



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Special Applications Center
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OFFICE OF PUBLIC HOUSING

August 16, 2019

Ms. Tracey Scott
Acting Executive Director
PHA in and for the City of Minneapolis
1001 Washington Avenue N
Minneapolis, MN 55401

Dear Ms. Scott:

The U.S. Department of Housing and Urban Development's (Department) Special Applications Center (SAC) has reviewed the PHA in and for the City of Minneapolis's (MPHA) application for the disposition of 640 dwelling buildings containing 717 dwelling units and 104.67 acres of underlying land at Scattered Sites, MN002000002. The SAC received application DDA0009465 on March 3, 2019, via the Inventory Management System/Public and Indian Housing Information Center (IMS/PIC) system. Supplemental information was received through August 13, 2019.

Office of Public Housing and Fair Housing and Equal Opportunity Certification

The City of Minneapolis certified their Environmental Review (ER) assessment was in accordance with 24 CFR part 58 on February 7, 2019, and made a determination that the project or activity is exempt under 24 CFR 58.34(a)(12), because the project or activity is categorically excluded under 24 CFR 58.35(a)(4) or (5) and none of the related environmental laws are triggered.

On April 12, 2019, the Detroit Fair Housing and Equal Opportunity (FHEO), Program and Compliance Branch, recommended the disposition approval.

Under 24 CFR 970.7(a)(1), in order for a demolition or disposition application to be approved after November 24, 2006, the effective date of this regulation, a Public Housing Agency (PHA) must provide a certification that the PHA has described the demolition or disposition in the PHA Annual Plan and timetable under 24 CFR part 903, and that the description in the PHA Annual Plan is identical to the application submitted pursuant to this part and otherwise complies with Section 18 of the Act (42 U.S.C. 1437p) and this part.

The MPHA submitted Moving to Work (MTW) Plan to the MTW office on October 1, 2018, which includes a description of the proposed disposition action at the development(s). The MTW office approved the MTW Plan on June 10, 2019.

Development History

The MPHA has received the following Inventory Removal approval(s) at the development(s):

PIC Application	Removal Type	Number of Units Approved	Number of Acres Approved	Date of Approval
DDA0000194	Disposition	1	0.20	04/12/2003
DDA0002125	Disposition	8	1.60	07/13/2006
DDA0004145	Disposition	3	0.45	09/24/2010
DDA0005573	Disposition	-	0.10	05/22/2014
DDA0006525	Disposition	-	0.04	05/08/2015
DDA0007277	Section 32	20	3.00	12/31/2015
IBSMN00210	Disposition	2	-	09/28/2001
IBSMN00211	Demolition	11	-	08/05/2002
IBSMN00234	Disposition	1	-	04/05/2001

Description and Proposed Removal Action

The MPHA proposed the disposition of 640 dwelling buildings containing 717 dwelling units and 106.10 acres of underlying land at Scattered Sites B, MN002000005. Details of the proposed disposition are as follows:

<i>Scattered Sites, MN002000002</i>						
DOFA: 04/09/1979						
Bedroom Size	0-BR	1-BR	2-BR	3-BR	4+BR	Total
Existing Units	0	0	143*	349	257	749
Proposed Units	0	0	130	344	243	717
Number of Dwelling Buildings Existing						650
Number of Dwelling Buildings Proposed						640
Number of (Dwelling and Non-Dwelling) ACC Units in PHA's Total Housing Inventory for All Developments						7,027
Existing Land				106.10 Acres		
Proposed Land				104.67 Acres		
<u>Buildings excluded from approval: 52-1, 89-1, 025-1, 025-2, 025-3, 025-4, 025-5</u>						

*13 units approved but not yet removed.

Reason for Action (Justification)

The MPHA proposed the disposition based on 24 CFR 970.17(c), and has certified in Exhibit A: Reason for Removal of the PHA Certification of Compliance that the disposition is appropriate for reasons that are in the best interests of the residents and the PHA, are consistent with the goals of the PHA, the PHA Plan, and are otherwise consistent with the Housing Act.

The units proposed for disposition are scattered sites spread across 58.2 square miles in Minneapolis. The distance needed to travel between units leads to lost employee time, as the

driving distance between the central office and many of the scattered sites is over 8 miles. The lack of uniformity in the systems across these properties makes them challenging to operate. Additionally, each has unique capital needs that differ from property to property, making it costly to reach any economies of scale.

The proposed disposition to MPHA's nonprofit instrumentality, Community Housing Resources (CHR), along with continued operation under the project-based voucher platform will provide a higher and more reliable subsidy stream. As a result, MPHA will be able to preserve these units as a low-income housing resource in the community.

The Department concurs with the MPHA's determination that the disposition is in the best interests of the residents or the PHA because the property is not in the best interests of the residents or the PHA because the scattered sites are unfeasible to operate due to distance between units, lack of uniformity of systems, and differing capital needs.

Appraisal

The MPHA submitted an estimate of the Fair Market Value (FMV) with the application. The FMV of \$169,367,400 was estimated by the City of Minneapolis Assessor's Office. As required by 24 CFR 970.19(d), the Department has determined that this method of valuation is acceptable to establish an estimate of the FMV for the subject properties.

Negotiated Sale

The MPHA proposed the disposition via a negotiated sale at less than FMV to Community Housing Resources (CHR), MPHA's nonprofit instrumentality, for \$1.00 per property.

Commensurate Public Benefits

The disposition will result in the preservation of this valuable low-income housing resource that would not continue to be viable as public housing. The units will continue to be operated as low-income housing units utilizing a project-based voucher (PBV) funding platform. About half of the units are in relatively low-poverty areas and will serve as a particularly positive resource to advance residents' economic opportunities. To further ensure that these intended results occur, the units will have a use restriction for 30 years per an agreement with HUD and the HAP contract will require renewal. Therefore, although the negotiated sale price is less than FMV, because of the benefits arising from the negotiated sale, it is in the best interest of the public housing residents and the PHA, and will result in a commensurate public benefit, as required in 24 CFR 970.19.

Use of Proceeds

There is no debt on Scattered Sites, MN002000002. The MPHA will not realize proceeds from this disposition.

Relocation

When the application was developed and transmitted to the Department, 716 units proposed for disposition were occupied. The MPHA has submitted a certification regarding relocation as required by 24 CFR 970.21 (e) and (f). The housing resources offered will be project-based housing choice vouchers. All residents will be able to remain in their units during using PBV assistance and no residents will be displaced. MPHA will provide counseling and advisory services to residents regarding the transition from ACC to PBV subsidy. The MPHA estimated the cost associated with counseling and advisory services to be \$70,656. Funds used for counseling and advisory services will be Capital and Operating funds for FY 2019.

Resident Consultation

1. Project(s) Specific Resident Organization(s): N/A
2. PHA-wide Resident Organization: N/A
3. Resident Advisory Board (RAB) in accordance with 24 CFR 903.13: Resident Advisory Board (RAB)

24 CFR 970.9(a) requires that an application for disposition be developed in consultation with residents who will be affected by the proposed action, any resident organizations for the development, PHA-wide resident organizations that will be affected by the disposition, and the Resident Advisory Board (RAB). The PHA must also submit copies of any written comments submitted to the PHA and any evaluation that the PHA has made of the comments.

In early February, MPHA held three meetings to which all affected residents were invited by personally addressed letter and an automated phone message. MPHA held these resident meetings at varying times to accommodate different schedules:

- Saturday, February 2, 2019 from 10 am to 12 pm
- Thursday, February 7, 2019 from 1 pm to 3 pm
- Tuesday, February 12, 2019 from 6 pm to 8 pm

MPHA provided interpretation in Somali and Hmong (no other languages were requested, or needed). Approximately 75 residents attended, across the three meetings. MPHA presented a slide deck on the application, followed by a large group Q&A and then small-group discussions, after which each table shared out questions and reactions about Section 18 or their homes in general. After this, residents could visit multiple tables to leave additional feedback, meet with MPHA staff about work orders, visit with property staff, and pick up additional materials on MPHA programs. MPHA also met with the RAB on January 23 and February 27, 2019. Meeting notifications and presentation materials were provided with the application as well as questions that were asked and MPHA's responses to the questions.

The SAC received calls and emails from concerned members of the community regarding this application. MPHA stated in the application and the Minneapolis OPH has concurred that MPHA has complied with the resident consultation requirements of 24 CFR 970.9(a).

Offer for Sale to the Resident Organization

24 CFR 970.9(b) (1) of the regulation requires that a public housing agency offer the opportunity to purchase the property proposed for disposition to any eligible resident organization, eligible resident management corporation as defined in 24 CFR part 964, or to a nonprofit organization acting on behalf of the residents, if the resident entity has expressed an interest in purchasing the property for continued use as low-income housing. The MPHA has chosen not to provide an opportunity based on the exception found in 24 CFR 970.9(b) (3).

(ii) “A PHA seeks disposition outside the public housing program to privately finance or otherwise develop a facility to benefit low-income families (e.g., day care center, administrative building, mixed-finance housing under 24 CFR part 905 subpart F, or other types of low-income housing)”.

The Department concurs with the MPHA’s determination that it has complied with the requirements of 24 CFR 970.9.

Mayor/Local Government Consultation

As required by 24 CFR 970.7(a) (14), the application package includes a letter of support from the Honorable Jacob Frey, Mayor of the City of Minneapolis, dated February 14, 2019.

Board Resolution

As required by 24 CFR 970.7(a) (13), the MPHA’s Board of Commissioners approved the submission of the disposition application for the proposed property on February 27, 2019, via Resolution Number 9-185. The last resident consultation was on February 12, 2019. The consultation with the local government took place on February 14, 2019.

Approval

The Department has reviewed the application and finds it to be consistent with Section 18 of the Act, and the implementing regulations, 24 CFR part 970, including requirements related to resident consultation, relocation and opportunity to purchase the property by the resident organization. Based upon the review, the Department finds that the requirements of 24 CFR part 970 and Section 18 of the Act have been met, the proposed disposition, as described in the application and identified below, is hereby approved.

<i>Scattered Sites, MN002000002</i>				
Approved for Disposition: Buildings: 640; Units: 717; Acres: 104.67				
Total Units to be Redeveloped N/A	Less than 80% of Area Median Income			
	ACC	Non-ACC	PBV	Market Rate
Not Applicable	0	0	717	0
Acquiring Entity	Community Housing Resources (CHR)			
Acquiring Method	Negotiated sale at below FMV with 30-year use restriction			

Sale Price	\$1.00 per building
Purpose	Preservation of low-income housing

Conditions

The MPHA shall ensure that 717 units of other housing are developed on the property and operated as affordable and reserved for families at or below 80 percent of AMI for a period of not less than 30 years.

These use restrictions requiring that CHR develop and operate the properties as 717 units affordable at incomes at or below 80 percent of AMI for 30 years must be enforced by use agreements, or other legal mechanisms as determined by the HUD Minneapolis OPH. Such use restriction documents must be recorded in a first priority position against the properties, prior to any financing documents or other encumbrances, and remain in effect even in the event of default or foreclosure on the properties.

- CHR shall maintain ownership and operation of the property during the use restriction period. The owner shall not convey, sublease or transfer the property approved for this disposition without prior approval from the MPHA and the Department at any point during the period of use restriction;
- The use restrictions shall be covenants that run with the land, and shall bind and inure to the benefit of the parties, their successors and assigns, and every party now or hereafter acquiring any right, title, or interest therein or in any part thereof;
- Certain involuntary transfers of the property, such as to a secured lender upon default under the security documents, or pursuant to foreclosure, may occur, with the use restrictions surviving the transfer. Any subsequent transfers shall require prior written approval from the MPHA and HUD; and
- The MPHA is responsible for monitoring and enforcing these use restrictions during the period they are in effect.

Notwithstanding this approval, the PHA shall not proceed to enter into any long-term ground lease or disposition agreement until all residents have been relocated and until all demolition actions at the development (that were previously approved by HUD) are complete.

The HUD Minneapolis OPH, with concurrence from the HUD Office of the General Counsel (OGC) and Office of Public Housing Investments (OPHI) or their designees, if required, must approve all acquiring entities, terms and conditions in the conveyance of real property, whether in whole or in part, described in this approval. If there are previous land and/or use agreements or encumbrances, other than the Declaration of Trust (DOT), disposition approval and release of the DOT does not circumvent or supersede those obligations.

Other Requirements

The Department reminds the MPHA that pursuant to 24 CFR 970.21(c)(2), if any of the following types of federal financial assistance is used in connection with the disposition of public housing, the project is subject to section 104(d) of the Housing and Community Development

Act of 1974, 42 U.S.C. 5304(d) (as amended), including the relocation payment provisions and the anti-displacement provisions, which require that comparable replacement dwellings be provided within the community for the same number of occupants as could have been housed in the occupied and vacant, occupiable low- and moderate-income units converted to another use:

- Community Development Block Grant (CDBG) program, 42 U.S.C. 5301 et seq. (including loan guarantees under section 108 of the Housing and Community Development Act of 1974, 42 U.S.C. 5308 et seq.); or
- HOME program, 42 U.S.C. 12701 et seq.

Please contact the HUD Minneapolis OPH for additional guidance, if applicable.

Operating Subsidy

Please be aware that in accordance with 24 CFR 990.114, the disposition of these units will affect the MPHA's operating subsidy eligibility. Please contact your Portfolio Manager at the HUD Minneapolis OPH for additional guidance.

Tenant Protection Vouchers

PIH Notice 2018-09 provides that Tenant Protection Vouchers (TPV) may be available to PHAs based on dispositions that temporarily or permanently remove units from a PHA's public housing inventory and distinguishes TPVs into two classes: Relocation TPVs and Replacement TPVs.

- **Relocation TPVs:** HUD provides relocation TPVs in cases where the public housing units will be replaced in connection with the disposition. Relocation TPVs assist PHAs with relocating residents and must be offered to displaced residents. Relocation TPVs cannot be reissued by the PHA after the initial resident that received the TPV ends participation in the program. The maximum number of relocation TPVs that a PHA is eligible to receive is based occupancy of the public housing units at the time the TPV application (HUD-52515) is submitted to HUD. A PHA's relocation TPV award may be less (but not more) than the PHA's maximum relocation TPV award identified below.
- **Replacement TPVs:** HUD provides replacement TPVs in cases where the public housing will not be replaced in connection with the disposition and become part of the PHA's permanent voucher program. Replacement TPVs must be used first to assist displaced residents. Any remaining replacement TPVs can then be issued to families on its waiting list and/or project-based in accordance with all applicable Section 8 rules. The maximum number of replacement TPVs that a PHA is eligible to receive is based occupancy of the public housing units at the time the disposition application is approved by HUD. A PHA's replacement TPV award will not change from the maximum award identified below unless its redevelopment plans change, and it decides to develop replacement public housing units in connection with the disposition. MPHA must keep HUD updated on any changes and submit a request to amend this approval if it's redevelopment plan change.

At the time of this approval, 688 public housing units were occupied. In connection with this disposition, the MPHA does not intend to redevelop public housing units. Based on this, the MPHA may be eligible for maximum TPVs as follows:

Type of TPVs	Relocation TPVs	Replacement TPVs
Maximum TPV Award	-	688

As of October 1, 2018, HUD will award MPHA replacement TPVs for units that were vacant at the time of this approval but were occupied within the previous 24 months. At the time of this approval, 27 vacant dwelling units were occupied within the previous 24 months as follows:

Type of TPVs	Replacement TPVs
Number of vacant units that were occupied within the previous 24 months of this Approval	27

HUD will not automatically issue TPVs to the MPHA as part of this approval. Instead, the MPHA must apply to HUD separately for TPVs in accordance with PIH Notice 2018-09 (or any successor notice). The MPHA cannot submit the TPV request until it needs the TPVs for purposes of relocating the residents who will be displaced (generally no sooner than 30-60 days from the planned start of relocation). The timing of the MPHA's TPV application submission and the start of relocation noted in this approval should be consistent.

As part of its TPVs request, the MPHA must submit the following to the HUD Minneapolis OPH:

- a) The name and IMS/PIC application number of the public housing project in this disposition approval.
- b) The number of TPVs requested (subject to the limitations above);
- c) Form HUD-52515 (Voucher Funding Application). If lease-up will cover more than one calendar year, the MPHA must submit a separate Form HUD-52515 for each calendar year;
- d) A leasing schedule that identifies the number of TPVs that will be leased on a month-to-month basis. If lease-up will cover more than one calendar year, the MPHA must submit separate leasing schedules for each calendar year; and
- e) A copy of this approval (PDF version - signed and dated).

The HUD Minneapolis OPH will conduct a threshold review of the TPV request prior to sending the request to HUD's Financial Management Center (FMC) for a final determination and processing. HUD's FMC will notify PHAs in writing of their final TPV award.

Capital Fund Financing Program

As of May 1, 2019, the MPHA did not have a HUD approval of a Capital Fund Financing Program (CFFP) proposal.

PIC and Monitoring - MPHA

In accordance with 24 CFR 970.7(a)(4), the MPHA provided the following general timetable based on the number of days major actions will occur following approval of the application:

	Milestone	Number of Days after Approval
A	Begin relocation of residents	180
B	Complete relocation of residents	180
C	Execution of contract for removal (e.g. sales contract or demolition contract)	180
D	Actual Removal Action (e.g. demolition or sale closing)	180

The Department recognizes that a PHA's plans to start relocation sometimes change. However, because the Department relies on this information to determine Operating Funds subsidy, PHAs are responsible for ensuring the days to relocation information in a SAC application is reasonably accurate. If days to relocation in a SAC application is not reasonably accurate, asset repositioning fee (ARF) payments under 24 CFR 990.190 may begin prematurely and a PHA may receive less Operating Fund subsidy than it otherwise would be entitled to receive. A PHA may even find itself in a situation where it is operating public housing units without any Operating Fund subsidy. Therefore, it is essential that PHAs make timely requests to the Department for any necessary modifications to the days to relocation in a SAC application. Note that after the Operating Fund subsidy revisions deadline in the first year of ARF eligibility, no further changes to the days to relocation in an approved SAC application or HUD-52723 can be made.

If the MPHA becomes aware that the days to begin relocation information (noted in Field A above table - Begin relocation of residents) is not reasonably accurate, the MPHA must send an email to the Director of Minneapolis OPH within five business days, with a copy to the HUD PIH staff member assigned to the PHA using the following Subject "*PHA Code, SAC application DDA Number, Modification to Days to Relocation*". The MPHA must include the new estimated number for the days to relocation, along with a brief explanation of the reason for the modification. The Minneapolis OPH will review the request to ensure it is reasonable/it has no information that is inconsistent with the request (e.g. information from residents that relocation has started) and that the new estimated days to relocation is not past the Operating Fund subsidy revisions deadline in the first year of ARF eligibility. If the MPHA's request is acceptable, SAC will modify the days to relocation in the SAC application in IMS/PIC and email the PHA notifying it that it has made the change. SAC processes these modifications as technical corrections and will not issue a formal written amendment to this approval. If the MPHA's request is not acceptable (e.g. the requested new days to relocation is past the Operating Fund subsidy revisions deadline in the first year of ARF eligibility), the Minneapolis OPH will deny the request in writing. The MPHA must keep adequate records of all relocations (including actual relocation start dates) for purposes of HUD monitoring.

In accordance with 24 CFR 970.35 of the regulation, your agency is required to inform the HUD Minneapolis OPH of the status of the project (i.e., delays, actual disposition,

modification requests or other problems). Within seven days of disposition completion, the MPHA must enter the “actual” dates of disposition, directly into the IMS/PIC data system, Inventory Removals sub-module under “Removed from Inventory” tab for the HUD Minneapolis OPH approval, using the following procedure:

- On the screen, select the appropriate "Development Number", then select "Add Transaction". On the next screen, select the appropriate "Application Number" from the drop-down menu. In the "Action/Closing Date" box, enter the removal date. If the properties in an application were removed on multiple dates, a separate transaction is needed for each action date. The remaining steps are as applicable.
- If removal is by building(s), use “Remove Residential Inventory By Building” section, select the appropriate building(s) available in the "Complete Buildings Available" box and transfer them to the "Proposed Buildings" box.
- For removal of some units in a building, use “Remove Residential Inventory By Unit” section. To select the appropriate unit(s) available, use the drop-down "Select the building number" box which populates the "Units Available" box. Transfer the appropriate units to the "Proposed Units" box.
- For removal of land and non-dwelling buildings without PIC building numbers, use “Remove Non-Residential Inventory” section. Fill in the number of acres and non-dwelling buildings without PIC building numbers.
- Save the information using the "Save" button. The status of this information is then displayed as "Draft."
 - MPHA supervisory staff submits the information to the MPHA Executive Director, or the designated final reviewer at the MPHA, using the Submission sub tab. The status becomes "Submitted for Review".
 - The MPHA Executive Director or designee uses the Review sub tab to reject the transaction, which places it in a "Rejected" status, or approves, which places it in a "Submitted for Approval" status.
- If the submission is rejected by HUD, the MPHA may modify the information by repeating the previous procedure. If the transaction is rejected, the status becomes "Rejected." If the HUD Minneapolis OPH approves the transaction, the status in IMS/PIC permanently changes to "Removed from Inventory (RMI)".

When the disposition is completed in its entirety, please submit a report to the HUD Minneapolis OPH confirming the action and certifying compliance with all applicable requirements. Auditable financial statements, expenditures and files for each transaction relative to the action must be maintained, available upon request and forwarded with the final report.

The MPHA must retain records of the SAC application and its implementing actions of HUD’s approval of this SAC application for a period of not less than 3 years following the last required action of HUD’s approval.

PIC and Monitoring – OPH

It is the Minneapolis OPH's responsibility to monitor this activity based on its latest risk assessment. The Minneapolis OPH must review the relocation change request submitted by MPHA, within 10 business days, to ensure it is reasonable/it has no information that is inconsistent with the request (e.g. information from residents that relocation has started) and that the new estimated days to relocation is not past the Operating Fund subsidy revisions deadline in the first year of ARF eligibility. If the MPHA's request is acceptable, notify SACTA@hud.gov via an email. The SAC will modify the days to relocation in the SAC application in IMS/PIC and email the MPA notifying that change has been made. If the MPHA's request is not acceptable (e.g. the requested new days to relocation is past the Operating Fund subsidy revisions deadline in the first year of ARF eligibility), the Minneapolis OPH will deny the request in writing.

The Minneapolis OPH must verify that the actual data is entered in IMS/PIC by the MPHA within seven days of disposition to ensure the Department is not overpaying operating subsidy and the Capital Fund formula data is correct.

When the PHA submits an Inventory Removal action in IMS/PIC, your Office will be notified seeking inventory removal approval via a PIC system generated email to your designated PIC coach or another person. Below is a sample notification email:

“Subject: Inventory Removal Submittal Notification (HA code)

Inventory removals have been submitted for approval by your office on [submission date] by [HA Code].”

When the above email is received, your Office is responsible for the review and approval or rejection of the PHA's Inventory Removal submission within seven days.

The HUD Minneapolis OPH has been informed of this approval. Its staff is available to provide any technical assistance necessary for your agency to proceed with the disposition.

As the MPHA start the process of implementation, I urge you to continue to maintain an open dialogue with your residents and local officials. If you have to modify your plans, please contact the SAC at SACTA@hud.gov. As always, my staff and I are available to assist you in any way possible.

Sincerely,



for

Jane B. Hornstein
Director

cc: Minneapolis OPH