



DRAFT

STRATEGIC VISION & CAPITAL PLAN

2018 – 2020

2020-2030 HORIZON

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

WORKING DRAFT FOR BOARD INPUT

APRIL 25, 2018

MPHA AT-A-GLANCE

Mission

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

42
high-rise buildings
with
5,006
apartments

725
single family
homes/duplexes

26,000+
people

184
townhomes

6,000
Vouchers

710
Project-based
vouchers

MPHA HOUSING SERVES A CRITICAL NEED

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

MPHA STRATEGIC INITIATIVES



Housing Preservation & Creation

- ☐ Rehabilitate and increase density – high-rises, townhomes.
- ☐ Rehabilitate and increase density – scattered sites.
- ☐ Implement Quality Maintenance Program.
- ☐ Diversify the portfolio and funding sources – land, targeted use of project-based vouchers.



Education, Employment & Health

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



Operational Excellence

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

CAPITAL PLAN REQUIRES LONG- AND SHORT-TERM SOLUTIONS

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



Pilot Efforts & Testing

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



Rehabilitation and Construction

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

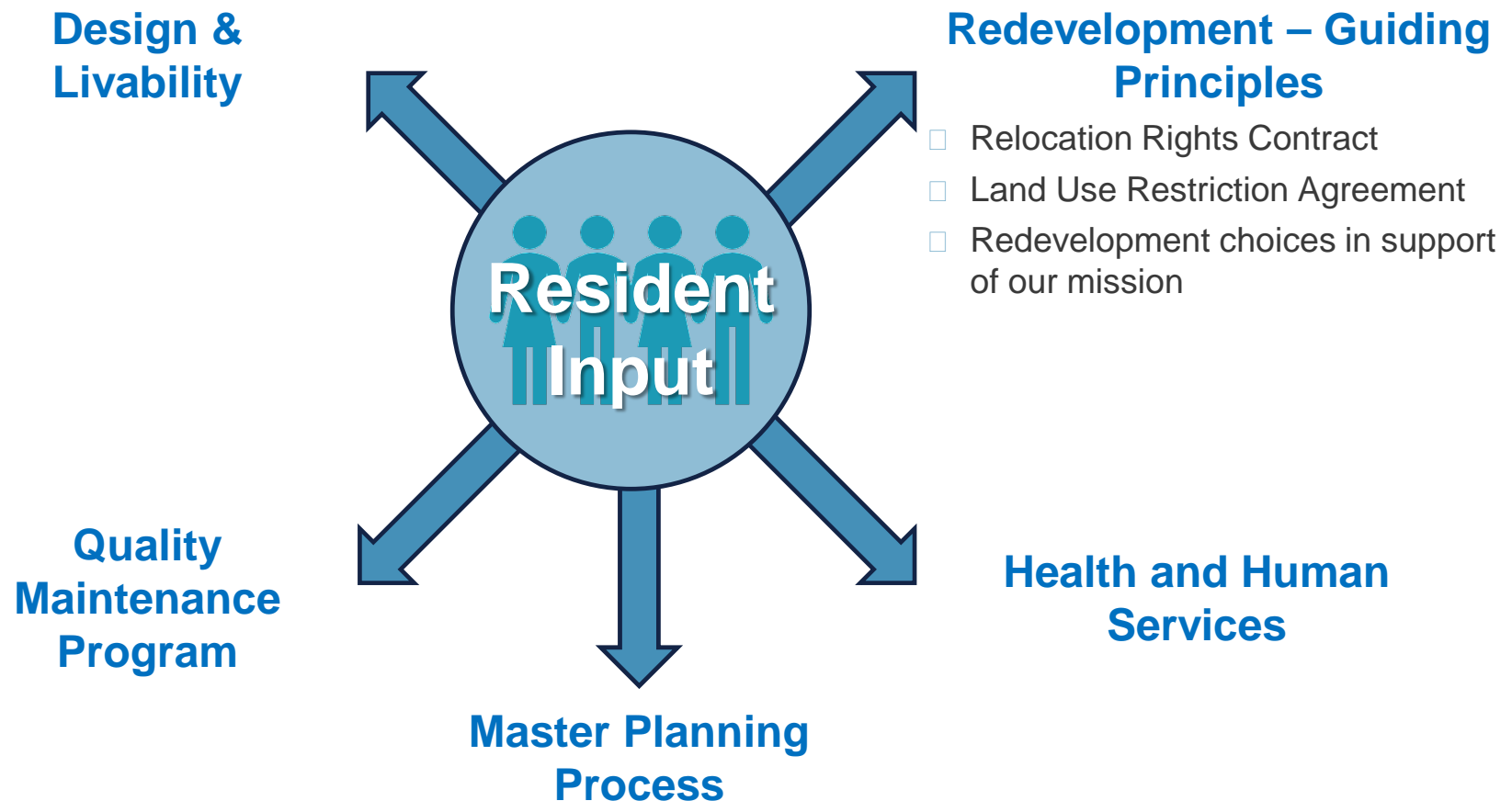


Quality Maintenance Program (QMP)

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

RESIDENT INPUT SOUGHT AT EVERY STEP

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





HOUSING PRESERVATION & CREATION: *SENIOR HIGH-RISES*

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

- ☐ **Pilot: 87 units, Full**
rehabilitation to passive house standards.
- ☐ Apply for disposition or RAD to MPHA-controlled non-profit.

Elliot Twins Apartments

2018-2019

2020-2024

2025-2039

2030→



- ☐ **Scale:** Full rehabilitation to passive house standards.
- ☐ **QMP:** Scheduled modest updates to units and building until rehab begins.

Cedar High Apartments
2728 East Franklin Avenue
3205 East 37th Street
3755 Snelling Avenue
2121 Minnehaha Avenue
1515 Park Avenue South

809 Spring Street NE
1710 Plymouth Avenue North
1900 3rd Street NE
1314 44th Avenue North
1717 Washington Street NE



Charles Horn Towers
710 2nd Street NE
2415 North 3rd Street
616 Washington Street NE

314 Hennepin Avenue
630 Cedar Avenue South
828 Spring Street NE
315 Lowry Avenue North



1920 4th Avenue South
1707 3rd Avenue South
Hiawatha Towers
800 5th Avenue North
1815 Central Avenue NE
Fifth Avenue Highrise
2533 1st Avenue South

600 18th Avenue North
1206 2nd Street NE
350 Van White Memorial Blvd
3116 Oliver Avenue North
311 University Avenue NE
1415 East 22nd Street
901 4th Avenue North





HOUSING PRESERVATION & CREATION: **TOWNHOMES**

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

2018-2019

2020-2024

2025-2039

2030→

Glendale Townhomes

184 units



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

Minnehaha Townhomes

16 units



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










HOUSING PRESERVATION & CREATION: *SCATTERED SITES*

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

Scattered Sites

745 units in portfolio
577 single family
68 duplex
12 fourplex

| 2018-2019 | 2020-2024 | 2025-2039 | 2030→ |
|--|--|--|-------|
| Pilot: <ul style="list-style-type: none">  Comprehensive rehabilitation of <u>one single family unit</u> to passive house standards. (xx Pierce Street NE)  Build an ultra energy-efficient <u>fourplex unit.</u>  Apply for disposition of entire scattered site portfolio to MPHA-controlled non-profit. (generates TPVs) | Scale: <ul style="list-style-type: none">  Full rehabilitation of units to passive house standards.  Seek sponsor partners for the green building materials and energy technology.  Demolish and replace obsolete units with fourplexes (100+ units) | Maintain: <ul style="list-style-type: none">  Quality Maintenance Program | |



HOUSING PRESERVATION & CREATION: *OTHER PROPERTIES*

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

2018-2019

2020-2024

2025-2039

2030→

Heritage Park Mixed-Income Community (including vacant land)

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

Portfolio Diversification Opportunities (PDO)

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

MHOP

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



EDUCATION, EMPLOYMENT & HEALTH

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Using housing as a stabilizing foundation that can lead to economic self-sufficiency and wellness, MPHA will use project-based vouchers (PBV) for targeted housing programs.

Education Initiatives – GOAL: Improve educational achievement, graduation rates

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

Employment Initiatives – GOAL: Increase job acquisition and retention.

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

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

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



OPERATIONAL EXCELLENCE

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For every dollar MPHA saves, \$12 dollars are available for reinvestment in properties and people.

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

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

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

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

Partnerships and Outreach Initiatives – GOAL: Enhance MPHA's reach, influence, and transparency

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



QUALITY MAINTENANCE PROGRAM

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

- *GOAL: Reduce the frequency of non-emergency work orders and system failures; update units; decrease turn times.*
- Elements
 - Weekly, monthly, quarterly, and seasonal production schedules.
 - Improved approach to grounds, janitorial, pest control, major systems maintenance.
 - Checklists for each unit – includes modest repairs and replacements due to wear-and-tear, cycle painting
- Implementation
 - Resident and staff input on repair issues informs design of the program.
 - Pilot program at Glendale and Horn Towers (2018).

FUNDING OPTIONS

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

Conversion

of public housing to project-based vouchers under RAD or similar HUD program.



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

Disposition of Properties to MPHA-Controlled Non-Profit



- ☐ Triggers Tenant Protection Vouchers, with deeper subsidies than current public housing operating subsidy.
- ☐ Increases available subsidy per unit 3X.
- ☐ Protects affordability with land-use restriction agreement.

City Tax Levy



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

Private Loans (Banks, Foundations)



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

FINANCIAL IMPACT OF CONVERSION

HIGH-RISE ILLUSTRATION (PER UNIT PER YEAR)

| | | Public Hsg | RAD | RAD/ LIHTC | TPV/LIHTC |
|-----------|----------------------------|------------|---------|------------|-----------------------|
| Operating | Rent | 3,000 | 3,000 | 3,000 | 3,000 |
| | Operating Subsidy | 3,000 | 3,000 | 3,000 | HAP Sub. 9,976 |
| | Cap. Grant | | 1,640 | 1,640 | - |
| | Other | 300 | 300 | 300 | 300 |
| | Income | 6,300 | 7,940 | 7,940 | 13,276 |
| | Operating Expenses | 6,600 | 6,600 | 6,600 | 6,600 |
| | Replacement Reserve | - | 450 | 450 | 450 |
| | Expense | 6,600 | 7,050 | 7,050 | 7,050 |
| | Net Operating Income | (300) | 890 | 890 | 6,226 |
| Capital | Annual Cap. Grant | 1,640 | - | - | |
| | Loan | | 11,000 | 11,000 | Loan 77,000 |
| | LIHTC Equity | | | 80,000 | 80,000 |
| | Total Capital Funding | | 11,000 | 91,000 | Total 157,000 |
| | Capital Need Over 20 years | 160,000 | 160,000 | 160,000 | 160,000 |

GAP

FINANCIAL IMPACT OF CONVERSION

FAMILY HOUSING ILLUSTRATION (PER UNIT PER YEAR)

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

} GAP {

REDEVELOPMENT DEPENDS ON NEW FUNDING SOURCES

Over the next 15 years, MPHA must seek public and private sources of funding to implement the capital plan which will preserve MPHA's low-income housing for the future.

Preliminary Estimate of Full Rehabilitation Costs (in \$ Millions)

| | <u>Total Development Costs</u> | <u>RAD/LIHTC</u> | <u>+ 25% TPV @FMR</u> | <u>+ 25% TPV @110% FMR</u> | <u>100% TPV/ LIHTC @FMR</u> |
|---------------------------|-----------------------------------|----------------------|-------------------------------|----------------------------|-----------------------------|
| Senior High-rises | \$863,000,000 | | | | |
| | | <i>Debt</i> \$17 | \$53 | \$60 | \$169 |
| | | <i>Equity</i> \$416 | \$420 | \$424 | \$526 |
| | | GAP \$430 | \$390 | \$379 | \$168 |
| Scattered Sites | <u>Capital Need</u> \$214,000,000 | <u>100% TPV @FMR</u> | <u>100% TPV @ HUD funding</u> | | |
| | | <i>Debt</i> \$93 | \$64 | | |
| | | GAP \$121 | \$150 | | |
| Glendale Townhomes | <u>Capital Need</u> \$51,000,000 | <u>RAD/LIHTC</u> | <u>+ 25% TPV @FMR</u> | | |
| | | <i>Debt</i> \$3 | \$11 | | |
| | | <i>Equity</i> \$26 | \$26 | | |
| | | GAP 22 | 14 | | |

RAD – HUD's Rental Assistance Demonstration
TPV – Tenant Protection Vouchers

FMR – HUD's Fair Market Rents
LIHTC – Low-Income Housing Tax Credits



APPENDICES





SUMMARY OF ALL REDEVELOPMENT INITIATIVES

| | | 2018-2019 | 2020-2024 | 2025-2039 | 2030→ |
|--|--|-----------|-----------|-----------|-------|
| Elliot Twins | | | | | |
| Cedar High Apartments 2728 East Franklin Avenue 3205 East 37th Street 3755 Snelling Avenue 2121 Minnehaha Avenue 1515 Park Avenue South 809 Spring Street NE | 809 Spring Street NE 1710 Plymouth Avenue North 1900 3rd Street NE Elliot Twins Apartments (1212 S 9th, 1225 S 8th St) 1314 44th Avenue North 1717 Washington Street NE | | | | |
| Charles Horn Towers 710 2nd Street NE 2415 North 3rd Street 616 Washington Street NE | 314 Hennepin Avenue 630 Cedar Avenue South 828 Spring Street NE 315 Lowry Avenue North | | | | |
| 1920 4th Avenue South 1707 3rd Avenue South Hiawatha Towers Apartments 800 5th Avenue North 1815 Central Avenue NE Fifth Avenue Highrise 2533 1st Avenue South | 600 18th Avenue North 1206 2nd Street NE 350 Van White Memorial Blvd 3116 Oliver Avenue North 311 University Avenue NE 1415 East 22nd Street 901 4th Avenue North | | | | |
| Scattered Sites (725 units) | | | | | |
| Glendale Townhomes | | | | | |
| Minnehaha Townhomes | | | | | |
| Heritage Park Mixed-Income Community | | | | | |
| Portfolio Diversification Opportunities (PDO) & MHOP | | | | | |

LEGEND



Passive House
Rehab or
Construction



Quality Maintenance
Program



Construction



Community-based
Master Planning



Funding and
Investments

CAPITAL NEEDED (\$MM)

\$38.5

\$253

\$258

\$214

PRESERVATION IS THE FIRST PRIORITY

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

Priorities

1st

**Age &
Poor
Condition**



**No recent
capital
investments**



**Rehabilitate
or Rebuild**

2nd

Available Land in Key Location



**Add new
buildings**

3rd

**Age &
Poor
Condition**

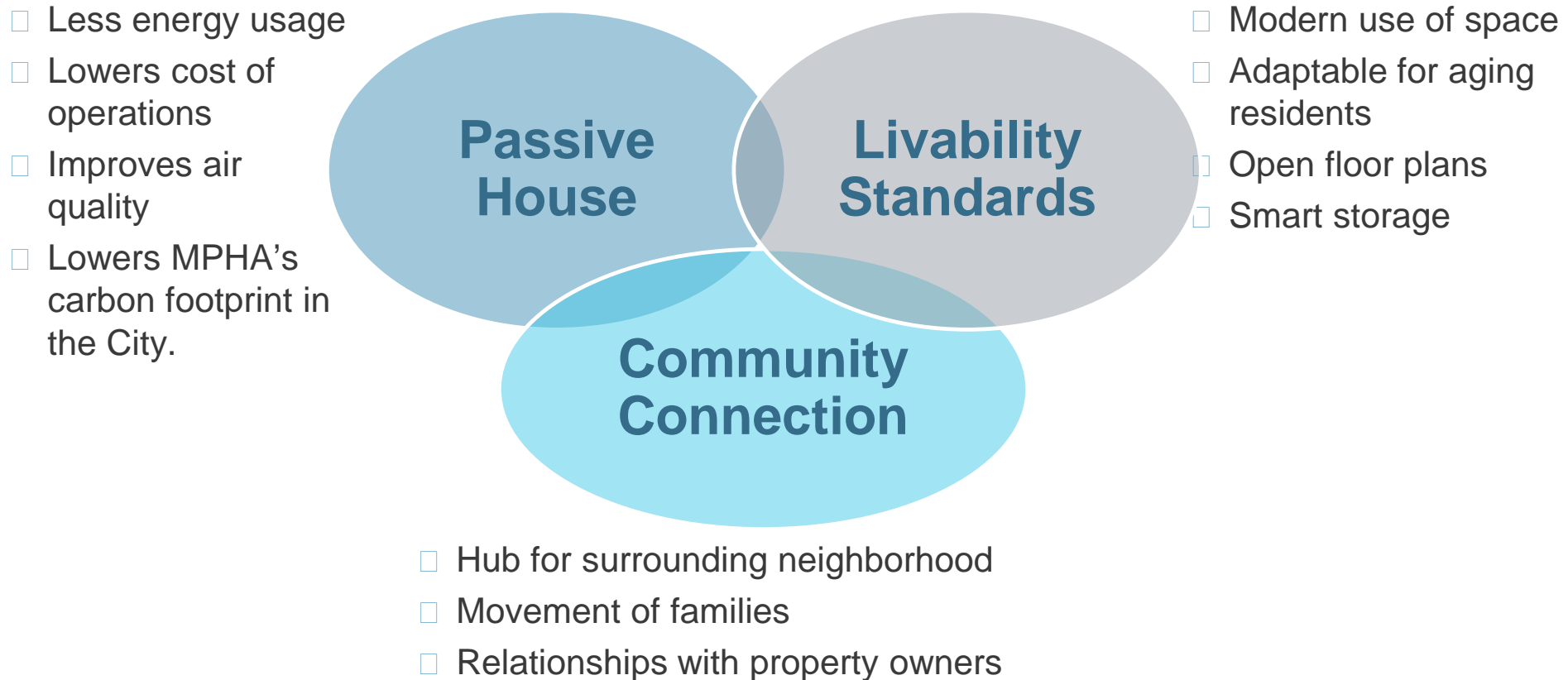
**High Cost
to Operate**
(Energy
Usage)

**Available
Land**



**Replace &
Add new
units**

DESIGN PRINCIPLES FOR DEVELOPMENT



EXAMPLE OF DESIGN FOR HIGHRISES



Example of a High-rise Retrofit

Source: Intep

EXAMPLE OF DESIGN FOR SCATTERED SITE REHAB



Example of Single Family Rehab

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

Source: Intep