluntary Conversion program which also permits conversion of public housing to either project based or tenant based Section 8, but at more robust rents than permitted by RAD. HUD is actively discouraging Voluntary Conversions as long as RAD is available and

approval to convert can take considerable amount of time. Not all projects will meet HUD's eligibility requirements for conversion.

HUD regulations for the program do not provide the tenant protections required by RAD. MPHA use of voluntary conversion should require full tenant protections and should be for project basing only. But residents and the public will be rightly concerned about the change in ownership and exploration of these options should be completely transparent.

Legal limits on MPHA powers. Under Minneapolis Ordinance Chapter 420, MPHA is a Housing and Redevelopment Authority (HRA), permitted to develop and own "public housing." But the ordinance defines "public housing" more broadly than the HUD program which MPHA administers. It includes "housing projects" under the Minnesota HRA statute, Chapter 469. "Housing projects" provide housing for low income households. The term has always covered at least the federal public housing program. The income limit for that program is 80% of area median income (AMI). So "housing projects" certainly also include federal low income housing tax credit (LIHTC) projects, with income limits set at only 60% of AMI. The MPHA probably cannot, without council approval, be involved in projects with income limits higher than that for public housing - 80% of AMI, except for publicly owned housing for seniors. The MPHA cannot be involved in ownership or development of market rate housing or commercial projects without Council approval. This includes sale of agency land for such projects.

State law. HRAs under Chapter 469 are permitted to form and operate limited partnerships, and so can be general partners in LIHTC projects. Under the statute, the partnerships then are treated as if they were HRAs, regardless of whether there is any public housing involved. This means they are eligible to make very modest payments in lieu of real estate taxes. It also means that the partnership is bound by the same state procurement policies as are HRAs.

Federal law. Mixed finance projects are those that include public housing, but are not owned by an HRA. Mixed finance projects are subject to federal procurement rules if a PHA is involved in ownership. These rules don't apply if there is no PHA involvement in ownership, or if there is no public housing involved, so they do not apply to RAD projects.

Potential MPHA roles in development. In some cases, the MPHA may wish to convey land to a developer, either by sale, or by a long term land lease (as is the case with the Heritage Park projects). We recommend that the MPHA generally convey land through a land lease rather than a sale. It provides for more long term control over the project, and permits the agency to take advantage of future increases in value through escalator clauses.

If an MPHA project is to make use of LIHTC, the MPHA may choose to lease land to a developer to do the project, as was the case in Heritage Park, or the MPHA may wish to be involved as a general partner in the partnership that owns the project. Because the MPHA has no experience with LIHTC, it will be impossible to attract lenders or investors in a project it chooses to develop and operate by itself. Many new developers get around this problem by working on initial projects with an experienced co-general partner. Alternatively, the MPHA might act as sole

general partner, but hire an experienced developer to assist it. Land leases to developers can be structured so as to approximate all of the potential financial benefits from direct involvement in ownership and is probably simpler and less risky. On the other hand, direct involvement in ownership requires a PHA to exercise ongoing responsibility for the project in a way that leasing does not and this may be a substantial benefit to the project and its residents.

We recommend that in conjunction with development of a LIHTC project, the MPHA always assure a right of first refusal at a fixed low cost permitted by Sec. 42(i)(7) of the IRS code.

The MPHA should not consider becoming a developer in order to earn development fees or cash flow to help address public housing underfunding. The fees are not that significant compared to the MPHA's needs and will mostly go to support development staff and start the next project. This concern does not apply to one-off situations involving development, redevelopment, or rehabilitation of MPHA owned assets.

Potential developments.

Develop new public housing units with the MPHA's Faircloth authority. While HUD will provide annual capital and operating subsidies for up to 96 additional public housing units, HUD will not provide the subsidy funding necessary to develop the new units. The MPHA is currently assembling funds, from some of the sources listed in Appendix 1, to develop 16 of these units on land the MPHA is acquiring from CPED.

In order to get the 96 units produced more quickly, and in order to replace a significant portion of the public subsidy necessary to produce the units with private equity, it would be useful to be able to use the same strategy used to site *Hollman* public housing units in a large number of suburban projects: convince LIHTC allocators to give extra competitive points to projects willing to include Faircloth units. To assure financial feasibility, Faircloth units will need to be limited to approximately 10%-20% of the project.

The MPHA should promptly set up a task force involving MPHA staff, MHFA, CPED, Hennepin County, and the Family Housing Fund to explore and, if feasible, establish this option for next year's tax credit allocation round. Doing this with *Hollman* units produced significant administrative burdens for MPHA staff. Many of these can probably be avoided.

Undeveloped land at Heritage Park and 555 Girard. All of the *Hollman* Decree requirements for affordable housing at the Heritage Park site have been satisfied. Therefore, the MPHA should look to the remaining vacant land, as well as the adjacent 555 Girard site, as a significant financial resource, with no need to write down the land price to make development affordable. The planned Van White station area on the proposed Bottineau line may potentially result in substantial land value increases for the Heritage Park land and the adjacent 555 Girard site. The MPHA should convey land on these sites only to maximize land prices or lease payments. That probably means waiting for light rail development, although the agency should be open to earlier proposals, if they promise substantial returns. In earlier market rate homeownership developments on the site, CPED was allowed to capture the value of MPHA land in order to

partially recover its costs of providing infrastructure. It is recommended that in the future, it should be the MPHA that benefits exclusively from conveyance of its land for development.

The Heritage Park property is still subject to *Hollman* Decree requirements, requiring use of the remaining land for home ownership. Current station area plans call for high density housing, including rental housing. This is probably consistent with the intent of the parties to the Decree, but Decree documents should be amended to permit this.

Rehabilitation of MPHA highrises. These buildings could not be replaced with the proceeds from sale of the buildings. Therefore, rehabilitation should be the focus for these buildings, even if done in increments over time. Some of these buildings have sufficient land on the sites to permit development of additional new buildings. The new buildings could generate sufficient additional income to make RAD conversion of the public housing work and therefore permit substantial rehabilitation using LIHTC equity.

MPHA role in addressing fair housing issues. The MPHA is likely to be asked to participate in HUD-initiated efforts to partly resolve fair housing complaints filed last year against the central cities, MHFA, and the Metropolitan Council. These efforts will likely involve pooling vouchers by metro area PHAs to develop project based Section 8 projects in high opportunity areas and PHA coordination to promote voucher mobility to such areas.

Because of its size, its very similar experience implementing the *Hollman* Decree, and especially because it is the sole metro PHA with MTW authority, the MPHA is positioned to play a major role in these efforts. It should insist on doing so as a full partner, using its experience, MTW flexibility, and program expertise to take a lead in developing procedures and policies. Staff should be directed to seize this opportunity by becoming heavily involved in planning. The MPHA should expect compensation for these efforts.

Potential New Resources

It is clear that federal resources to operate the MPHA's HUD programs have been insufficient and unreliable. Without additional significant state or local financial support, the public housing capital backlog will continue to grow, and that will adversely affect residents' living environments. There are useful tools described above that can make some difference, but won't by themselves fully address the MPHA's financial needs.

New local tools need to be made available. Given the very large number of extremely low income households served by the MPHA and the potential effect of its ability to promote metro wide mobility for its clients, the agency should have a special claim on at least two obvious tools: First, full use of MPHA's levy authority, which could add up to about \$5-\$6 million annually, free from HUD's program constraints. This requires City Council approval. Second, Housing tax increment financing (TIF) districts that take advantage of the boom in market rate housing to generate tax increment that can be used city wide to address affordable housing needs. Such a TIF district would be especially appropriate around the Prospect Park station

area, with the financial benefits flowing to Glendale. TIF district designation also requires City Council approval.

Major state and local affordable housing resources have for years had a priority for preserving privately owned housing that includes project based Section 8 subsidies. These deep subsidies make housing affordable to the very lowest income households and their preservation is critical because Congress no longer makes them available for new units. The same is true of public housing subsidies, but public housing has gone largely unrecognized in preservation efforts. The Minneapolis Housing Trust fund should be opened to preservation of MPHA units.

Housing advocates have been very successful in obtaining resources to preserve and expand the supply of privately owned affordable housing. The MPHA should join these groups and expand their vision to include public housing. In addition the agency should explore recruiting a “blue ribbon” committee to explore, and then advocate for, stable expanded state and local resources for public housing.