



NOTICE AND AGENDA

MPHA Board of Commissioners Study Session

February 22, 2017

12:00 - 1:30 p.m. - Room 301

1001 Washington Avenue North

Minneapolis, Minnesota

PLEASE TAKE NOTICE A STUDY SESSION OF THE MINNEAPOLIS PUBLIC HOUSING AUTHORITY IN AND FOR THE CITY OF MINNEAPOLIS WILL BE HELD ON WEDNESDAY, FEBRUARY 22, 2017 AT 12:00 P.M. IN ROOM 301 AT 1001 WASHINGTON AVENUE NORTH, MINNEAPOLIS, MINNESOTA

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

GENERAL:

- Roll Call

SESSION:

1. Section 8 Best Practices Report Overview (Ellen Sahli, President, Family Housing Fund)
2. City/MPHA Inspections Report (Noah Schuchman, City Director of Regulatory Services)
3. Section 8 Non-Discrimination Ordinance (Minneapolis City Council Member Elizabeth Glidden)
4. Section 8 Landlord Incentive (Damage) Fund (Andrea Brennan, CPED Director of Housing & Greg Russ, MPHA Executive Director / CEO)

MINNEAPOLIS PUBLIC HOUSING AUTHORITY

EQUAL HOUSING OPPORTUNITY – EQUAL EMPLOYMENT OPPORTUNITY



5. Next Steps

6. Adjournment

Material will be distributed at meeting

LUNCH WILL BE PROVIDED

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

MINNEAPOLIS PUBLIC HOUSING AUTHORITY

EQUAL HOUSING OPPORTUNITY – EQUAL EMPLOYMENT OPPORTUNITY

ENHANCEMENTS AND BEST PRACTICES DESIGNED TO EXPAND RESIDENT CHOICE AND MOBILITY IN MINNEAPOLIS



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February 10, 2017

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Executive Summary

The Family Housing Fund (FHF) requested an assessment of the Minneapolis Public Housing Authority (MPHA) Housing Choice Voucher (HCV) Program to identify strategies to expand the use of vouchers and maximize resident choice and mobility, and to review best practices nationally to highlight how other PHAs have addressed barriers to create effective mobility options.

In response, the Quadel team conducted an assessment including a site visit to interview stakeholders and MPHA staff. We also reviewed documents and data, conducted a review of applicable research and best practices, and conducted focus groups with property owners and program participants. A review of MPHA policies focused on HCV program areas that most impact moves, movers and landlords to identify ways to make the program more “mobility friendly,” i.e., easier for landlords and families. We also reviewed communication and education efforts.

We learned that MPHA has an experienced staff, demonstrating solid knowledge of the HCV Program and a commitment to provide quality services, expand housing choice and to encourage greater participation on the part of property owners and managers. The assessment also revealed challenges including some outdated administrative practices, lack of collaborative relationships outside the agency and a less desirable image in the community than other housing agencies. With several key leaders retiring in early 2017, MPHA should look to build on the many good works and commitments made by exiting leaders while allowing new leadership the opportunity to encourage innovative thinking and the establishment of partnerships throughout the city and region.

Our assessment of MPHA policies led us to make a number of recommendations, most of which could be easily implemented at little or no cost. These include the following:

- Using the location of project-based vouchers as a strategy to expand housing opportunities for families
- Allowing families more time to search for housing and streamlining the process for new units by prioritizing mobility participant RFTAs and considering same day approval for passed inspections
- Ensuring consistent enforcement and increased communication between MPHA and landlords
- Conducting applicant and participant briefing presentations and voucher issuance on the same day
- Developing a portability process that promotes consistency; reviewing the process and eliminate unnecessary steps; and coordinating with regional housing authorities
- Eliminating the current criteria for portability moves and providing improved information about the benefits of moving less frequently and moving to opportunity areas
- Prorating rent to begin on whatever day of month the HAP contract is approved

EXPANDING ACCESS TO HOUSING CHOICE IN MINNEAPOLIS

In the area of communication and education, our observations indicate that creating regular and frequent opportunities for representatives of MPHA, the City, Met Council and other housing authorities in the seven county area to meet around specific issues would promote innovative regional coordination and lead to greater collaboration to solve the challenges confronted by all of the participants. Recommendations include:

- The development and implementation of strategies to ensure that property owners and managers receive consistent and good customer service, have accurate information and opportunities to provide feedback and ask questions
- We recommend expanding the information provided at briefings (written and oral) to include more about what “opportunity areas” means, the benefits of moving to opportunity, providing examples, data and success stories
- The use of positive language in all communications
- The use of success stories, photos of actual participants, video clips in PowerPoint presentations, and investment in professional branding to promote opportunity moves

The outcomes of the data review and analysis demonstrate the need to reevaluate the mobility program, establish a clear mission and redefine opportunity areas. Current thinking defines opportunity areas as those areas to avoid; we recommend defining opportunity neighborhoods by utilizing criteria such as poverty rate, racial and ethnic make-up and quality-of-life characteristics like education, health, employment opportunities, transportation, safety, etc. Recommendations include:

- Explore development opportunities
 - along the proposed new LRT routes and collaborate with local partners to ensure the inclusion of affordable housing in future projects
 - when awarding project based vouchers in advance of the completion of transit projects
- Evaluate census tracts and/or zip codes
 - that appear affordable to determine availability of rental housing and form partnerships with landlords to make housing available to HCV families
 - that appear affordable for other barriers to mobility including participant lack of interest
 - in nearby suburban communities which would supplement the areas families can access through the current mobility program
- Determine the extent to which families educate their children outside of the public school district to ensure the definition of opportunity reflects their families’ practices
- Consider implementing a homeownership program
- Educate participants and landlords on the subjects of expungements and using criminal records in decision-making

EXPANDING ACCESS TO HOUSING CHOICE IN MINNEAPOLIS

MPHA's recent redesign of the Mobility Voucher Program raises some questions that MPHA should consider as it prepares to begin counseling families again. Concerns raised in the assessment include staffing levels, rent reform, incentives, and other program design components. Recommendations include:

- Staff program with full-time counselors responsible for mobility-related work only, independent of HCV administration
- Ensure the rent reform program contains the flexibility to adequately assist MVP families seeking housing in high-cost opportunity areas
 - Explore the viability of multiple payment standards and/or providing a bonus subsidy to families in the Mobility Voucher Program that move to higher cost areas, determined through the analysis of micro rental markets, or utilize some other method of addressing rent levels

Research shows that comprehensive mobility counseling programs result in program participants gaining access to neighborhoods that are safer, healthier, have better schools and numerous other positive attributes. Many of the policies that have been developed for mobility counseling programs can be integrated into the overall management of the HCV program. We recommend making housing mobility an integral part of the MPHA HCV program operations which involves effective messaging and some direct activity by every staff person in every HCV program department to ensure that mobility concepts become institutionalized.

Best practices are presented as policies or practices that have worked well for locations that have implemented them and are options for consideration. Not all would necessarily be appropriate or effective for Minneapolis. Areas that will be important for MPHA to consider by looking at best practices include:

- Create a “culture of innovation”
 - Reorganize to make operations more like a large non-profit housing provider rather than a HUD-centric housing authority focused solely on federal program compliance
 - MTW empowers agencies to think creatively about how to maximize the utility of their resources and focus on long-term outcomes rather than short-term outputs
- Consider various rent strategies responsive to the economic complexities of the Minneapolis and Hennepin County region
- Establish partnerships and collaborate on a regional approach
- Identify ways to addressing owners' concerns
- Replicating successful programs
- Implement effective communication strategies
- Implement effective performance management strategies

MPHA operates a compliant HCV program and has used its MTW authority in some innovative ways. If some of the recommendations of this report are adopted, MPHA will greatly assist its voucher program participants gain access to communities of opportunity in greater Minneapolis region.

Background and Context

The Family Housing Fund (“FHF”) contracted with Quadel Consulting and Training, LLC (“Quadel”) to conduct an assessment of the mobility initiatives in Minneapolis. As a part of this work, Quadel was tasked with conducting an assessment of the Housing Choice Voucher and Mobility Programs at the Minneapolis Public Housing Authority (“MPHA”) to identify possible enhancements to policies and procedures that may lead toward increased resident choice and mobility. Quadel was also asked to prepare a report that summarized our findings and based upon an assessment of best practices nationally, identify effective strategies to increase options adaptable in Minneapolis and the broader Minneapolis/St. Paul region.

The Minneapolis Public Housing Authority’s (MPHA) jurisdiction is the city of Minneapolis. MPHA operates 5,943 public housing units and 5,076 Housing Choice Vouchers (HCV), including 4,407 with Moving to Work Demonstration (MTW) authority and 669 non-MTW vouchers. The agency serves a diverse community of approximately 24,300 people - a little more than 6% of the City's population. Eighty percent of HCV families have incomes less than 30% of Area Median Income (AMI), and the average income of HCV families is \$14,470. MPHA employs more than 200 people. Fifty-one percent of employees represent diverse ethnicity and racial groups.

Hollman Consent Decree

On July 29, 1992, the Hollman v. Cisneros lawsuit was filed by the Minnesota Legal Aid Society and the NAACP on behalf of a number of public housing and Section 8 families alleging historical patterns of segregation in the placement of public housing on the basis of race and income. The lawsuit was filed against the Minneapolis Public Housing Authority (MPHA), the City of Minneapolis, the Minneapolis Community Development Agency (MCDA), the U.S. Department of Housing and Urban Development (HUD), and later, the Metropolitan Council. In many ways, the lawsuit stems from a 1950s decision by the City of Minneapolis to locate hundreds of new low-income family housing units on Minneapolis’ near northside, rather than scattered throughout the city. By 1992, these units were in increasingly distressed condition and the near northside was heavily concentrated with low-income families of color. The lawsuit sought more locational choice and improved housing conditions for families in public housing and Section 8 programs. In 1995 a settlement was reached with national HUD leaders in a meeting facilitated by Congressman Martin Sabo in his Washington, D.C. office. In April 1995, this settlement was formalized in Federal Court under Judge James Rosenbaum and named the Hollman Consent Decree. The decree required:

- Four north side public housing projects and dozens of scattered-site public housing units to be reviewed for possible demolition or disposition. Relocation assistance to displaced residents

EXPANDING ACCESS TO HOUSING CHOICE IN MINNEAPOLIS

- Development of up to 770 replacement units for families, including 200 units on the near northside, 80 units in other areas of Minneapolis, and 490 units in suburban communities
- The redevelopment of a 73-acre northside site
- Issuance of 900 new HCVP tenant-based vouchers to provide additional locational choice for families living in areas of concentrated poverty
- Creation of a centralized housing information system or clearinghouse that is designed to make it easier for low-income families to locate affordable housing in the metro area
- Recruitment of more landlords to participate in the Section 8 program
- Provision of housing mobility counseling to families

While the full vision of Hollman has not yet been completely realized, many accomplishments have been achieved, including 900 Holman vouchers having been leased in “non-concentrated” areas.

MPHA HCV Program by the Numbers: 2016¹

- Approximately 2500 applicants on the HCV waiting list
- The current success rate of applicants issued a voucher is 77% (leased within 90 days of voucher issuance)
- Average monthly turnover is 24 vouchers (approximately 30% are involuntary program terminations for program violations, 20% are the result of the expiration of the voucher term without leasing, and 50% for other reasons including death, , family left the country, voluntarily gave up voucher, etc.)
- The average number of vouchers issued monthly in 2016 was seven
- The average number of families porting into Minneapolis per month during the last year was 59
- The average number of families porting out of Minneapolis each month was 25

Moving to Work Demonstration

Moving to Work (MTW) is a demonstration program for public housing authorities (PHAs) that provides them the opportunity to design and test innovative, locally-designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-moderate households.

MPHA has used its MTW authority to make program revisions including the following:

- Implement a Flat Subsidy
- Implement Minimum Rent of \$75 as part of flat rent tables
- Eliminate the 40% affordability cap (under rent reform affordability becomes the responsibility of the family)

¹ Source: Minneapolis Public Housing Authority

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- Revised Asset Income Calculation and Verification policies
- Limit HCV participant families to one discretionary interim re-examination between regular annual recertifications
- Implement a Working Family Incentive and streamlined deductions and exclusions, streamlining deductions and exclusions with a 15% exclusion of earned income for families with minor children
- Eliminate childcare, medical expenses, and dependent deductions when calculating adjusted income
- Implement a waiver of the requirement that the agency conduct reasonable rent determinations on all HCV units when there is a 5% decrease in the FMR in effect 60 days before the contract anniversary as compared with the FMR in effect one year before the contract anniversary.
- Revise portability policies, restricting ports-out of Minneapolis only for reasons related to employment, education, safety, medical/disability, VAWA (status as a victim of domestic/dating violence), RCAP within the Twin Cities Metro, or housing affordability.
- For families with mixed immigration status, MPHA will deduct 10% from the flat subsidy amount. This 10% deduction is a flat deduction from the subsidy amount, regardless of the number of ineligible family members in the household.

MPHA Faces Challenges²

As a Public Housing Authority, MPHA is bound to follow Federal regulations in the management of its HCV program. Additionally, the Federal government provides around 70% of MPHA's funding³. As it strives to serve the Minneapolis community and HCV families in particular, MPHA must contend with the following:

- Decreased and insufficient Federal funding
- Significant property repair needs far outpacing available funding
- The region's need for affordable housing opportunities remains well-above the agency's capacity
- Minneapolis does not have any more affordable housing than it did 25 years ago
- The Low Income Housing Tax Credit program is a major source of investment in new affordable housing but its targets for housing affordability do not make affordable housing accessible to extremely low income families
- Naturally occurring affordable housing (units available at an affordable price without any subsidies, vouchers or other interventions) are disappearing fast
- The placement of new affordable housing units in high poverty communities
- A low vacancy rate of 2.5% pushing rental costs higher
- A vacancy rate of less than 1% for extremely low income families

² MPHA Report to Mayor of Minneapolis, July 26, 2016

³ Source: MPHA *By the Numbers* (<http://mphonline.org/about/agency-overview/by-the-numbers/>)

- Increasing number of high-needs residents, particularly those with disabilities and mental illness
- Potential for victimization of residents in high-crime communities
- Large population of homeless families with children

Impediments to Fair Housing

The Twin Cities Metro Area Fair Housing Implementation Council (FHIC) is a cooperative of local governments and stakeholders focused on affirmatively furthering fair housing in the Twin Cities region. It prepares the Analysis of Impediments to Fair Housing Choice (AI) which both identifies barriers to fair housing and provides recommendations to remedy those barriers.

Among others, the February 2015 AI lists the following impediments:

- Limited number of rental units with 3+ bedrooms.
- High rental application denial rate in communities of color and those with disabilities based on rental selection criteria (criminal background, credit history, rental background).
- Inability to place tenant based rental assistance vouchers for those with disabilities, households with children, and households of color, including but not limited to Housing Choice Vouchers
- NIMBY-ism with regard to siting and placement of affordable housing

Protected Classes in Minneapolis

- *Federal* fair housing protected classes include race, color, national origin, religion, sex, familial status, and disability.
- Protected classes covered by the *Minnesota* Human Rights Act are race, color, creed, religion, national origin, sex, marital status, familial status, disability, public assistance, age, and sexual orientation.
- Protected classes according to the *City of Minneapolis*' Civil Rights Ordinance are race, sex, religion, familial status, disability, national origin, color, creed, sexual orientation, ancestry, marital status, and receipt of public assistance.

Mobility Voucher Program

Implemented in 2010, the MPHA Mobility Voucher Program (MVP) was designed to support families in voluntarily moving from high-poverty areas of Minneapolis. Since its inception, MVP has struggled to meet expectations in facilitating residential mobility due to significant staff turnover, a tight rental housing market, and a lack of affordable rental housing in opportunity areas among other factors. Since inception, 60 families made moves to opportunity areas with the support of MVP counseling, and 21 families are currently under contract. Recognizing the need for improved outcomes, a program redesign was drafted in 2016 expanding staff and services. While the program initially served only waiting list applicants, the redesign plans to include HCV program participant movers. Staffing MVP continues to be a challenge for MPHA, and at the time we completed our assessment, there was no dedicated staff.

Assessment

To assess the MPHA Housing Choice Voucher Program including the Mobility Voucher Program, the Quadel team completed a document review, focusing on relevant policies, plans, and communication materials. To determine how those policies and plans are implemented and what their impact is on the operations and perceptions of the programs, we conducted separate focus groups with landlords and Housing Choice Voucher Program participants, and interviewed MPHA staff members from various departments and levels of responsibility as well as representatives from the City's Department of Community Planning and Economic Development and the Metropolitan Council. To ensure consistency between multiple interviewers, and maximize efficiency in the information collection process during the onsite meetings, Quadel prepared and used interview guides and other assessment tools. The questions in these guides were designed to encourage honest conversation and provide a glimpse into the inner workings of MPHA and its HCV and mobility programs.

Through the assessment phase of the project, Quadel learned that MPHA has an experienced staff which demonstrated solid knowledge of the Housing Choice Voucher Program and a real commitment to provide quality services, expand housing choice, and to encourage greater participation on the part of property owners and managers. Senior staff expressed consistent and positive messages relating to their desire to enhance choice and mobility for the families they serve, and to collaborate with city and regional agencies to do so. With several key leaders retiring in early 2017, MPHA should look to build on the many good works and commitments made by exiting leaders while attempting to add and encourage innovative “big-thinking” with its new leaders.

MPHA is challenged by the traditional stereotypical perceptions of their programs and the families they serve by landlords, the public and in some cases, elected officials. Agency leaders expressed some frustration with efforts to collaborate with these groups, observing that assisted housing programs are often perceived as the problem. MPHA views itself as part of the solution to solving local issues particularly concerning increasing access to affordable housing, however staff expressed that MPHA is not always viewed as a full partner or brought to the table to help resolve community-wide issues. Assuming the agency retains a commitment to solutions-oriented partnerships, the transition of leadership should provide an opportunity to refresh relationships with local partners.

A review of MPHA policies reveals a fairly traditional and standard approach to administration of its programs, most of which are effective and consistent with many public housing authority practices. Some, however, are perceived by landlords and participants alike as overly “bureaucratic” and cumbersome. Based on our conversations with all stakeholders and observations of MPHA briefings, it is clear that some of these practices discourage the

participation of property owners and make leasing housing in what are considered opportunity neighborhoods difficult for participating families. The following section details our review of relevant policies, and contains recommendations for increased efficiency and effectiveness.

MPHA Policy Review

As a part of the assessment, Quadel evaluated multiple policies and procedures in effect at MPHA. Our analysis was focused on HCV program areas that directly impact moves, movers and landlords. Additionally, based on this review, our experience, and what we learned during our onsite meetings, we provide recommendations aimed at making the program more “mobility friendly” for both landlords and families.

Project-Based Vouchers

MPHA currently administers 712 project-based voucher units. This assistance subsidizes units directly rather than tenants, and is often a crucial part of financing the preservation or construction of affordable housing units.

A request for proposals was issued by MPHA recently for 50 units targeting families coming out of shelters, however only one proposal was received. At the time of Quadel’s onsite meetings with MPHA, no action had been taken (or planned) to accept that proposal. That RFP allowed extra points for locations outside of areas of concentrated poverty, however, based on conversations with partners outside of the agency, there is no evidence to support a claim by MPHA staff that project-basing is viewed as a way to increase the number of affordable units in opportunity areas. In fact, there is some indication that the recent RFP was a missed opportunity to work with the City, where capital resources could have been made available. MPHA can project-base up to 20% of its vouchers, or approximately 300 more in addition to the 712 units currently administered. (New HUD regulations proposed but not yet implemented will allow for an additional 10% allocation of project-based vouchers for units designated for certain vulnerable populations, or located in areas where vouchers are difficult to use and the poverty rate is 20% or less.

Recommendation: Use the location of project-based vouchers as a strategy to expand housing opportunities for families. When implemented, MPHA should target assistance to units that will qualify for the 10% exception, which will maximize the agency’s flexibility as it determined what number of units it will ultimately attach project-based assistance to. Additionally, MPHA should collaborate in planning with local stakeholders seeking to increase affordable housing in opportunity areas in order to maximize the impact of this assistance.

HCV Administrative Plan

We have identified several policies in the 2016 HCV Administrative Plan that can be revised to encourage mobility and greater participation from landlords.

Voucher Term

The voucher term policy states that “The initial voucher term will be 90 calendar days. The PHA will approve additional 30 day extensions....” One policy applies to both HCV and Mobility programs. In addition, focus group comments indicate that implementation of the policy of granting requests for extensions seems to lack consistency.

Recommendation: Amend the policy and allow an initial voucher term of 120 days. Conduct an audit of extension requests to determine if policy is applied consistently, and train staff as needed.

Housing Quality Standards

The policies relating to Housing Quality Standards state “If the owner or his or her representative is not present for the initial Move-In Inspection or if the unit is being occupied (during time of scheduled inspection) by any person other than the assisted family the Section 8 Inspection will not be conducted.”

Recommendation: To offer the greatest flexibility for both inspector and owner, consider allowing inspections under these circumstances, in occupied units (a reinspection may be required) or if the owner has a lock box.

The policy also states “To the extent practicable, the PHA will complete the initial inspection, determine whether the unit satisfies HQS, and notify the owner and the family of the determination within 15 days of submission of the Request for Tenancy Approval (RTA).”

Recommendation: Prioritize mobility participant RFTAs to have a faster turnaround time to process inspections. Consider same day approval and HAP contract execution for passed inspections which will allow for quicker occupancy and reduce vacancy loss for landlords. Additionally, HUD issued a notice to implement (effective no earlier than April 18, 2017, but potentially 60 days later) a regulation allowing for initial occupancy of a unit that fails HQS but does not have any life-threatening deficiencies. MPHA would need to amend its administrative plan to take advantage of this flexibility and should prepare to do so.

The administrative plan also includes the following language: “Families are responsible for correcting any HQS violations listed in paragraph 8.I.D. If the family fails to correct a violation within the period allowed by the PHA (and within any approved extensions), the PHA will require attendance at HQSE Class and the right to an Informal Hearing if program violations have been determined.” During a focus group landlords expressed that families are not held accountable for tenant-caused HQS fails and that this discourages program participation by landlords.

Recommendation: Work with landlords and tenants to revise this policy in such a way that does not discourage landlord participation. Audit tenant HQS violations to determine how the current policy is enforced, and train staff as necessary.

HUD issued an implementation notice for some of the provisions authorized by The Housing Opportunity through Modernization Act (HOTMA) on January 18, 2017. Among other provisions, HOTMA authorizes PHA's to approve occupancy before a unit fully complies with HQS, with some limitations.

Recommendation: MPHA should evaluate the options as they have been authorized by HUD to determine if the approval of units before full compliance with HQS will increase the availability of affordable housing units in low poverty/opportunity neighborhoods.

While the administrative plan includes language that lists items the housing authority has adopted as specific requirements that elaborate on HUD standards, and language explaining when annual or biennial inspections are required, property owners and managers do not seem to have an understanding of these requirements. Some practices are changing and staff indicated that owners are advised by word of mouth at inspections so information may not be reaching landlords in a consistent manner.

Recommendation: Communicate revisions to inspection requirements in writing to all property owners/ managers and hold regular information sessions for landlords to provide a forum for program orientation and an opportunity for landlords to ask questions.

Subsidy Standards

Subsidy standards, or the policies related to determining the unit size allowed, are reasonable and flexible. In fact, MPHA subsidy standards are more lenient than surrounding jurisdictions.

Recommendation: None

Moves with Continued Assistance

The Administrative Plan policies related to moving with continued assistance states, "After confirmation of attendance at the mandatory Briefing Presentation, the PHA will schedule the participant with a Voucher Issuance appointment within five business days." This process requires two visits to the housing authority by the participant and staff time for both which is excessive and inefficient.

Recommendation: Amend the policy to conduct the briefing presentation and voucher issuance on the same day.

Portability

MPHA portability policies follow HUD requirements. Actual practice includes informal agreements within the seven-county region to "swap," or agree on absorption/billing in order to lessen the administrative burdens to each of the PHA's. In actual practice there also appears to be

little communication between PHAs resulting in families having less time to search for housing in the jurisdiction to which they plan to move. A ‘walk-through’ of the step by step process by staff leads one to believe that the process for porting is not consistent from one community to another and that staff is probably doing more than necessary.

Recommendations: Develop a portability process that promotes consistency. Review process and eliminate unnecessary steps. Coordinate with regional housing authorities to develop policies and practices that encourage adequate housing search time and moves to opportunity areas.

In an effort to reduce the costs associated with portability moves, in 2014 limitations were placed on portability and families desiring to port out of Minneapolis must have a verifiable and acceptable need to move, including one that concerns education, employment, or housing affordability. Moving to an opportunity area has been added to the list of acceptable reasons. Since the data do not indicate a dramatic reduction in moves, this policy creates an unnecessary workload that does not reduce moves, while discouraging mobility moves to opportunity neighborhoods.

Recommendation: Eliminate the criteria for portability moves and provide improved information about the benefits of moving less frequently and moving to opportunity areas.

Payment Standards

As a part of its Rent Reform MTW activity, MPHA has one payment standard for all participants in the HCV program. In recent years, HUD’s Office of Policy Development and Research (PD&R) has calculated “Small Area Fair Market Rents” at the zip code level. The objective behind the concept of Small Area FMR’s is to provide a higher payment standard in areas where rental housing costs are greater and a lower payment standard in areas that cost less. While the HUD determined Small Area FMR’s may not be practical, in its current form, MPHA could have more than one payment standard for the entire jurisdiction, as a way to incentivize leasing in some of the opportunity neighborhoods that may also have higher rents.

Recommendation: Compare the current payment standard policy with the data from HUD’s Hypothetical Small Area FMR’s and MPHA’s knowledge of the local housing market. For families currently living in the opportunity areas, rent burden should also be evaluated. Based upon the outcome of the evaluation, MPHA could adopt higher payment standards in some neighborhoods while reducing them in others (to limit the financial impact of the higher standards). The overall goal of this recommendation should be to establish payment standards that offer higher payment standards in high cost neighborhoods and lower payment standards in more affordable neighborhoods. If implemented this recommendation should be cost neutral (i.e. the savings from reduced payment standards in low cost neighborhoods can offset the increased costs in higher costs neighborhoods).

Payments to Owners

The MPHA policy of leasing and beginning housing assistance payments to owners only on the first and fifteenth of the month was an issue raised in numerous conversations. This practice was viewed as negative by participants and landlords alike as well as some staff.

Recommendation: Amend this policy to allow prorated monthly payments to owners to begin on the day the HAP contract is approved.

Communication & Education Efforts

Perceptions of Programs and Families Served

Interviews with staff and other representatives from housing related organizations in the city and region, and focus groups with program participants and landlords resulted in a typically “mixed bag” of perceptions of the MPHA programs and the families they serve. There are stereotypical perceptions of their programs and the families they serve by landlords, the public, and in some cases elected officials, that include “hard-to-work-with government agency, and families that are large and bring behavioral issues such as crime and drugs”, etc. At the same time there is a genuine respect for MPHA by housing professionals as a housing authority with a history of high quality operations and knowledgeable and experienced staff. During a focus group, landlords who have worked with MPHA for several years and have established relationships with staff were also quite complimentary of the responsiveness and efficiency of the agency.

However, MPHA is not viewed as a collaborative organization, nor do MPHA staff believe that they are viewed as collaborative or asked to be a full participant in problem-solving with the city or regional sister organizations. There was an expressed desire on the part of everyone interviewed to work together to resolve community issues, improve housing options, and expand opportunities in higher income areas.

Recommendation: Our observations indicate that creating regular and frequent opportunities for representatives of MPHA, the City, Met Council and other housing authorities in the seven county area to meet around specific issues would promote innovative regional coordination and lead to greater collaboration to solve the challenges confronted by all of the participants.

Property owner perceptions and program understanding

There were several key take-aways from a landlord focus group. These included:

- A strong feeling that MPHA does not hold program participants accountable,
- Rents are not adequate in many areas of the city,
- Communication between the housing authority and property owners and managers needs improvement, and
- A better understanding of the termination of participation and eviction processes is needed among the legal and judicial community as well as property owners and managers.

Landlords expressed that MPHA is larger, less personal and less efficient than other PHAs in the region, and that other PHAs process payments and conduct inspections without the same delays. It was our impression that a large part of this response was about communication and not always based on fact.

Recommendations: Develop and implement several strategies to ensure that property owners and managers receive consistent and good customer service, have accurate information and opportunities to provide feedback and ask questions. These could include an information

owner brochure, a regular newsletter, forums held regularly in different locations around the city, and written policy updates and briefs provided through the owner portal and MPHA website. Additional staff training may be required along with the development of a customer service policy oriented to landlords that clarifies the elevation of issues to specific positions within the agency.

HCV Participant perceptions and program understanding

Participating families appear to have a good grasp of how the voucher program works based on information gathered through the participant focus group and attendance at a briefing. Where we observed issues they were, again, related to how information is communicated to families. Many of the comments in the focus group concerned the stress associated with searching for housing, the lack of time allowed, and a lack of knowledge about how the location where they use their voucher can affect their lives. They also expressed that some landlords do not take Section 8, rents are not affordable, transportation is limited in many areas and the costs of security deposits and moving expenses are a problem for them. Participants expressed the need for support in several areas in particular including health issues, employment, information about neighborhoods, and more housing options.

Recommendations: Expand the information provided at briefings (written and oral) to include more about what “opportunity areas” means, the benefits of moving to opportunity, provide examples, data and success stories. Consider conducting a briefing specifically for families eligible for the mobility program or providing a short mobility briefing following the regular briefing for anyone interested. Consider reconfiguring the briefing room so participants face the screen rather than viewing from the side. All HCV Program participants would benefit from the messages currently communicated only to mobility program participants.

Written materials

We noted that most people we talked with – staff, landlords, participants, and others – use the terminology Section 8 rather than Housing Choice Voucher and that presentations, briefings as well as brochures, tend to incorporate other negative language (impacted, areas of concentrated poverty, etc.) and terms that are not always defined. While housing professionals are familiar and comfortable with industry jargon, many highly successful organizations employ marketing strategies recognizing that how information is presented to landlords, participants and the public can make a tremendous difference in the level of acceptance. For example, the mobility program is called the Minneapolis Public Housing Authority Mobility Voucher Program rather than developing branding for the initiative with a name, colors and logo that would create interest as many programs have done.

Recommendation: Use positive language in all communications. Consider including success stories, photos of actual participants, video clips in PowerPoint presentations, and invest in professional branding if necessary to promote moves to opportunity neighborhoods. (See Best Practices)

Data Review and Analysis

Analysis of Impediments (AI)

The Minneapolis Metro area has 42 Racially and Ethnically Concentrated Areas of Poverty (R/ECAPs), by federal definition⁴, including 22 in Minneapolis. By this definition, a census tract is a R/ECAP if its poverty rate exceeds 40% or three times the poverty rate of the metropolitan area (whichever is lower). Additionally, these tracts must have a non-white population of 50% or more.

The Metropolitan Council uses a different standard of poverty to account for the region's higher median local income compared to national data⁵. By this local definition there are 80 R/ECAPs (using the local definition) in the Twin Cities region. Based on an analysis of Metropolitan Council's "Make-A-Map" tool⁷, 58.8% of those 80 are in Hennepin County, including 48.8% in Minneapolis.

The 2014 Fair Housing Implementation Council (FHIC) AI details the numbers and locations for Racially and Ethnically Concentrated Areas of Poverty (R/ECAPs) in the Twin Cities region, with respect to how members of protected classes are impacted. Specifically, the AI considers the burden of concentrated poverty in Minneapolis. Of the 80 identified R/ECAPs in the region, almost 60% are located in Hennepin County, and almost half of all R/ECAPs in the county are located in Minneapolis. Within Minneapolis, foreign-born and disabled residents are overrepresented in Concentrated Areas of Poverty (CAPs). While just over 10% of the Minneapolis population has a disability, 53.3% of them live in a CAP. Under 15% of Minneapolis residents were born outside the U.S. but over 70% of them live in a CAP. MPHA is impacted by these overall trends as 36% of HCVP participant families are foreign-born, and 39% of participant families are disabled. At this time, further analysis is required to determine the share of HCV participants residing in CAPs.

⁴ AFFH Mapping tool, accessed 1/25/17 (<https://egis.hud.gov/affht>)

⁵ MPHA has decided to use Metro Council's standard for Concentrated Area of Poverty (regardless of racial composition) for its MVP program.

⁶ The full rationale and supporting data can be found in the Metropolitan Council's *MetroStats* report, "Concentrations of Poverty: Growing and Suburbanizing in the Twin Cities Region" (<https://metro council.org/Data-and-Maps/Publications-And-Resources/MetroStats/Census-and-Population/Concentrated-Poverty-Growing-and-Suburbanizing-in.aspx>)

⁷ <http://giswebsite.metc.state.mn.us/publicmaps/makeamap/>

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Table: Population Share of Particular Groups⁸

	Minneapolis	Minneapolis CAPs
Disabled	10.2%	53.3%
Foreign-Born	14.6	70.4
Families with Children	49.9%	48.3%
Single-Mother Families	17.2%	67.1%

Because a disproportionate share of members of certain protected classes live in CAPs, FHIC members are incentivized to reduce these concentrations to diminish the possibility of future Fair Housing Act complaints and adverse rulings. Jurisdictions must agree that they share the burden to reduce the segregation of disabled, foreign-born and other protected classes in CAPs. Additionally, the AI included two factors that MPHA may be able to directly positively impact: homeownership and rental application rejection rates.

MPHA has the ability to create a homeownership program within its HCV program. Doing so would facilitate homeownership for an underrepresented population, providing financial literacy and management skills, and more to participants. Having a homeownership program could also facilitate greater collaboration with local entities in the industry, and would diversify MPHA's portfolio of interests regarding policymaking in the region.

Recommendation: MPHA should examine the potential benefits of a homeownership program in connection with reducing the disparity in homeownership among protected classes in the region.

Rental application rejection rates, particularly for minority and disabled applicants have received increased attention recently. In April 2016, The U.S. Department of Housing and Urban Development issued guidance on using criminal records when making housing-related decisions. Aside from ensuring its own guidelines conform with HUD's guidance, MPHA can assist HCV participants in the rental market by educating families about Minnesota's criminal record expungement policies and working to ensure landlords are informed about their responsibilities under the Fair Housing Act (and applicable state and local laws) concerning criminal records.

Recommendation: MPHA should educate participants and landlords on the subjects of expungements and using criminal records in decision-making.

Analysis

For its Mobility Voucher Program, the MPHA relies on the Metropolitan Council's data and mapping resources⁹, particularly in determining the Areas of Concentrated Poverty (ACPs). We also used this data in our analysis. MPHA has decided that its Mobility Voucher Program will

⁸ While the share of families with children residing in CAPs does not raise concerns for potential fair housing liability for that protected class, the concentration of single-mother families is significant and therefore included in the table.

⁹ <http://giswebsite.metc.state.mn.us/publicmaps/makeamap/>

seek to enable families to move out of ACPs in Minneapolis. We therefore will seek to understand whether the local geography of opportunity aligns with this policy choice by examining the location of factors that affect prospects for economic advancement including schools, jobs, housing, transit, and safety.

Transit

While touring Minneapolis neighborhoods, we learned of future developments in public transit, including light rail, which promise to drive residential and commercial growth in the Twin Cities region. Since many of these improvements will not be completed for several years, this is a unique opportunity to locate affordable housing in areas of opportunity. The 2040 Transportation Policy Plan adopted by the Metropolitan Council in 2015 provides significant guidance related to projects currently in development. Of particular interest may be the Southwest LRT (METRO Green Line Expansion) which is projected to serve residential and job-rich areas in Minneapolis and suburban Hennepin County.

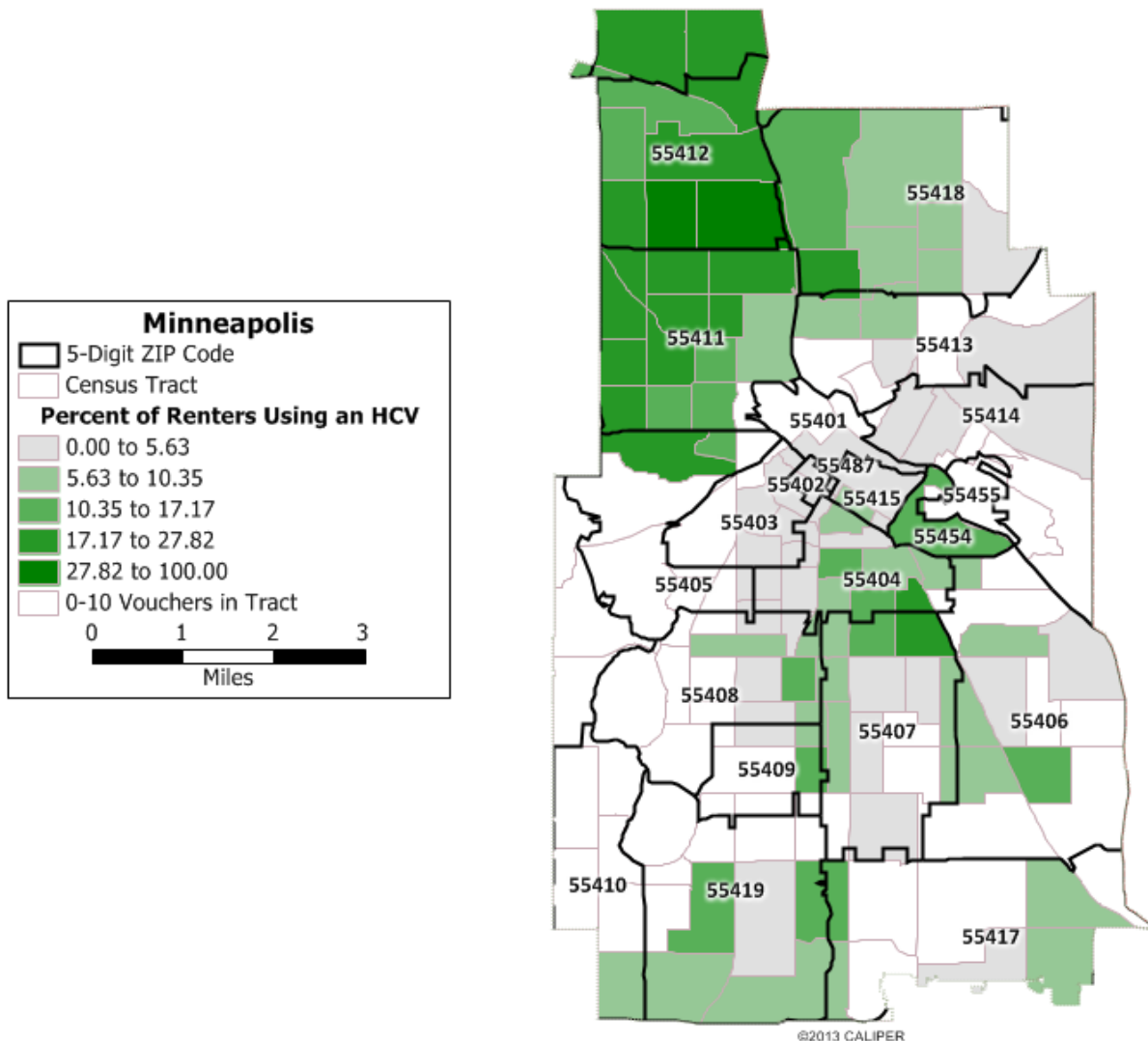
Recommendation: MPHA should closely examine development opportunities along the proposed new LRT routes and collaborate with local partners to ensure the inclusion of affordable housing in future projects. MPHA should also consider this future development when awarding project based vouchers in advance of the completion of these transit projects.

Location of HCV families

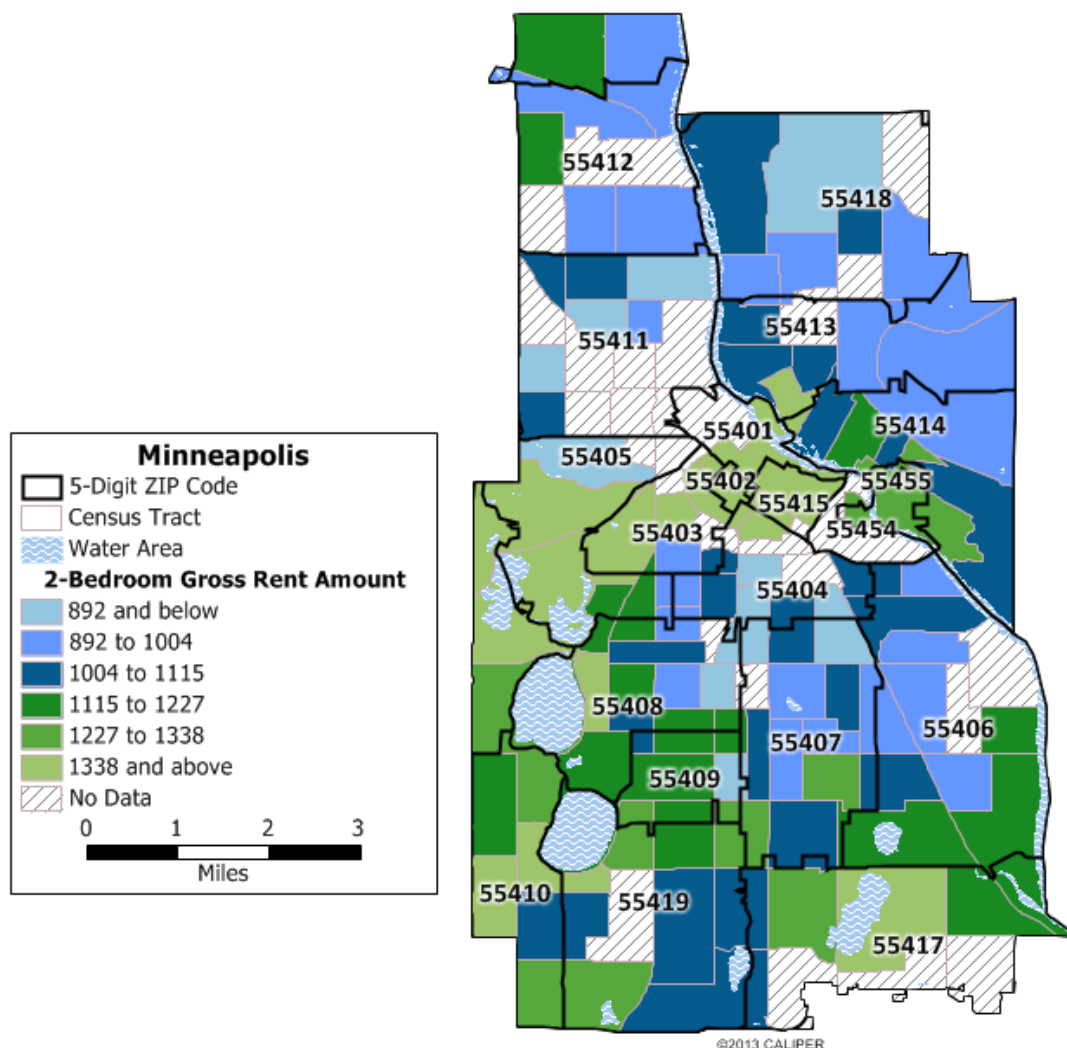
The current location of HCV families in Minneapolis (see Map 1) is the foundation for understanding the local barriers to mobility. The local geography of opportunity for the purposes of this analysis contain relative poverty rates, cost of housing, job supply and job trends, and school quality. Using the Affirmatively Furthering Fair Housing (AFFH) Mapping and Data Tool,¹⁰ we were able to access data that describes the percent of voucher holders in Minneapolis Census Tracts among all renters. While we were unable to obtain data with the precise location of voucher holders from MPHA, the AFFH data will provide significant insight into the location of voucher families.

The data makes clear the correlation between the location of voucher holders and HUD-defined racially and ethnically concentrated areas of poverty (R/ECAPs). This confirms anecdotal and experiential knowledge that voucher holders are not only concentrated in areas of poverty, but the areas with the highest poverty rates. This is also borne out in our maps. The highest areas of poverty in Minneapolis are in the northwest, and portions to the south and east of the city center, particularly portions of zip codes 55412, 55411, 55404, 55407, 55454, 55408, 55455, 55414, and 55413. With the exception of the areas east of the Mississippi River, these high poverty areas also contain the highest percentages of voucher families.

¹⁰ <https://egis.hud.gov/affht/>

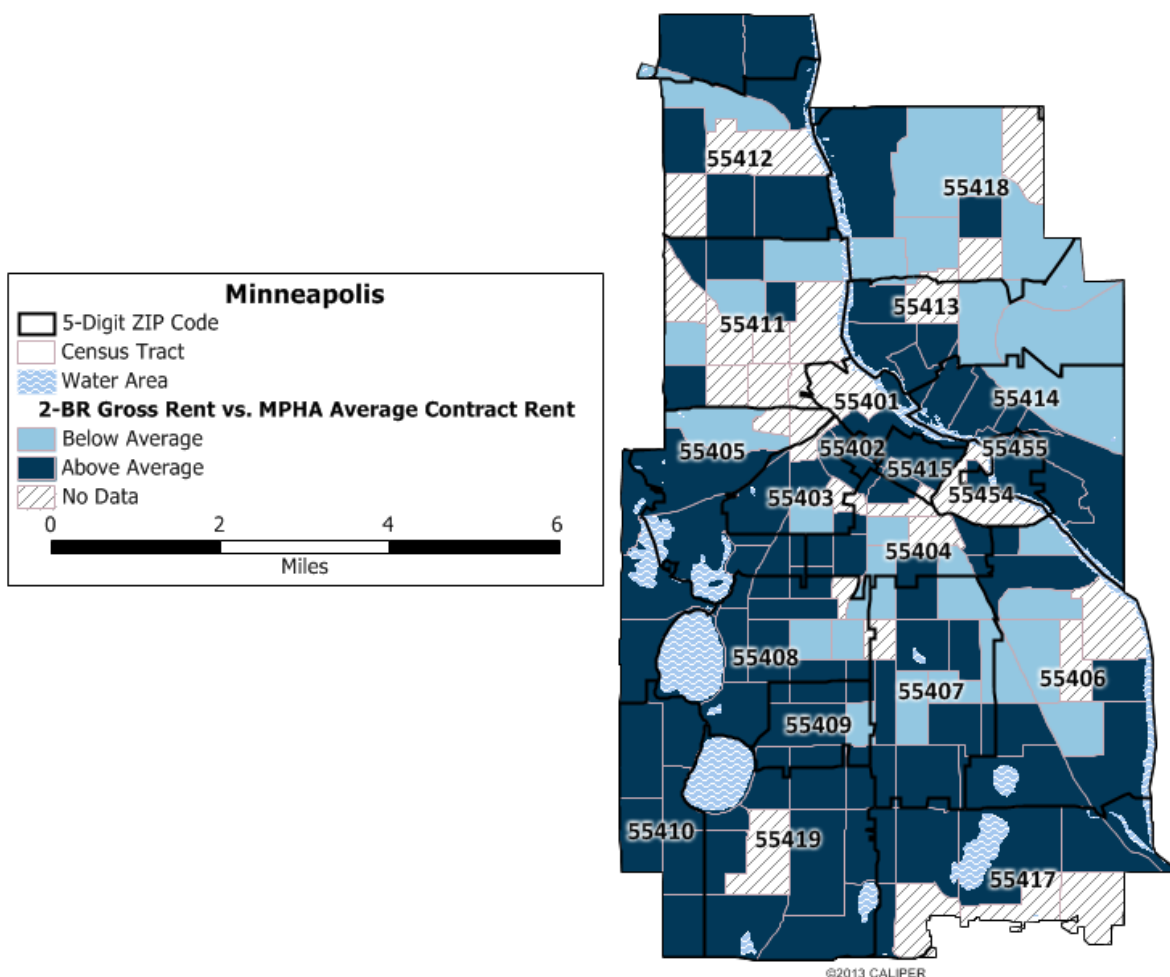
Map 1: Percent Voucher Holders by Zip Code

Aside from the location of rental housing, the most natural boundary to the location of voucher families may be the cost of housing. PHAs use HUD's Fair Market Rent determinations to develop their payment standards, which set limits on the cost of housing families can rent with the voucher. Under MPHA's rent reform, families are provided a subsidy based on their income and family size, and are free to add up to 40% of their family income to the subsidy to spend on housing costs. The allowable rent burden increases to 50% for participant families making a move with the voucher. We do not know how this policy has affected the decision making of MPHA families, but using available data on MPHA contract rents and payment standards, we may be able to make assumptions about what choices are being made.

Map 2: Minneapolis 2 Bedroom Gross Rent

According to data provided to Quadel by MPHA, in 2016, the average voucher size was 2.06. The payment standard for a two bedroom for FY 2016 was \$1,027 while the average contract rent for MPHA was \$976. In Minneapolis, the average gross rent for all units is \$946.50 while the average gross rent for a 2 bedroom apartment is \$1115.43.¹¹ Map 2 displays this information, with blue tracts having rents under the city's average, and green tracts having rents above the city average. The ACS does not have 2-bedroom rent data for many Census Tracts of interest, particularly tracts in zip codes 55411, 55404, 55454, and 55412 (among others) that have significant amounts of renter occupied housing and/or voucher holders which reiterates the need for deeper analysis by entities with local knowledge of the rental markets in order to reach a desired level of specificity.

¹¹ American Community Survey, 2015 5-year estimates

Map 3: 2-Bedroom Gross Rent Compared to MPHA Average Contract Rent

Map 3 provides a rough analysis of housing affordability prospects for voucher holders in Minneapolis. These maps suggest narrow areas of affordability, however, as we used the same ACS data, there are tracts we lack data for. Additionally, some of the data have large margins of error further limiting its applicability.

While the ACS does have complete data for median gross rents for all units regardless of size, using that data also presents limitations for the purposes of our analysis as it does not reveal how closely the MPHA HCVP participants' need for housing aligns with the cost of housing. While it might seem contradictory, using this data to perform an analysis of the census tracts with median gross rents (regardless of bedroom size) between the average MPHA contract rent and the two bedroom payment standard is useful. The data appears to show some areas of low poverty and affordable rents with low rates of HCV families, particularly in the 55409 and 55408 zip codes. This data's (see Table 1 and Map 4) potential usefulness is bolstered as only two of the identified Census Tracts (1009 and 22) have two-bedroom gross rents above the range between the 2016

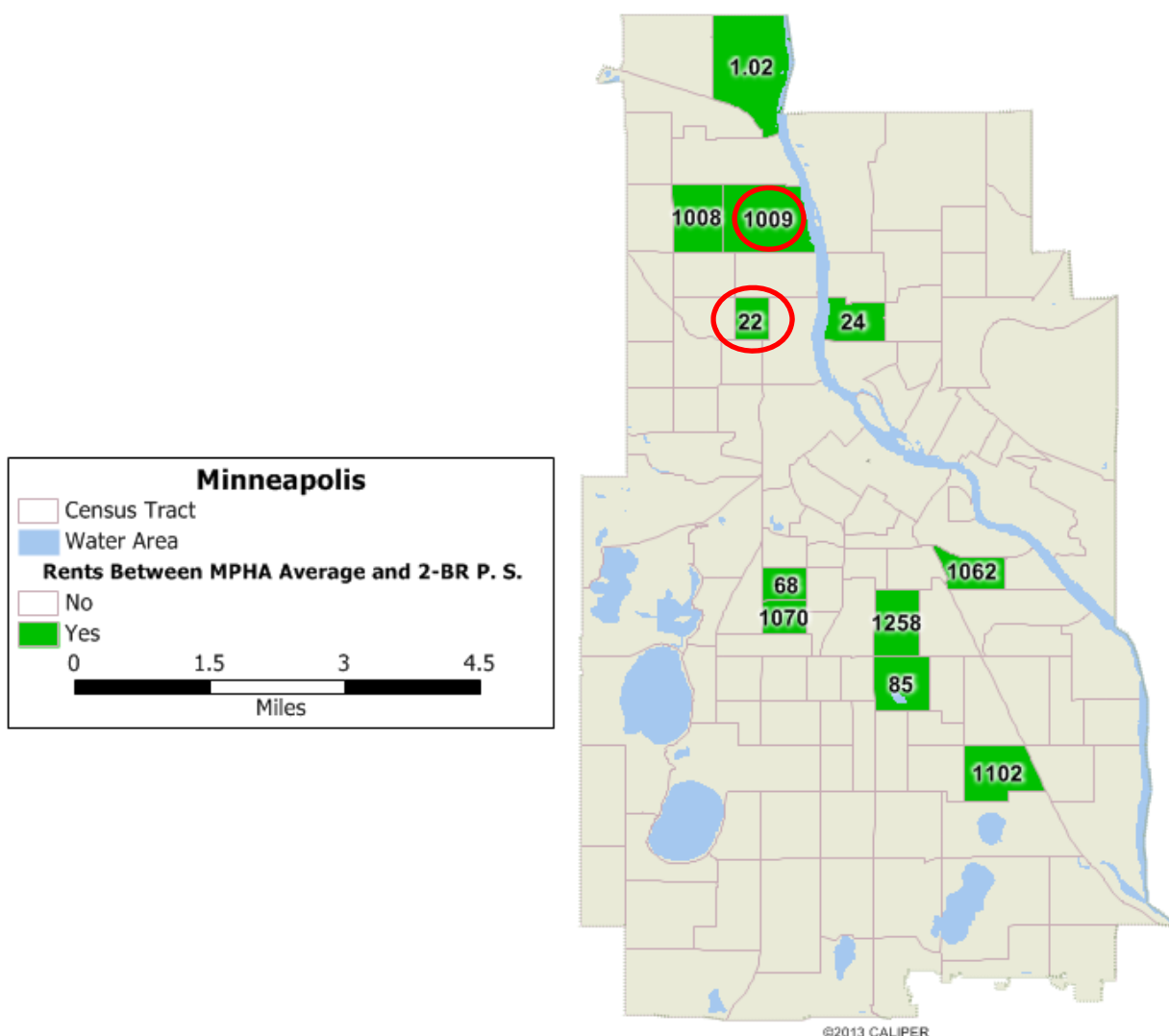
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MPHA two-bedroom payment standard (\$1027) and average contract rent amount (\$976). Those tracts are highlighted in the table and circled on the map.

Table 1

Census Tract	Median Gross Rent	2-BR Median Gross Rent
1009	1094	983
68	779	985
1.02	993	985
1008	970	990
1070	793	992
85	902	997
22	1130	1000
1062	847	1018
24	860	1018
1258	927	1012
1102	1023	1025

Map 4: Census Tracts with Median Gross Rents Between MPHA Average Contract Rent and 2-Bedroom Payment Standard



Based on this analysis and without having access to detailed rental market information, we do expect dispersed (and often pocketed) affordable rental housing throughout much of Minneapolis. Our maps of Census rent amount data show that the areas of Minneapolis previously mentioned as potential opportunity areas in southern Minneapolis are mixed in terms of affordability, but should be examined closely by MPHA to find areas that HCV families can afford to rent in.

Recommendation: MPHA should evaluate the census tracts that appear affordable in Map 2 and are highlighted in Map 4 closely to determine availability of rental housing and form partnerships with landlords to make housing available to HCV families.

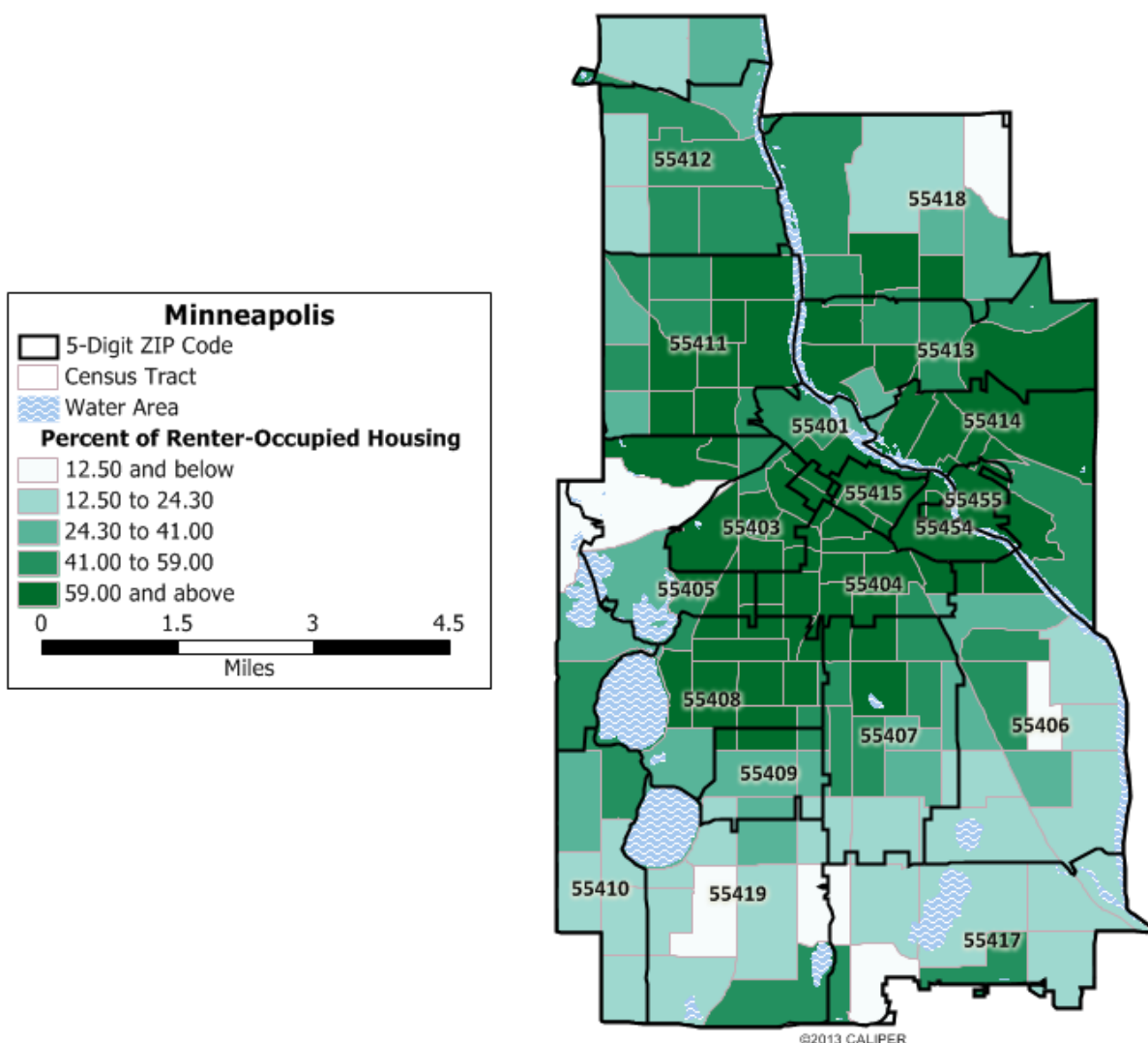
A second observation related to the distribution of HCV families is that high poverty areas directly south of the city center have less concentrations of vouchers than areas of high poverty

in the northwest of the city even though they seem as affordable (if not more) and have high rates of renter-occupied housing. While we are not encouraging more voucher holders move into those areas, the phenomena is puzzling and calls for further examination. Such an examination should provide greater insight into the location patterns of HCV families which may have positive effect for their mobility.

Rental Housing Location, Availability, and Cost

Minneapolis has only recently become a majority renter-occupied city. According to 2011-2015 census data, just under 81,000 housing units were occupied by owners and over 87,000 housing units were occupied by renters in the city. Looking at historical 5-year census data, renters have been a growing majority of Minneapolis residents since the 2008-2012 data.¹² Additionally, based on the 2011-2015 census data, in 48% of Minneapolis census tracts (56 census tracts) at least 50% of housing units are occupied by renters. This data bolsters our previous expectation of wide geographic distribution of rental housing in Minneapolis.

¹² These 5-year data sets are released annually, with the 2011-2015 data set being the most recent.

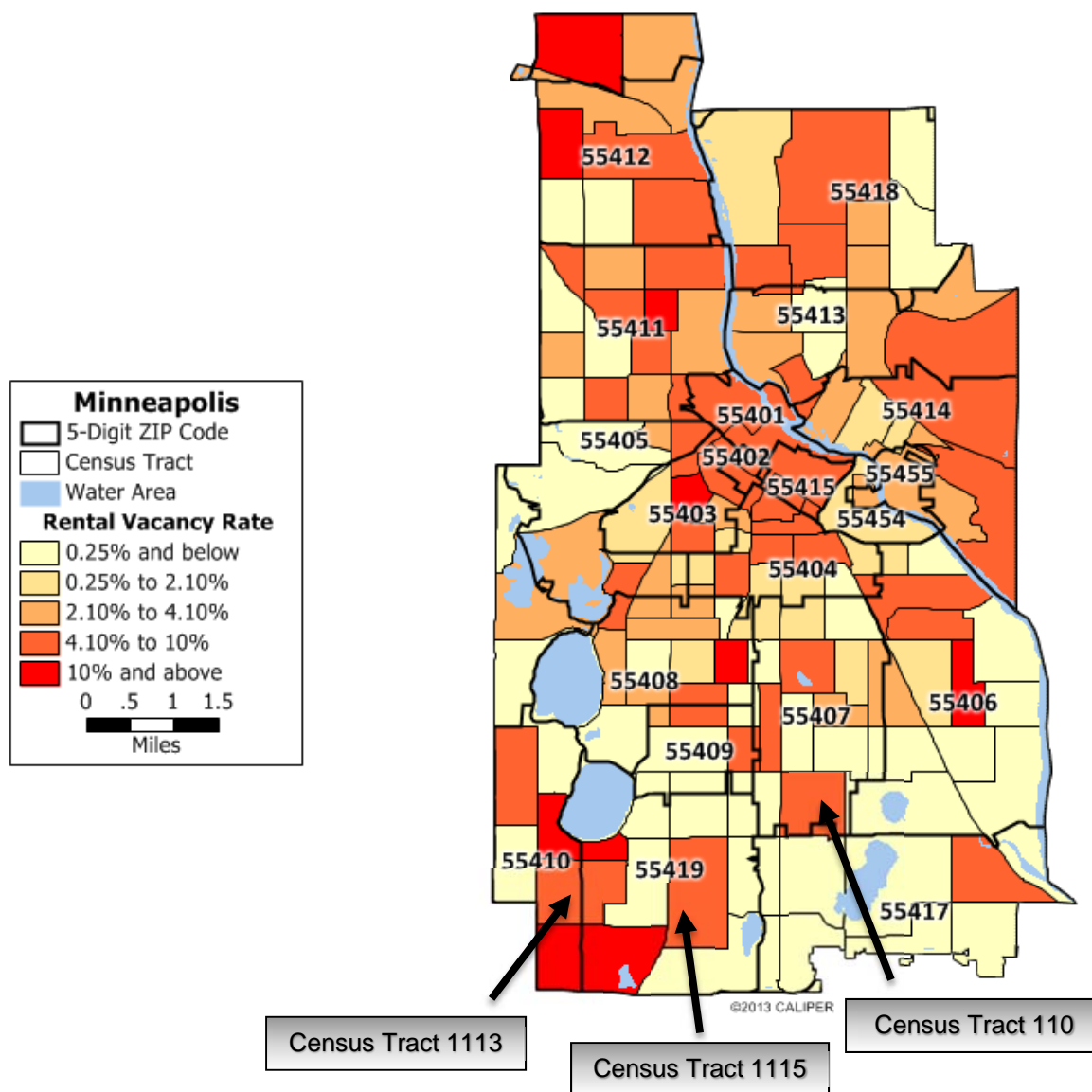
Map 5: Percent of Renter Occupied Housing in Minneapolis Census Tracts

Owner-occupied housing seems to be largely concentrated in the far south of Minneapolis (namely zip codes 55410, 55419, 55417, and 55406), with exception to a few census tracts outside of that area. Still, most of those southern tracts are comprised of between 12.5% and 24.3% rental housing.¹³ Therefore, the location of rental housing appears widespread enough throughout the city to provide diverse choices for anyone seeking rental housing. However, two additional factors must be examined to have any understanding of the prospects for HCV families to find housing outside areas of concentrated poverty – cost and availability. Using this same Census data, we are able to look closely at vacancy rates for rental housing across Minneapolis. While we were provided with anecdotal information suggesting very low vacancy rates for the city, it is most important to examine micro areas to understand differences

¹³ 2011-2015 American Community Survey

in neighborhood rental markets. Census data does substantiate that in some areas of Minneapolis – particularly the southern parts of the city – rental vacancy rates are quite low. However, there appear to be a few affordable, low poverty areas with moderate vacancy rates in the south west corner of Minneapolis, particularly census tracts 1113, 1115, and 110 (See Map 6).

Recommendation: While vacancy rates alone will not drive the definition of opportunity, MPHA should create a definition of opportunity that considers where families are likely to be able to find available housing. Additionally, these low vacancy rates may necessitate policy changes such as the search time afforded voucher holders, which is consistent with our recommendation concerning MPHA's voucher term policies as outlined in its Administrative Plan.

Map 6: Minneapolis Vacancy Rates**Availability**

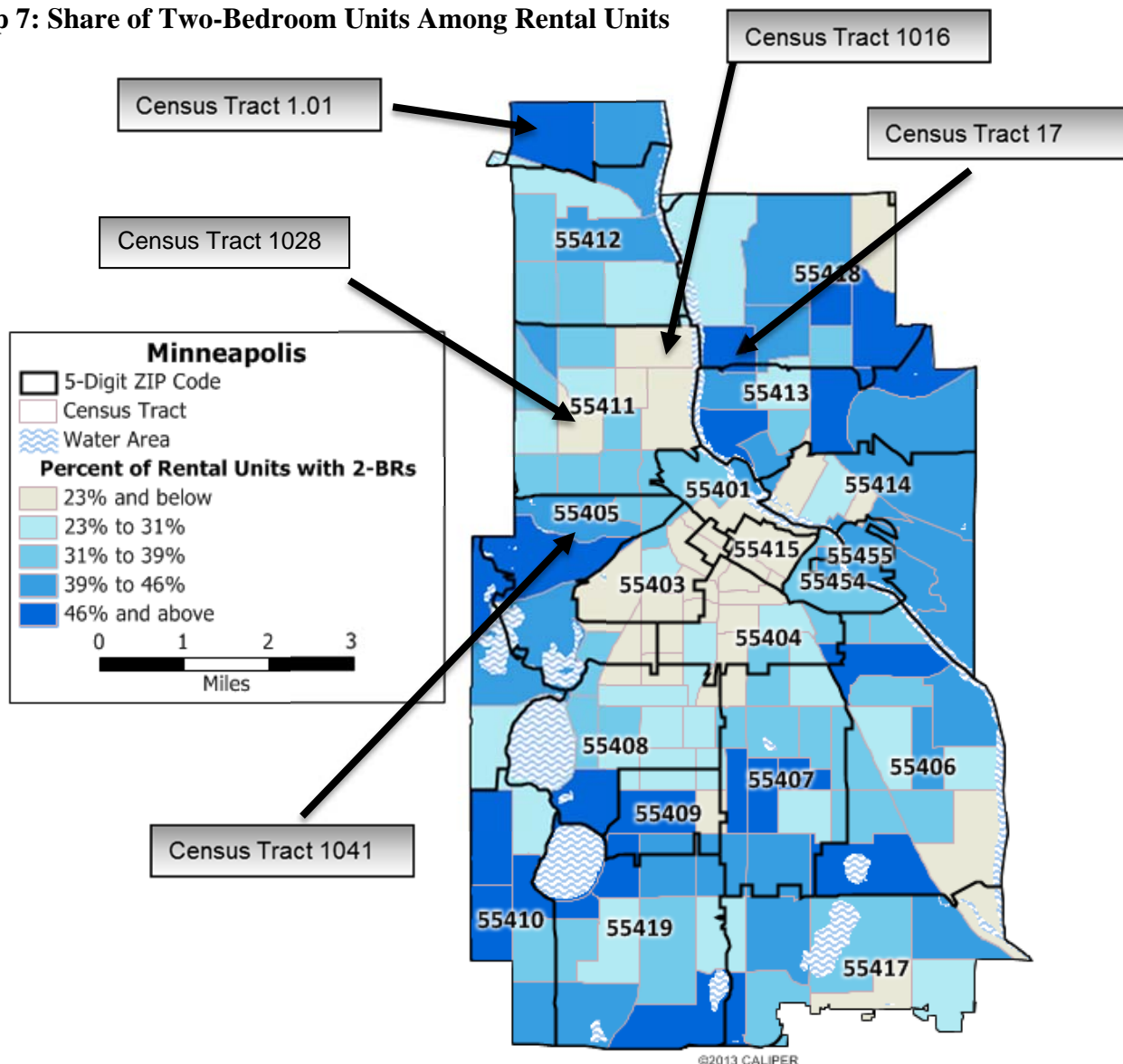
In addition to considering the rental vacancy rate of rental housing in Minneapolis, it is also important, to the extent possible, to determine where appropriate housing (by bedroom size) can be found for HCV families. Maps 7 and 8 show the percent and number of two-bedroom units of rental housing in Minneapolis,¹⁴¹⁵ respectively. This data point was chosen as MPHA's average voucher size in 2016 was 2.06.

¹⁴ 2011-2015 American Community Survey

¹⁵ Additional maps containing this same information for other bedroom sizes can be found in the appendix.

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Map 7: Share of Two-Bedroom Units Among Rental Units



We note the lack of a strong correlation between census tracts with the highest percent of voucher holders and the ratio of two-bedroom units in the tract. While some tracts (1.01, 1041, and 17) have both high percentages of voucher holders and two-bedroom rental units, some (1016 and 1028) have high percentages of voucher holders, but are in the bottom fifth of tracts in terms of the ratio of two-bedroom units. This is a reminder of the limits of census data, and the need for closer examination to uncover the nexus of Minneapolis' housing supply and the needs of all MPHA families.

Analysis of Potential Inspections Coordination between the Minneapolis Public Housing Authority and the Minneapolis Department of Regulatory Services

October 2016



Conducted by Peter Butler, project consultant, on assignment with
Robert Half Management Resources, Inc., and under contract
with the Minneapolis Department of Regulatory Services.

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EXECUTIVE SUMMARY

The Minneapolis Public Housing Authority (MPHA) inspects approximately six percent of Minneapolis' private rental housing units as part of the federal Housing Choice Voucher program, which subsidizes a portion of the tenant's rent. The City of Minneapolis's Department of Regulatory Services licenses and inspects all private rental housing. This study's primary purpose was to analyze opportunities for cooperative, joint or shared action or service delivery to efficiently meet the two entities' shared goal of quality rental housing. A second purpose was to recommend program-specific improvements regardless of coordination possibilities.

Differences in each entity's inspection timing and focus and relationship with the property owner make extensive cooperation or shared action unpractical and undesirable. The City inspects most rental units once every five to eight years. The MPHA must inspect voucher-subsidized units before a tenant moves in and at least biennially afterwards. City inspectors focus on a building's safety, long-term structural integrity, exterior appearance and lot maintenance; they only inspect a small portion of individual units. MPHA assesses each unit's safety and living conditions without extensive examination of building systems, common areas or structural elements. Little duplication or overlap exist between the two entities' efforts. Greater cooperation, joint action, or consolidation offers little advantage over the current situation.

Most notably, city inspectors enforce ordinances. MPHA inspections are part of a voluntary contractual relationship with the landlord. A closer association between the City and MPHA might discourage landlord participation in the voucher program. MPHA's less stringent housing standards are appropriate for the voucher program's purpose. Nearly two-thirds of MPHA inspected units pass their first inspection, allowing tenants to move-in without delay or uncertainty about their subsidized payment. In contrast, nearly all city-inspected properties have at least one violation due to higher code standards and longer intervals between inspections.

The MPHA and City could strengthen their relationship gradually by:

1. Giving each other read-only access to their inspection data systems.

Sharing inspection results will keep each other informed of which properties they are inspecting and their conditions, and identify specific properties where joint action could occur for both entities' benefit.

2. Having the City conduct MPHA's complaint-based inspections.

City inspectors are assigned to specific neighborhoods to respond quickly, and can address multiple complaints about the same property. Setting up the process would educate both entities on each other's policies and procedures and evaluate whether shared or joint program inspections are feasible.

COMPARISON of INSPECTION PROGRAMS

Comparing the Minneapolis Public Housing Authority (MPHA) and City inspection programs helps determine the practicality and desirability of coordinating their work. Every MPHA-subsidized rental unit must have a City rental license and comply with the City's Housing Maintenance Code. City and MPHA interviewees stated that the Minneapolis Housing Maintenance Code is more stringent than HUD's Housing Quality Standards (HQS), though the MPHA has adopted several city code requirements to ensure conformity on windows, handrails, ceiling heights and other safety issues.

However, the two programs have notable differences in purpose, focus, and authority (Table 1). MPHA inspections focus on a dwelling unit's interior conditions that affect a tenant's health and safety. City inspections seek to ensure tenant safety, too, but also address structural and property lot problems. As a result, MPHA inspects specific units while the City licenses buildings.¹ The MPHA inspects units before a tenant moves in and at least biennially. The City conducts most licensing inspections on a five or eight year cycle; only a small percentage of rental buildings are inspected annually.

MPHA inspections are a contractual requirement for an owner to receive voucher payments. The MPHA will terminate its contract and end voucher payments when an owner refuses to make repairs within the required timeline. The MPHA has no authority to force the owner to comply with its housing standards. In contrast, the City is granting a rental license on condition of compliance with the city code. City inspectors can post condemnation notices, revoke licenses, and have city crews mitigate nuisance conditions when owners refuse to correct deficiencies.

MPHA inspections are integrated into the Housing Choice Voucher eligibility and case-management process. Once a landlord agrees to rent to a voucher recipient, an MPHA inspector conducts a physical inspection and checks whether the rent is reasonable based on neighboring rental properties. During annual and biennial inspections, the inspector confirms that the tenant and landlord are fulfilling their contractual obligations regarding the unit's condition. Sometimes, the MPHA holds a tenant responsible for the unit's condition or non-payment of utilities and suspends voucher payments. City inspectors work extensively with landlords, and rarely work directly with tenants to resolve violations.

¹ The building and dwelling unit are one and the same for single family homes and individually licensed condominiums.

Table 1. Comparison of MPHA and City rental-housing inspections

Area	Minneapolis Public Housing Authority	Minneapolis Department of Regulatory Services
Purpose	To ensure that Housing Choice Voucher families have “decent, safe, and sanitary housing.”	To ensure rental housing is safe and to preserve the housing stock and prevent neighborhood blight.
Standards	<ul style="list-style-type: none"> • U.S. Department of Housing & Urban Development – Housing Quality Standards² • Several parts of the Minneapolis Housing Maintenance Code 	<ul style="list-style-type: none"> • Minneapolis Housing Maintenance Code • Minneapolis Nuisance Ordinance • Minnesota State Fire Code • Minnesota State Building Codes
Frequency	<p>Every subsidized unit is inspected:</p> <ul style="list-style-type: none"> • Before voucher payments begin (initial or move-in inspections); and • Biennially within 60 days of move-in anniversary date; or • Annually for poorly maintained properties. 	<p>Rental properties are assigned to an inspection tier:</p> <ul style="list-style-type: none"> • Well-maintained and managed properties are inspected every eight years. • Properties maintained to code minimums are inspected every five years. • Poorly maintained or managed properties are inspected annually.
Focus	Each unit receiving voucher payments. MPHA will inspect all subsidized units in a building during a two-year period.	Each rental property’s common areas, building systems and up to 20% of the units in building with 11 or more units. The City inspects up to half the units in properties with fewer than 11 units.
Legal Basis	Contractual with the property owner.	Regulatory: the City grants a rental license to the property owner.
Account-ability	MPHA may assign responsibility to the tenant for tenant-caused damages or unpaid utilities.	The rental-property owner is responsible for correcting all violations.

² MPHA is testing a new HUD inspection protocol called Uniform Physical Condition Standards-Voucher (UPCS-V), which uses new health and safety standards and a severity scale to assess rental units.

MINNEAPOLIS PUBLIC HOUSING AUTHORITY

The Minneapolis Public Housing Authority (MPHA) administers over 5,200 Housing Choice (Section 8) vouchers. Two-thirds of the voucher recipients live in rental buildings with four or more apartments and one-third live in single family homes, duplexes and triplexes.³ Federal regulations require the MPHA to inspect rental units before voucher payments begin and at least biennially thereafter.

Inspection Standards & Processes

United States Code Chapter 42, Section 1437f, authorizes the Housing Choice Voucher program and mandates inspections for rental units receiving voucher payments. A public housing authority may use the voucher program's Housing Quality Standards (HQS),⁴ a local housing code, or a combination of both. The MPHA inspects to the HQS with some adopted Minneapolis code requirements.

Graph 1. HQS Inspection Form (partial page)

1. Living Room		For each number		
Item No.	Description	Decision		
		Yes, Pass	No, Fail	Inconclusive
1.1	Living Room Present Is there a living room?	<input type="checkbox"/>	<input type="checkbox"/>	
1.2	Electricity Are there at least two working outlets or one working outlet and one working light fixture?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.3	Electrical Hazards Is the room free from electrical hazards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.4	Security Are all windows and doors that are accessible from the outside lockable?	<input type="checkbox"/>	<input type="checkbox"/>	
1.5	Window Condition Is there at least one window, and are all windows free of signs of severe deterioration or missing or broken out panes?	<input type="checkbox"/>	<input type="checkbox"/>	
1.6	Ceiling Condition Is the ceiling sound and free from hazardous defects?	<input type="checkbox"/>	<input type="checkbox"/>	
1.7	Wall Condition Are the walls sound and free from hazardous defects?	<input type="checkbox"/>	<input type="checkbox"/>	
1.8	Floor Condition Is the floor sound and free from hazardous defects?	<input type="checkbox"/>	<input type="checkbox"/>	

The Housing Quality Standards were developed for all housing types (single family homes to apartment buildings) and all geographic and climate conditions nationwide, with the goal to not restrict housing choices or access to affordable housing. A rental unit must pass inspection in thirteen categories concerning living, bed and bath rooms; kitchen; lights; windows; security and other aspects. Generally, a passing item must be in clean condition, operate properly and not pose a hazard to tenants (Graph 1).

A MPHA inspector completes HUD's required inspection form on a tablet computer and takes pictures of the unit's condition and failed items. The inspector uploads the photos and completed form to the MPHA's case-management system daily.

Source: HUD Form 52580A, page 4.

³ As of September 9, 2016, 3,385 recipients lived in apartments and 1,858 in other housing types.

⁴ Established in Federal Code of Regulations Title 24, Subtitle B, Chapter IX, Part 928.401.

Move-in inspections occur after the voucher recipient has found a willing rental-property owner.⁵ The owner provides the property address, type of housing, monthly rent, and date available for inspection on a Request for Tenancy Approval form,⁶ which the voucher recipient gives to his or her MPHA eligibility technician (case worker). The technician confirms that the rent meets program limits, data enters the form into the MPHA's case management system, and requests an inspection.

An administrative assistant schedules the move-in inspection for a week to 12 days after the technician's request. The system sends the owner an e-mail with the inspection date and time and a pre-inspection checklist. The unit must be vacant and ready for the family to move in or already occupied by the family. The inspector may assess whether the unit's rent is comparable to other units based on size and condition.⁷ The recipient must find a new unit if the requested unit fails the initial inspection and the owner does not correct the problems within 21 to 30 days,⁸ or if the rent is too high and the owner is unwilling to lower it. A family can move into a unit with non-life threatening deficiencies, but voucher payments do not begin until all corrections are made. The MPHA back dates payments to the move-in date once the unit passes re-inspection.

Annual and biennial inspections are scheduled 60 days before the tenant's lease anniversary date. The MPHA case management system identifies all occupied units coming due on their anniversary date of the lease. The list is sorted by ZIP code and assigned to the area's inspector. MPHA policy is to inspect single-family homes and duplexes annually because large families cause more wear and tear and these homes do not have professional managers. The MPHA inspects units in larger buildings biennially unless the building has a history of failed inspections. The owner has 21 to 30 days to correct any failed items or MPHA will stop voucher payments.

2015 Workload & Results

Five fulltime inspectors inspected 6,400 units in 2015. One inspector is responsible for move-in inspections citywide. A senior inspector and three inspectors conduct annual and biennial inspections by assigned geographic areas. The senior inspector also responds to complaints citywide and assesses American with Disabilities Act accommodation requests. A supervisor and the senior inspector re-inspect a small number of the other inspectors' cases for quality assurance.

⁵ In some cases, the recipient joins the voucher program but uses the payment for his or her current unit. MPHA still inspects the unit.

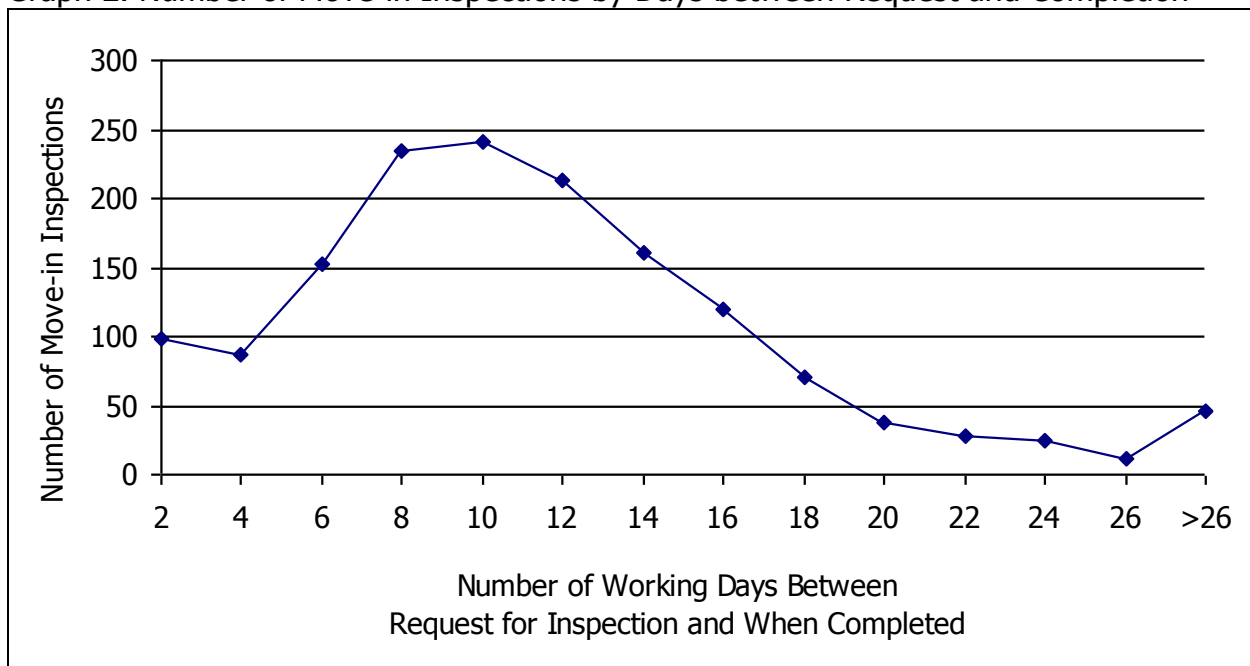
⁶ <http://portal.hud.gov/hudportal/documents/huddoc?id=52517.pdf>.

⁷ The eligibility technician determines rent reasonableness by comparing the unit to three unassisted units of similar size, type and location listed in the MPHA database. The inspector offers a visual assessment of whether the rent seems reasonable or not.

⁸ Normally, the MPHA inspector conducts only one re-inspection, but may conduct a second one for good cause at the recipient's or owner's request.

Initial move-in inspections were typically completed eleven working days after the housing technician's request date.⁹ This average is the same for apartment buildings, single family homes and duplexes. Federal guidelines require the MPHA to complete inspections within 15 working days when practical, unless the unit is unavailable. The number of working days is distributed somewhat normally around the eleven-day average (Graph 2). Half of the inspections are completed in fewer than 11 days after the request and half completed in 11 or more days.

Graph 2. Number of Move-in Inspections by Days between Request and Completion

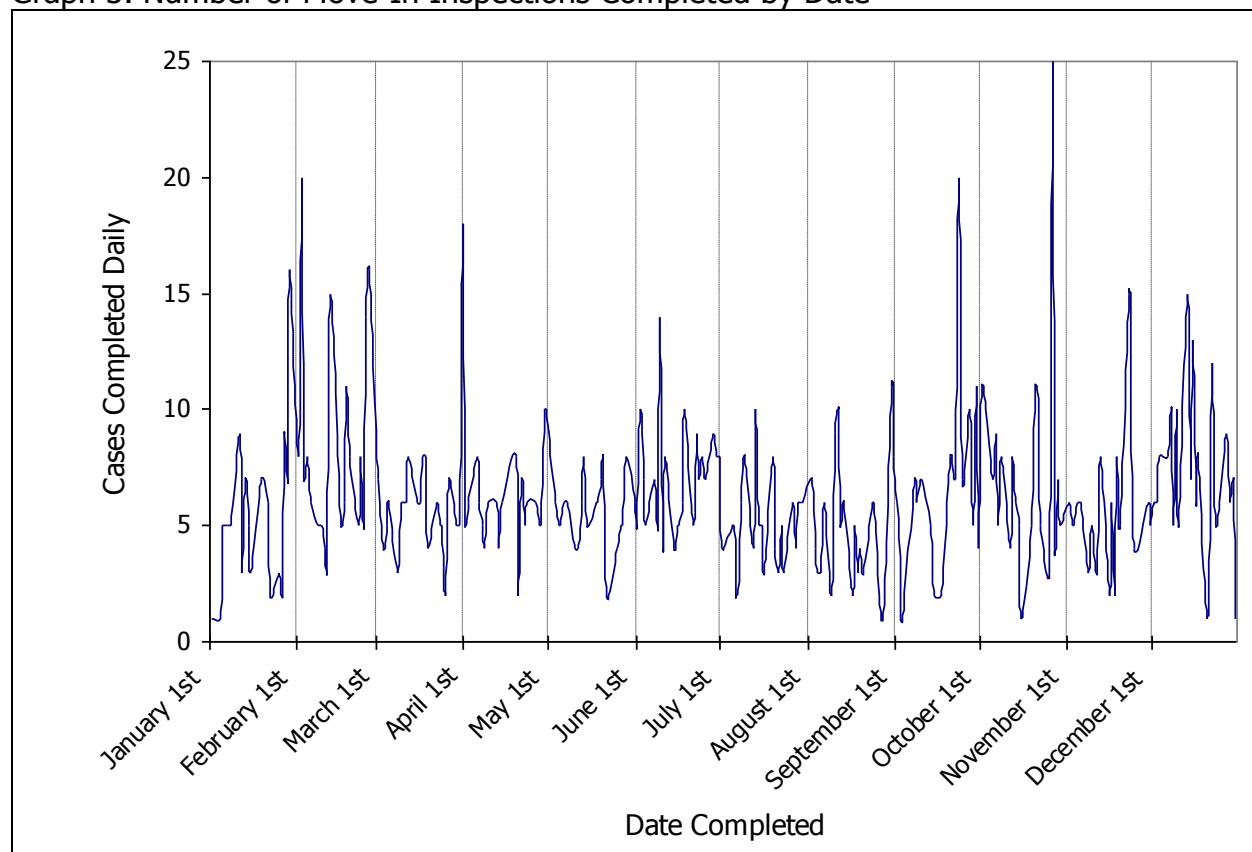


Source: MPHA data run, August 30, 2016. Re-inspections are excluded.

The MPHA completes many move-in inspections during the middle part or last days of a month (Graph 3). This pattern suggests that unit availability significantly influences when the inspection occurs. MPHA policy requires the unit to be vacant or occupied by the voucher recipient when conducting the move-in inspection. The MPHA will not inspect a unit occupied by anyone else. Sometimes, inspections for multiple units in a single building are scheduled for the same day, even if eligibility technicians received the tenancy approval forms on different dates.

⁹ This average was calculated from MPHA data provided on August 30, 2016 for move-in inspections completed in 2015. Fifty-nine of 1,581 inspections with request dates later than the completion dates were excluded. Working days exclude weekends and federal holidays.

Graph 3. Number of Move-In Inspections Completed by Date



Source: MPHA data run, August 30, 2016. Re-inspections are excluded.

Over one-third of units failed at least one inspection standard during a move-in or annual inspection (Table 2). No units in the biennial category failed an inspection because only units with a perfect past record are scheduled biennially. Two-thirds of voucher recipients live in multifamily buildings, which are typically managed professionally and likely to have few or no violations.

Table 2. Initial MPHA Inspections, 2015

Inspection Type	Units Inspected	Units Failed	Percent Failed
Annuals	4,299	1,530	36%
Biennial	499	0	0%
Move-In	1,581	551	35%
Total	6,379	2,081	33%

Source: MPHA data run, September 7, 2016. Re-inspections are excluded. MPHA completed 123 complaint inspections (81% failed) and 40 quality-control inspections (10% failed) in 2015. Not all move-in inspections result in occupancy and some units are inspected two or three times a year before occupied.

MPHA inspectors conducted 2,226 re-inspections of failed units, which most units passed. MPHA inspectors accept photos or contractor repair bills as evidence that owners corrected deficiencies in place of a physical re-inspection, unless the unit had more than three failed items or any life-threatening or safety hazard. Overall, six percent of annually inspected units failed to become compliant after re-inspection. Nearly all of the inspected move-in units passed their re-inspection.

Table 3. Failed Items, 2015

Major Category	Number	Percent
Interior structures	1,463	18%
Windows	1,268	15%
Electrical	983	12%
Appliance repair	913	11%
Plumbing	907	11%
Smoke/CO Detector	812	10%
Doors	811	10%
Exterior repair	553	7%
Handrail & stairs	245	3%
Nuisance	214	3%
Other	169	2%
Total	8,338	100%

Source: MPHA data run, August 30, 2016. Re-inspections are included. A unit may have multiple failed items of the same type: four broken windows are counted as four failed items. The same item failing both initial and re-inspection are also counted twice.

MPHA inspectors failed over 8,300 items during move-in and annual inspections (Table 3). On average, 3.5 items were failed per unit not passing the initial inspection or re-inspection.

The most common failed items were interior structures (walls, floors, and ceilings) that have loose material or allow air infiltration. This category includes cabinets with broken doors and shelves, too. The second most common item was broken, unsecured or drafty windows. Electrical hazards or dead outlets, non-functioning appliances, and problems with toilets, sinks and showers were one-third of all failed items.

Recommended Process Changes

MPHA inspectors have adopted several best or standard practices used by other public housing authorities and government inspection departments: pre-inspection checklist, direct data-entry into handheld devices, biennial inspections for well-maintained properties, and acceptance of photographs or contractors' repair bills in lieu of a physical re-inspection. The following recommendations for the MPHA intend to improve inspection efficiency and reduce owner and tenant time commitments.

1. Reconsider requiring the owner or an owner's representative presence for move-in inspections and a family member's presence for the annual/biennial inspection.

MPHA inspectors had to reschedule over 1,300 inspections because the owner or family member did not attend. HUD policy states that "the [Public Housing Authority] may set policy regarding tenant and owner presence at the [annual] inspection."¹⁰ MPHA has adopted the same attendance requirements as many other housing authorities. However, a few housing authorities' inspectors gain access through a unit's lock box or key left with a neighbor or authorized non-family member. The MPHA's decision should balance inspector safety with the potential inconvenience and lost income to the small-property owner and tenant who miss work to attend the inspection.

¹⁰ U.S. Department of Housing and Urban Development, *Housing Choice Voucher Program Guidebook*, April 2001, p. 10-27. <http://www.hud.gov/offices/adm/hudclips/guidebooks/7420.10G/7420q10GUID.pdf>

2. Assign a second inspector to move-ins for the middle and end of the month.

Other similarly sized PHAs' inspectors conduct both move-in and annual inspections, unless they have enough staff to dedicate two or more inspectors to move-ins. The MPHA has one move-in inspector citywide, and has found this method effective as a single contact point for owners. However, one move-in inspector can create a bottleneck if requested inspections exceed the inspector's availability during peak times. A second inspector to assist with move-in inspections creates greater flexibility to handle peak periods or "last minute" requests.

3. Schedule annual/biennial inspections by building or small geographic area rather than by recertification date to reduce inspectors' travel time.

The HUD Inspection Manual states that "Inspections may be de-coupled from the recertification process and conducted by other methods such as by zip code, specific buildings or apartment complexes, census tract or ownership."¹¹ The Atlanta Public Housing Authority inspects all the units in a building with an anniversary date in the same month. The King County (Washington State) Housing Authority aligns temporally all inspections in a neighborhood or building even if some units are inspected much sooner than their recertification dates. Aligning annual/biennial inspections reduces repeat trips to the same building or neighborhood.

4. Inspect all voucher units biennially unless a unit has more than three failed items.

Biennial inspections are now HUD's default inspection cycle, but PHAs have the discretion to conduct the inspections annually. The MPHA has chosen to inspect only professionally managed buildings' subsidized units biennially, unless a unit fails. In 2015, two-thirds of subsidized units passed the annual inspection the first time. A biennial inspection cycle will not increase tenants' risks, and tenant or owners can file a complaint for any problems arising between inspections.

5. Shorten the time between rental unit availability and voucher-contract approval.

The HQS inspection is scheduled after the MPHA eligibility technician reviews the property owner's Request for Tenancy Approval form and confirms rent reasonableness. Multifamily building owners participating in a Minneapolis councilmember-sponsored focus group explained that this timeline can leave units vacant and without income.¹² MPHA could address this concern through two options.

¹¹ U.S. Department of Housing and Urban Development, *Housing Choice Voucher Program Guidebook*, April 2001, p. 10-35. <http://www.hud.gov/offices/adm/hudclips/guidebooks/7420.10G/7420g10GUID.pdf>.

¹² Notes from a Landlord Focus Group sponsored by Councilmembers Glidden and Warsame, May 12, 2016, and Peter Callaghan, "Minneapolis landlords push back on housing discrimination proposal." Minnepost, May 13, 2016. <https://www.minnpost.com/politics-policy/2016/05/minneapolis-landlords-push-back-housing-discrimination-proposal>.

Option 1: Request HUD's permission to set a housing assistance payment's effective date prior to the move-in inspection.

Like most public housing authorities, MPHA requires a unit to be vacant or only occupied by the voucher recipient before conducting the move-in inspection. This policy can delay the inspection until the current occupants vacate the unit. Voucher payments cannot begin before the unit passes inspection even if the voucher recipient occupies the unit prior to the inspection. Relaxing the MPHA's policy is unadvisable because a unit's condition can change significantly before the previous tenant vacates it.

Portland, Oregon, has a very competitive rental market. HUD has permitted the Portland-area PHA to "enter into a [housing payment] contract with a landlord with an effective date prior to the initial inspection date. This enables landlords to lease to voucher holders without losing valuable rental income while waiting for an inspection."¹³ The inspection must occur within 15 days of the contract's effective date and tenants are released from their obligation if the unit fails.

Option 1 preserves the normal sequence of steps in the voucher-contract process, but eliminates the delay in starting payments due to inspections.

Option 2: Offer a next-day inspection service for professionally-managed properties.

The MPHA could conduct the inspection the day after the property owner signs the Request for Tenancy Approval form but before the eligibility technician's review. Property owners could call the inspectors' scheduling assistant to request an inspection. Before scheduling an appointment, the assistant could ask the owner whether the unit is vacant and ready for occupancy. The MPHA could develop other criteria to ensure that a next-day option does not generate a higher failure rate due to unprepared units.

Option 2 offers the possibility of inspecting the unit concurrent with the eligibility technician's review of the tenancy approval form. Its greatest impact is on units becoming available within a few days before the first or fifteenth of the month, which are MPHA's payment start dates. However, some inspected units may not pass rent reasonableness or be affordable, so the inspector's time will have been unproductive. Additionally, Option 2 is not viable for smaller property owners who cannot quickly turnover a unit, creating a competitive advantage for larger properties.

¹³ Home Forward (Multnomah County, OR), *Moving to Work Annual Plan – FY2017*, p. 57.
<http://www.hapdx.org/sites/default/files/07%20FY2017MTWPlan%20Amend1.pdf>

MINNEAPOLIS DEPARTMENT of REGULATORY SERVICES

The Department of Regulatory Services is responsible for inspecting and licensing 24,000 privately owned rental properties with 92,000 dwelling units.¹⁴ The Department also enforces the City's housing-maintenance and nuisance ordinances for owner-occupied dwellings and commercial buildings on a complaint-driven basis.

Inspection Standards & Processes

Minneapolis Code of Ordinances 244.1810 requires a property owner to obtain a license before renting to another person. The Department's inspections follow the Minneapolis Housing Maintenance, Zoning, and Nuisance codes and state building codes. The Department may deny, suspend, refuse to renew, or revoke a license for non-compliance or substandard conditions.

The Housing Maintenance Code (Chapter 244) establishes the minimum standards for owner-occupied and residential rental properties. This city-written code has several sections, minimum dimension requirements, and language similar to the International Property Maintenance Code and other model codes. The Minneapolis code likely reflects an amalgamation of various model codes over a number of years, customized to Minneapolis' housing stock. Properties with four or more units must meet the State of Minnesota Fire Code, too.

The Department's Housing Inspection Services (HIS) has 36 inspectors responsible for single family homes, duplexes, triplexes and town homes without common areas. Fire Inspection Services (FIS) has nine fire inspectors assigned to high-occupancy dwellings, which have four or more dwelling units. FIS inspectors focus mainly on fire-code requirements, but also inspect individual units for housing maintenance code compliance while in the building. The worst properties are assigned to the separate Problem Properties Unit's five inspectors who work with other city departments on resolving building and tenant-behavior issues.

All inspectors conduct rental license inspections, but also spend a significant amount of time investigating complaints about rental, owner-occupied and commercial properties. Inspectors are assigned to a specific geographic area, and become familiar with the neighborhoods.

Inspections occur according to the property's assigned tier (Table 5). The Department reviews each property's tier assignment annually. Assignments reflect past code violations and use of city inspection, police and solid-waste services. The eight-, five- and annual inspection cycles are based on available inspection resources and management's judgment of an acceptable frequency. Nearly all rental properties are on

¹⁴ A single family home is counted as one property and one dwelling unit. An apartment building is counted as one property and each individual apartment is one dwelling unit.

an eight-year inspection cycle. Just two percent of properties with one percent of dwelling units are considered poorly maintained and inspected every year. Annually, the Department inspects one-eighth of Tier 1 properties, one-fifth of Tier 2 properties and all Tier 3 properties.

Table 5. Inspection Cycle for Rental Properties

Tier	Description	Cycle	Number of Properties	Percent
1	Well-maintained & managed	8 years	20,887	87%
2	Maintained to minimum code	5 years	2,707	11%
3	Poorly maintained or managed	Annually	429	2%
All			24,023	100%

Source: Minneapolis Department of Regulatory Services, tier assignments as of December 2015. The 24,023 properties have 91,683 dwelling units. Ninety percent of units are in Tier 1 properties, nine percent in Tier 2 and one percent in Tier 3.

Department inspectors schedule a licensing inspection with the owner or property manager. Tenants will also receive a letter asking permission to inspect their unit, too. Inspectors must inspect up to half the units in buildings with 10 or fewer units, and up to 20 percent of units in larger buildings. After completing the inspection, the inspector sends the owner an order for any violation with the ordinance reference number and description (Table 6). The department has 244 separate code violations, all based on the housing maintenance, fire, zoning and building codes.

Table 6. Example Text from Violation Orders.

Repair or Replace Exterior Doors	Repair or replace the exterior door(s) of this dwelling in a professional manner to be reasonably weather tight, water-tight, and rodent proof. Minneapolis Code of Ordinances 244.530.
Provide or Repair Hall-Exit Lights	Provide and/or repair lighting in all exit hallways and stairways and all other means of egress to ground level as required by Minneapolis Code of Ordinances 244.440. Electrical permit required. Minnesota State Statute 326B.26.
Clean basement, Owner	Remove all combustible materials and rodent harborages from the basement of this dwelling. Minneapolis Code of Ordinances 244.690 and 244.695.

Source: Minneapolis Department of Regulatory Services, Kiva Violations Text Report.

Property owners typically have up to two weeks to correct a violation, depending on the code, though the inspector can extend the deadline. Inspectors can assess penalties of \$200 or \$250 for failure to correct a problem. The Department may take stronger actions against an unwilling owner, such as condemnation, license revocation, imposing conditions, or assessing the cost of city crews to correct problems.

2015 Workload & Results

Licensing inspections were approximately one-sixth of the department's annual workload of 30,000 licensing and complaint-driven service requests in 2015.¹⁵ Housing and fire inspectors completed 4,725 licensing inspections in 2015 (Table 7). Nearly all inspected properties had at least one code violation. Many cases required multiple re-inspections to resolve. The high violation rate likely reflects the City's stringent code requirements and the long period between licensing inspections.

Table 7. Completed rental licensing inspections, 2015

Rental Building Type	Properties inspected	Properties with at least one violation	Percent
One to three units	4,069	3,365	83%
Condos	12	10	83%
Four or more units	644	539	84%
Total	4,725	3,914	83%

Source: Minneapolis Department of Regulatory Services, data run, September 1, 2016. Re-inspections and complaint inspections are excluded. Fire inspectors will also inspect 20 to 50 percent of individual units in buildings with four or more units.

Graph 4. A small number of one-to-three-unit properties have a majority of total violations



Housing inspectors found 26,100 code violations in 3,365 one-to-three unit buildings. Twenty percent of the 3,365 units had 52 percent of the 26,100 violations (Graph 4). These properties averaged 21 violations per unit.

The remaining 80 percent of the 3,365 units had 12,438 violations, or five violations per unit. These properties are more representative of the number and type of violations found by housing inspectors.

Source: City Inspections data run, September 1, 2016.

¹⁵ *Department Results Minneapolis: Regulatory Services 2016*, page 7.
<http://www.ci.minneapolis.mn.us/www/groups/public/documents/report/wcmssp-180256.pdf>

The most common type of violation was that a licensed contractor had not performed a furnace safety check within the last two years for a furnace over 10 years old (Table 8). Other safety issues were clogged dryer ducts, combustible storage and illegal attic and basement occupancies. Exterior repairs for garages, sheds, walls, roofs, stairs and porches were 12 percent of violations. A missing or non-working smoke or carbon monoxide (CO) detector, and broken or missing windows, storms and screens were the next two most common types of violations.

Table 8. Violation Types, One to Three Unit Buildings

Major Category	Number	Percent
Safety issue	2,423	19%
Exterior repair	1,440	12%
Smoke/CO Detector	1,357	11%
Windows	1,310	11%
Hand/guard rails	1,233	10%
Plumbing	1,101	9%
Interior repair	847	7%
Electrical	749	6%
Paint exterior	654	5%
License	470	4%
Appliance repair	435	3%
Nuisance/misc.	419	3%
Total	12,438	100%

Source: City Inspections data run, September 1, 2016. Similar code violations were grouped into a major category. Units with 13 or more violations are excluded to avoid skewing the results.

Table 9. Violation Types, Multifamily Buildings (four or more units)

Major Category	Number	Percent
Fire code	1,200	35%
Smoke/CO Detector	394	11%
Safety issue	374	11%
Electrical	312	9%
Interior repair	304	9%
Plumbing	236	7%
Windows	197	6%
Exterior repair	133	4%
Nuisance/misc.	95	3%
Handrail	92	3%
License	45	1%
Paint Exterior	41	1%
Appliance repair	35	1%
Total	3,458	100%

Source: City Inspections data run, September 1, 2016. Similar code violations were grouped into a major category.

Repairing or installing hand- or guardrails, exterior structural repairs and exterior painting were almost 25 percent of housing inspectors' total violations. Electrical violations were less frequent than in MPHA inspections. Properties with 13 or more violations were more likely to require window, structural exterior and interior repairs than properties with fewer violations.

The Department's fire inspectors found 3,458 code violations in 539 multifamily buildings (Table 9). Fire inspectors' primary focus is fire-code compliance for hallways, stairways, other common areas and fire systems. One-third of the 3,458 violations concerned blocked, propped open, or non-latching fire doors; exit lighting and signs; extinguishers; and sprinkler and alarm maintenance. The most common unit-specific violation was a missing or non-working smoke or carbon monoxide (CO) detector.

Safety issues were typically furnace checks, clogged dryer duct, and unnumbered units. The remaining violation categories were a range of electrical, plumbing, interior and exterior repairs, none more than 10 percent of total violations.

The number of individual units within the inspected multifamily buildings varies significantly, but the per-unit violation count is very low. Many of these buildings are professionally managed and the inspected buildings averaged 6.5 violations each, including fire and other building wide violations.

Recommended Process Changes

The Housing and Fire Inspection divisions have added new inspector positions to help with the growing workload. These entry level positions are taking the burden of complaint inspections from senior inspectors, who can focus on the more technical licensing inspections. The new tiered inspection schedule directs inspection resources to the worse-performing properties and rewards good property owners with lower annual fees and fewer inspections. A new licensing management system and mobile devices for recording inspection results and printing violation orders will substantially increase inspectors' field time and productivity.

Housing Inspection Services has created more lead inspector positions to help with training new staff, and combined supervisory leadership into two positions for better communications and staff management. Housing inspectors are also testing a consolidated list of violation codes to simplify writing orders. The following recommendations build on the Department's streamlining efforts:

1. Create a short pre-inspection list with the most common deficiencies and send to owners when the licensing inspection is scheduled.

The Department has a two-page rental property inspection checklist. A shorter checklist with the top five violations could focus the owner's attention and reduce violations and re-inspections. The most common violations are easily addressed before an inspection occurs, such as checking smoke and CO detectors, cleaning dryer ducts, and hiring a contractor to inspect the furnace.

2. Reduce the required number of units to be sampled in multifamily buildings.

Housing Maintenance Code Section 244.1855 requires inspectors to inspect a minimum of 20 percent of the units in buildings with more than ten units. HUD and other cities have lower minimum sample sizes as a building's total units increase. For example, HUD requires just 26 units to be sampled in buildings with more than 450

units for quality control purposes.¹⁶ The City of Seattle requires 15 percent of units to be sampled, up to 50 units maximum. New Orleans also uses 15 percent but caps the total at 20 units. Statistically, once a certain number of units are inspected, the next unit's condition is likely similar to the previous units. City inspectors could advise on a suitable percentage based on their experiences with large multifamily buildings.

3. Impose higher re-inspection fees for single family, duplex and triplex rental properties with 20 or more violations.

Eight percent of inspected one-to-three-unit rental properties had 20 or more violations in 2015. These buildings accounted for 30 percent of all violations issued by Housing Inspection Services during licensing inspections. These properties require much greater staff time than recovered by the annual licensing fee. The Department should seek authority from the City Council to charge an hourly rate or higher inspection fees for properties with 20 or more violations, or require the property owner to hire a licensed contractor to bring the property into compliance before renewing a rental license.

¹⁶ U.S. Department of Housing and Urban Development – Real Estate Assessment Center, *Minimum Unit Sample Size Reference Chart*, no date.
<http://portal.hud.gov/hudportal/documents/huddoc?id=MinUnitSampleSizeRefChart.pdf>.

COORDINATION OPPORTUNITIES

One of this study's purposes was to "identify potential areas for cooperative, joint or shared action or service delivery that might efficiently advance the shared or stated goals of the [City and MPHA]." ¹⁷ The two entities have a shared goal of ensuring that rental housing meets a stated standard, but their relationship with the property owner is significantly different. The City inspects properties to grant a rental license; failure to meet the City's standards can result in fines and license revocation. The MPHA wants landlords to accept Housing Choice Vouchers; a punitive inspection process is a significant disincentive. No comparably sized cities or public housing authorities have a joint or shared inspection program. ¹⁸

The MPHA could use the City's inspection results as an alternative to the HQS inspection. ¹⁹ However, the City's eight- and five-year inspection cycles are significantly longer than HUD's biennial inspection requirement. Only two percent of the City's rental properties are inspected annually. HUD is unlikely to grant MPHA a longer inspection cycle because biennial inspections are intended for well-managed properties or those "already inspected annually under a local housing code enforcement program." ²⁰

The MPHA could contract with the Department for all its inspections. The Department of Regulatory Services' biggest advantage is its large inspection staff with greater scheduling flexibility and small geographic areas to cover, which reduces travel time. But the Department would likely need a separate HQS team rather than distribute the HQS workload among all inspectors:

- City interviewees reported that Housing Inspection Services and Fire Inspection Services do not have the capacity to perform more inspections with their current staff complement.
- The voucher program has unique program requirements, such as verifying rent reasonableness and different compliance timelines than the City's.

¹⁷ Memorandum of Understanding between the City of Minneapolis and the Minneapolis Public Housing Authority, May 20, 2016 and approved by the City Council on June 22, 2016, File Number 16-00757. <http://www.minneapolismn.gov/meetings/legislation/WCMSP-180688>

¹⁸ Based on review of other public housing authorities participating in HUD's Moving to Work demonstration project. The Louisville, Kentucky, PHA contracts with the city inspection department to perform HCV inspections, but the city itself does not have a rental licensing program. The Portage County, Ohio, PHA conducts rental licensing for its largest city, Kent, with a population of 30,000. Seattle landlords can submit the results of an HQS inspection to satisfy the City's rental licensing program's inspection requirement.

¹⁹ Federal Code of Regulations Title 24, Subtitle B, Chapter IX, Part 928.405.

²⁰ U.S. Department of Housing and Urban Development – Office of Public and Indian Housing, *Streamlining Administrative Regulations for Programs Administered by Public Housing Agencies*, Notice PIH 2016-05 (HA), April 7, 2016, p. 25. <http://portal.hud.gov/hudportal/documents/huddoc?id=16-05pihn.pdf>

- Fire inspectors' primary function is inspecting a building's life-safety systems and common areas. Two-thirds of voucher subsidized units are in multifamily buildings, which are Fire Inspection Services' responsibility. Assigning HQS inspections to fire inspectors is not an effective use of their time and training.

A separate HQS team within the Department has no substantial advantage over the current situation. Communication channels are strengthened between MPHA and Department inspection functions but weakened with the remainder of the Housing Choice Voucher program staff. Additionally, the Minneapolis Housing Maintenance Code is more stringent than the HQS. A higher standard might delay tenant occupancy or payments when a landlord must correct more violations.

MPHA and the Department have little history of working together on inspections. A MPHA inspector attends the Department's monthly rental property owners meeting and both entities share information about the most problematic properties. The MPHA and Department could strengthen their relationship gradually by:

1. Giving each other read-only access to their inspection data systems.

The MPHA's Yardi Visual Homes database has inspection results, inspector notes and photographs on each subsidized unit. City inspectors could use this information in place of inspecting individual units within a building because the MPHA has likely inspected most of the units in buildings with a large number of voucher tenants. Withholding voucher payments can provide an incentive for a difficult landlord to cooperate with the City. Blocking City inspectors' access to tenant information in the MPHA system would ensure confidentiality and a data sharing agreement would specify each entity's responsibilities to protect privacy.

MPHA inspectors could access the City's Enterprise Land Management System to check for current rental licenses or enforcement actions, and use recently completed city inspection results in place of an HQS inspection, with HUD's approval. Data sharing improved understanding of each entity's inspection programs and might create future opportunities for shared or joint action.

2. Having the Department conduct MPHA's complaint-based inspections.

Voucher recipients can call the MPHA or City when they have a complaint about their unit. The MPHA received almost 125 complaints in 2015. The MPHA could forward its complaints to the Department. City inspectors are assigned to specific neighborhoods to respond quickly, and can address multiple complaints about the same property. Setting up the process would educate both entities on each other's policies and procedures and evaluate whether shared or joint program inspections are feasible. The Department can also factor in voucher recipients' complaints when assigning licensing tiers.

Appendix A: Comparison of Inspection Standards

City and MPHA interviewees consistently stated that the City's inspection standards are higher than HUD's Housing Quality Standards. An older HUD inspection manual explains why:

The HUD Housing Quality Standards will appear... less stringent than many local housing codes. There is a reason for this. The HUD standards have been set at a level high enough to guarantee that housing that passes is decent, safe and sanitary. But the level is not so high as to make large numbers of habitable units unavailable to program participants.²¹

Table A. Comparison of housing standards (examples)

Area	HUD Housing Quality Standards	Minneapolis Housing Maintenance Code
Bathroom	The unit must have its own bathroom, usable in private, with a toilet; sink with a trap and hot/cold water; and a shower or a tub with hot/cold water. Plumbing must connect to approved sewer system.	Similar, with requirement that the sink be in same room as toilet or near its door and the door locks if non-family members share the unit. An additional bathroom is required if more than 10 occupants.
Solid waste disposal	"There must be facilities and services for the sanitary disposal of food waste and refuse, including temporary storage facilities where necessary."	Every unit "shall be provided with an adequate number of containers to hold the solid waste accumulated by such units until said solid waste is removed from the premises. These containers shall be made of metal or approved plastic and be equipped with tight-fitting covers."
Water heater	Water heater is located, equipped, and installed in a safe manner: the heater has a pressure relief valve and discharge line, and is properly vented. The surrounding area is free from clutter.	A unit "shall have supplied water heating facilities properly installed and maintained in a safe and good working condition and properly connected." The water heater shall provide "an adequate supply of water to be drawn at any required kitchen sink, hand lavatory, bathtub or shower and to maintain the temperature of said water at not less than 120 degrees Fahrenheit."
Natural light	"There must be at least one window in the living room and in each sleeping room."	"Habitable rooms shall be provided with natural light by means of windows or skylights with a glazed area of not less than eight (8) percent of the floor area of such rooms with a minimum of eight (8) square feet."

²¹ U.S. Department of Housing and Urban Development, *Housing Inspection Manual: Section 8 Existing Housing*, no date, p. 11. http://portal.hud.gov/hudportal/documents/huddoc?id=hqs_inspect_manual.pdf

Area	HUD Housing Quality Standards	Minneapolis Housing Maintenance Code
Outlets	"The living room and each bedroom must have at least two electrical outlets in proper operating condition. Permanent overhead or wall-mounted light fixtures may count as one of the required electrical outlets."	Similar for rooms up to 120 square feet. An additional outlet is required for every 80 square feet over 120 square feet. "Required outlets shall, insofar as possible, be spaced equal distances apart."
Ventilation	"There must be adequate air circulation in the dwelling unit." "Bathroom areas must have one openable window or other adequate exhaust ventilation." "Any room used for sleeping must have at least one window. If the window is designed to be openable, the window must work."	"Not less than one-half (1/2) of the required window or skylight area shall be openable to provide natural ventilation. In lieu of openable windows for natural ventilation, a mechanical ventilation system may be provided [and] be capable of providing two (2) air changes per hour in all habitable rooms. One-fifth (1/5) of the air supply shall be taken from the outside."
Walls	"must not have any serious defects such as serious leaning, buckling, sagging, large holes, or defects that may result in air infiltration or vermin infestation."	"shall be maintained and kept free from dilapidation by cracks, tears or breaks or from deteriorated plaster, stucco, brick, wood or other material that is extensive and gives evidence of long neglect."
Roof	"The roof must be structurally sound and weather tight."	"All rainwater shall be so drained and conveyed from every roof so as not to cause dampness in the walls, ceilings, or floors of any portion of the dwelling or of any adjacent building or structure."
Bedroom	Uses City Housing Maintenance Code, but does not permit more than two people per bedroom.	"shall have the following minimum superficial floor area, 70 square feet for one person, 90 square feet for two persons and the required superficial floor area shall be increased at the rate of 50 square feet for each occupant in excess of two" but not exceeding four.
Outdoor areas	"The site and neighborhood may not be subject to serious adverse environmental conditions, natural or manmade, such as dangerous walks or steps; instability; flooding, poor drainage, septic tank back-ups or sewage hazards; mudslides; abnormal air pollution, smoke or dust; excessive noise, vibration or vehicular traffic; excessive accumulations of trash; vermin or rodent infestation; or fire hazards.	Covered by the City's Nuisance ordinance.

Appendix B: Data Sources

In-Person Interviews & Meetings

Minneapolis Department of Regulatory Services: director; deputy director of Operations; deputy director of Housing Inspection Services; both field managers and one lead inspector from Housing Inspection Services; and one supervisor from Fire Inspection Services.

City of Minneapolis City Coordinator's Office: deputy city coordinator

Minneapolis Public Housing Authority – Housing Choice Voucher Program: managing director, senior supervisor, senior inspector, administrative assistant, program analyst and IT analyst.

Telephone Interviews

Senior inspectors or program managers from these public housing authorities or housing redevelopment authorities: Atlanta (GA), Bloomington (MN), Louisville (KY), Multnomah County (OR), Omaha (NE), and Plymouth (MN).

2015 Workload Data

The City and MPHA provided both summary data and source data ("raw data") for all inspections completed during calendar year 2015.

Minneapolis Department of Regulatory Services:

- Total licensed properties and total dwelling units by inspection tier and by building type: one-to-three-unit buildings, condos, and four-or-more-unit buildings (summary data);
- Number of rental properties with at least one violation by building type (summary data); and
- Each property's individual violation(s) by ordinance or statute number with open and closed dates by building type (source data).

Minneapolis Public Housing Authority – Housing Choice Voucher Program:

- Total initial inspections by inspection type (annual, biannual, complaint and quality-control) by pass or fail status (summary data);
- Total re-inspections by inspection type by pass or fail status (summary data);
- Move-in inspections by date requested, date completed, address and whether an initial- or re-inspection (source data); and
- Total failed items by each item category, such as stairs or smoke detectors (summary data).

Documents & Online Resources (not cited in footnotes)

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**MINNEAPOLIS PROPERTY OWNER INCENTIVE FUND
FOR OWNERS IN OPPORTUNITY AREAS – PILOT PROGRAM**

Document is being drafted – will be distributed at meeting