



# Executive Summary

## Draft 2018 Moving to Work Annual Plan

*For the fiscal year beginning January 1, 2018*

### New Era, Focus on Mission

2018 will mark a major turning point in Minneapolis Public Housing Authority (MPHA) history. After recent years focused on stability and modest growth, MPHA will turn decisively toward building a foundation for sustainable, long-term housing and the economic well-being of residents and participants. The immediate result will be a heightened level of activity and forward momentum that will engage the community. Over time, MPHA strives to create more affordable homes and opportunities for families with children, for seniors to age in place, for disabled residents, and for immigrant families desiring to build and preserve community.

Despite our success MPHA, like public housing authorities nationwide, operates under intense budget pressures. Public housing authorities were designed to operate on federal funds. The infrastructure was built, families housed, vouchers distributed. Expectations were created. Yet over decades of Congressional budgets, it has become the “new normal” to operate without adequate funding. The current administration proposes cuts that are strikingly harsh, even compared to past declines.

At the same time, our properties grow older. Our resident populations also age, grapple with increasing mental health challenges and other disabilities, and face new challenges as immigrants and refugees. Families with housing vouchers have in many instances found themselves more concentrated in neighborhoods that make it difficult for them or their children to emerge from the program and from poverty. Meanwhile, the thousands on our waitlists convey an extraordinary unmet need.

Given this environment, we must find new and creative ways to serve both our current families and the families who will surely need us in the future. In 2018, MPHA will lay this foundation in public housing with an intense focus on preserving our buildings. This begins and ends with protecting the people who live here, via a set of *Guiding Principles for Redevelopment and Capital Investments* that assure the rights of residents. This document, drafted with residents, approved by our Board of Commissioners, and presented in five languages, commits to resident involvement, right-of-return, stable rent, and protecting the vulnerable populations we serve. With that as our bedrock, a \$1 million working capital fund and in-depth analysis of our portfolio will allow us in 2018 to begin the process of targeted investments to preserve our housing.

### OUR MISSION

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

Using Housing Choice Vouchers (also known as “Section 8”), MPHA will build a foundation of economic opportunity. Under current federal budgets, we cannot bring new families into the program by offering new vouchers. But we can —more than ever before— create new paths for families to seek economic opportunity and to succeed. One component of this vision is mobility: giving families more and better choices of neighborhoods, schools, and quality housing stock. The other part is education and training, forging strategic partnerships that combine housing with other tools to achieve self-sufficiency. Done right, these investments should create a virtuous cycle: current families find success and emerge from the program, and their children face a reduced chance of needing it. This, in turn, opens voucher opportunities for future families seeking help.

MPHA’s Annual Plan outlines our vision and specific steps for the next fiscal year, beginning January 1, 2018. The plan also outlines how MPHA uses a very critical tool to make it happen. The tool is called the Moving to Work (MTW) Program.

## **Moving to Work Program: A Tool for Local Solutions**

In 2008, the U.S. Department of Housing and Urban Development (HUD) granted MPHA full “Moving to Work” (MTW) status. This is significant because the MTW program gives MPHA the flexibility needed to weather funding pressures and design programs that adjust to our needs and priorities, allowing us to better serve residents in our city. MPHA is one of 39 public housing authorities in the U.S. that has been granted MTW status.

Congress created the Moving to Work Demonstration Program in 1996 as a program that allows housing authorities to design and test innovative, locally-designed strategies for providing low-income families with affordable housing. MTW allows the agency to waive most HUD regulations if the agency meets at least one of three statutory objectives: (1) increasing housing choices, (2) creating opportunities for families with children to become self-sufficient, and (3) increasing cost effectiveness of the agency.

To maintain MTW status, HUD also requires MPHA to complete an annual plan in which MPHA describes the ways MPHA intends to exercise our MTW status and go beyond standard HUD programs. This plan must include a detailed look at the programs, operations and major capital investments of the housing authority, as well as new initiatives MPHA would like to pursue in the coming year. HUD requires a 30-day public comment period review, a public hearing, and approval by the Board of Commissioners prior to submitting MPHA’s MTW Annual Plan to HUD.

While the MTW Annual Plan is a document prepared for HUD, MPHA uses the annual planning process as an opportunity for residents, participants and other stakeholders in the community to voice their concerns and questions. MPHA exceeds HUD’s requirements by scheduling multiple public presentations for residents and participants, and, this year, providing more than 60 days for comments.



## Facts about MPHA Programs and Housing Assistance

The Minneapolis Public Housing Authority (MPHA) owns and manages over 6,000 public housing units and administers over 5,000 housing vouchers, providing over 26,000 people in the Minneapolis community with decent, safe, and affordable housing.

MPHA provides housing to over 6,000 families (9,300 people) through its **Public Housing programs**. In this traditional model, most families receiving assistance from MPHA earn less than 30 percent of the Area Median Income (AMI) or \$27,100 (for a family of four). Families contribute no more than 30 percent of their income toward their rent – whether they are working or on fixed income. While most of the homes are the traditional high-rise buildings, MPHA also owns and operates single-family/duplex/fourplex homes throughout the city and two townhome developments. MPHA also contracts with partners to provide assisted-living and memory care at two facilities.

6,000 Public Housing Units with 9,300 Residents	
<b>5,000</b> Units in <b>42</b> high-rise apartment buildings, including 12 senior-designated buildings.	<b>36%</b> of residents are seniors
<b>730</b> “Scattered site” homes (single-family, duplex, and fourplex) throughout Minneapolis	<b>25%</b> are children
<b>15</b> Lease-to-Own townhomes (Heritage Park)	<b>41%</b> are disabled
<b>184</b> Townhome units (Glendale)	<b>50%</b> of residents list country-of-origin outside U.S.
<b>312</b> Public housing units that are part of other developments through the Metropolitan Housing Opportunity Program (MHOP)	<b>22%</b> give Somali as the primary language spoken
	<b>71%</b> of family households have earned income
	<b>\$14,300</b> Average income of all households; for working households, <b>\$20,900</b> .

Under MPHA’s **Housing Choice Voucher** (HCV, often referred to as “Section 8”) program, eligible families receive a voucher that can be used to pay a portion of their rent in a privately owned apartment or home. Families contribute on average 30 percent of their income towards their rent and utilities, and MPHA provides the rest. Families can use the voucher to choose where they want to live within Minneapolis or outside the city. MPHA administers over 5,000 vouchers, including special vouchers for veterans and families experiencing homelessness.

Through its **Project-Based Voucher** (PBV) program, MPHA provides rental assistance to low-income families living in privately owned apartments. Using voucher funding, MPHA enters into a contract with the property owner to ensure that these units are preserved as affordable housing for up to 20 years.

5,000 Housing Choice Vouchers covering 17,000 People	
<b>4,694</b> Housing Choice Vouchers, including:	<b>53%</b> of participants are children.
<b>712</b> Project-based Vouchers	<b>41%</b> of households are disabled. <b>15%</b> are seniors.
<b>261</b> Veterans Affairs Supportive Housing (VASH) vouchers	<b>32%</b> list Somalia as country-of-origin.
<b>100</b> Family Unification Program (FUP) vouchers	<b>78%</b> of heads-of-household are women
<b>13</b> Participants in a Family Self-Sufficiency (FSS) program	<b>84%</b> are people of color.
<b>34</b> Families in the Mobility Voucher Program	<b>46%</b> of households are employed.
	<b>\$15,550</b> Average income of all households; for working households, <b>\$22,080</b>

# MPHA’s 2018 Plans and Budget

## Budget Overview

Each year, HUD allocates certain funds to MPHA. However, Congress has not passed a funding bill for 2018 and may cut these amounts as part of an overall Federal budget. In 2018 MPHA anticipates that HUD will provide 97 percent of HCV funds, 75 percent of administrative fees and 63 percent of capital —an estimated loss of almost \$6 million in total federal subsidy. As in prior years, MPHA will seek efficiencies and persevere to ensure we continue to provide decent and safe housing for our families currently in our program.

In 2018, MPHA has planned conservatively by presuming HUD funding will be less than awarded in 2017. MPHA’s 2018 MTW budget anticipates \$97 million in sources of funds and \$99 million in uses of funds, using \$2 million from MPHA’s MTW reserves to close the gap. Under MTW, MPHA can combine various subsidy sources and, as in past years, we will use money from HCV to support the more underfunded components like public housing operations. Absent other sources of funding, future reductions in federal funding could result in greater use of reserves, a decrease in services to families, and cuts to MPHA’s workforce.

### 2018 MTW Budget

	Public Housing Operations	MTW Housing Choice Vouchers	Capital Fund Program	MTW Initiatives	Total MTW Funds
Sources	41,178,000	45,159,000	10,623,000		96,960,000
Uses	43,899,000	44,172,000	10,623,000	287,000	98,981,000
Net Program Sources (Reserves)					(2,021,000)

## Public Housing Program



For our low-income public housing (LIPH) programs, MPHA’s plans and outlook are shaped by two unchanging forces: our mission to provide quality, low-income housing, and the flagging federal financial support for this mission. One percent of public housing units in the United States—10,000 homes—go offline each year because there is not enough money for repairs and maintenance. MPHA takes pride in bucking this trend year after year, and we do not intend to join it now.

MPHA’s portfolio is old and has major needs. The 42 high-rises average 50 years old; many of the scattered site homes are older still, and our townhome development dates from 1952. In many buildings, infrastructure and building systems (such as mechanical, plumbing, and electrical) have exceeded their life expectancy. While MPHA works hard to maintain units, many of the most critical and expensive challenges are hard to see but are growing each year. MPHA’s immediate capital needs amount to \$127 million in 2017, yet HUD and Congress provide less than \$10 million per year. Without adequate funding for major renovations and upgrades, MPHA estimates needing \$520 million by 2037.

Our related 2018 MTW Activities are oriented toward preserving and enhancing units in an environment of scarce resources while supporting residents' quality of life.

### **Key Activities for 2018**

**Asset Preservation** - It is imperative that MPHA explore asset preservation strategies to preserve our housing, sustaining this community asset and supporting the quality of life of our residents. Accordingly, in 2017 MPHA began an in-depth portfolio analysis to determine the best way to enhance each property and preserve (or replace and rebuild) for the long-term use of low-income residents. MPHA will consider a variety of currently available funding strategies including HUD's Rental Assistance Demonstration (RAD), Low-Income Housing Tax Credits (LIHTC), bonds, and loans. Before any of these strategies are implemented for any particular property, MPHA will meet and discuss the strategies at length with residents.

**Investments in Maintaining Public Housing** - Given the stark need to prioritize, MPHA is basing its capital spending plan conservatively on a capital fund allocation of \$6.44 million in 2018 (plus capital funds from previous years). Priority activities include the following:

- Siding & roof replacement at single family homes
- Major elevator modernization at 1710 Plymouth & 1206 2nd Street NE
- Comprehensive plumbing replacement, ventilation upgrades, and shower replacement at 1515 Park Avenue South
- Roof replacement at 3755 Snelling Avenue
- Comprehensive plumbing replacement and shower replacement at 2121 Minnehaha Avenue
- Building system upgrades – sites to be determined

**Energy Performance Contracts** - MPHA continues its \$33 million energy performance contract that supports efforts to make our properties more energy-efficient. MPHA also partnered with a local non-profit contractor to leverage federal funds to make \$73,000 in energy improvements to eight units at the Glendale Townhomes. We are exploring extending this effort to the remainder of Glendale in 2018.

**Minnehaha Townhomes** - MPHA will soon break ground on a new, 16-unit public housing development. Two, three, and four-bedroom units will provide homes to families with children coming out of homeless shelters. The location is convenient to public light-rail transportation and lies outside areas of concentrated poverty. In partnership with the City, state and philanthropy, MPHA will continue to seek opportunities to expand our housing stock.



*Rendering of Minnehaha Townhomes*

## **Housing Choice Vouchers**

For many years, federal funding of the Housing Choice Voucher (HCV) program, also known as “Section 8”, has been largely static. This means HUD allocates the same number of vouchers to each PHA each year. Therefore, MPHA’s primary focus is to serve this fixed number of families better. As such, our 2018 plans seek to expand opportunity and mobility for the families we serve, ultimately providing the settings and tools to help families emerge from the program and break cycles of poverty.

The past year included a notable project-based voucher commitment, both for its size and impact on the lives of young people. MPHA pledged 25 vouchers to a 40-bed development for homeless youth near downtown Minneapolis. The commitment, worth almost \$4 million over the initial period of 20 years, aligns with MPHA’s previous “Permanent Housing for Youth” MTW initiative.

### **Key Activities for 2018**

Recent research shows convincingly that young children whose families move with vouchers to areas of economic opportunity benefit from increased lifetime earnings. Families also benefit from improved health and other outcomes. The past year has seen notable developments that enhance our goals in this regard.

**Housing Non-Discrimination Ordinance** - In March 2017, the Minneapolis City Council voted unanimously to prohibit discrimination in rental housing against tenants with vouchers. This measure takes effect in May 2018, and has already sparked an important local conversation about the value of these vouchers to the community and the many barriers to using them.

**Regional Collaboration and Mobility** - In August, MPHA and the Family Housing Fund convened national researchers from the Creating Moves to Opportunity (CMTO) project and almost every public housing agency in the Twin Cities region. We began a discussion of the ways we can collaborate to create efficiencies that serve all our families better, presenting them with more choice and streamlining moves to areas of greater opportunity.

## **Partnerships and Opportunities for Residents and Participants**

Beyond the brick and mortar, MPHA will continue to explore partnerships with non-profit providers of human services that support health and wellness, education and economic self-sufficiency.

### **Key Activities for 2018**

**High-rise Service Enrichment Strategy** - MPHA is reviewing our existing services, with an ambition to build a common set of services for all buildings. Working with current and new partners, MPHA envisions the high-rise becoming a neighborhood hub where a variety of health and wellness programs and mental health supportive services are available. MPHA will explore the use of both funding and modification of its physical space to include developing program models targeted at specific sites.



**Education and Job Training** – For HCV participants and public housing families interested in moving to self-sufficiency, MPHA has signed letters of intent with Summit Academy and Twin Cities Rise, and is exploring similar collaborations with other partners to create educational and job opportunities.

MPHA intends to establish a pilot program in 2018 and will seek partners that support a comprehensive self-sufficiency approach where the housing subsidy and educational program requirements are mutually supportive and encourage families to engage in economic improvement activities. MPHA will utilize its MTW authority to create flexible subsidies that can be tailored to the individual needs of participating families.

## **2018 Proposed MTW Activities**

As an MTW agency, MPHA can identify areas to innovate and create programs that address the needs of our community and that meet the three MTW Program objectives. For 2018, MPHA proposes to HUD the following initiatives as described below. Some are entirely new, while others build upon existing programs. (These activities are described in greater detail in the full plan available at [www.mphaonline.org](http://www.mphaonline.org))

### ***Statutory Objective: Housing Choice***

**Region-wide Mobility and Opportunity** – MPHA will work with adjacent public housing authorities) and other housing partners around the Twin Cities to expand housing choices for all our families with housing vouchers. These efforts will likely include proposing the formation of a regional MTW Agency.

**Property Owners Incentive Program** – In partnership with the City of Minneapolis, MPHA will create a fund that encourages and rewards property owners that participate in the HCV program. This fund will expand housing options for families with vouchers by enticing more owners into the program.

**Neighborhood Payment Standards** – MPHA has hired a consultant to conduct a market analysis to identify rental markets by census tract and neighborhood. By basing our payment standards on smaller areas, MPHA enhances the “buying power” of families with housing vouchers to move to neighborhoods that have higher rents and offer greater economic opportunity.

**Building More Public Housing** – We will use our MTW flexibility to find creative ways to partner in creating 141 new public housing units under MPHA’s “Faircloth Authority” to receive additional subsidy from HUD. (Faircloth, named for a former U.S. Senator, refers to additional public housing subsidy that MPHA is permitted to access, provided we can build or acquire the units.)

### ***Statutory Objective: Self-Sufficiency***

**Goal-Oriented (GO!) Housing** – This optional program for both public housing and HCV participants would provide intensive education, training, and employment opportunities in partnership with non-profit educational and vocational partners. Incentives could include a savings match and flexible subsidies.

**Public Housing Education and Training Partners** – MPHA will work with various partners to set aside public housing units near education and training centers that will be reserved for participants in those programs. Participants will live in the housing and pay public housing rent (30 percent of income) while in the program.

**Statutory Objective: Cost Effectiveness**

**Redefining Program Income** – Currently, MPHA generates about \$500,000 in income from leases of rooftop space, space rentals, and other sources. These funds will be centrally pooled and may be used to help address the greatest repair needs in our public housing properties.

**Release of Declaration of Trust (DOT) to Preserve Public Housing** – HUD’s legacy Declaration of Trust (DOT) system that governs public housing properties inhibits MPHA’s ability to raise money from other sources needed to reinvest in our public housing stock. Replacing DOTs with Land Use Restriction Agreements (LURAs) provides MPHA much needed flexibility to raise money while protecting long term affordability.

**Biennial Income Recertification** – Non-elderly and non-disabled public housing residents must currently recertify their income every year. MPHA will reduce this frequency to every other year. This will reduce the burden on residents and reduce administration for MPHA.

**Higher Asset Verification Limits** – MPHA will modify the definition of annual income to exclude income from assets valued at \$50,000 or less. This will reduce the reporting and paperwork burden on residents and MPHA.

**Conversion of MHOP Units to Project-Based Vouchers** – Under the Metropolitan Housing Opportunity Program (MHOP), MPHA funds 112 units of public housing in 17 different metro cities. MPHA neither owns nor manages these units. Converting these units to project-based vouchers (PBVs) will involve minimal change for residents, but will relieve considerable administrative burdens for both the property owners and MPHA.

**Local Project-Based Voucher Program** – To facilitate certain other of the initiatives above, MPHA will develop and implement its own local Project-Based Voucher Program.

*For further details on MPHA’s plans for 2018, please refer to the full draft on our website [www.mphaonline.org](http://www.mphaonline.org).*