



September 25, 2019

Agenda Item 2

## REPORT TO THE COMMISSIONERS

**FROM:** Tracey Scott, Interim Executive Director/CEO

**SUBJECT:** Approval of the Rental Assistance Demonstration Amendment to MPHA's 2019 Moving to Work Annual Plan

**Previous Directives:** In August 2018 the MPHA Board of Commissioners approved MPHA's application for the HUD's Rental Assistance Demonstration (RAD) program at the Elliot Twins. MPHA's application was approved and MPHA was awarded a Commitment to enter a Housing Assistance Payments (CHAP) by HUD in December 2018.

**Resident Notification:** This amendment to the annual plan was duly and explicitly noticed to all residents, including residents of the Elliot Twins, by direct mail in July 2019. MPHA followed all resident notification and engagement requirements under the RAD program, in addition to regular engagement with the property's Resident Council and MPHA's Resident Advisory Board (RAB). The RAB received a copy of this amendment for review and discussion at its July meeting. The RAB will consider this amendment for approval at its regular meeting prior to the September 25 board meeting.

**Impact on Budget:** None

**Recommendation:** It is recommended that the Board of Commissioners adopt a resolution approving the Rental Assistance Demonstration Amendment to MPHA's 2019 MTW Annual Plan and submit it to HUD pursuant to the requirements in the MTW Agreement.

MPHA continues preparing for the conversion of federal housing subsidy and a subsequent major renovation at the Elliot Twins, facilitated by the Rental Assistance Demonstration (RAD) program administered by the U.S. Department of Housing and Urban Development (HUD).

Prior to submitting a RAD financing plan to HUD, HUD requires all PHAs to amend their annual plan to reflect the conversion. MPHA is amending our current and approved 2019 Moving to Work (MTW) Annual Plan. In our amendment, MPHA adheres closely to the template language

provided by HUD, filling in the details specific to this project. These correspond to the latest information about the project shared by MPHA staff with the board, including the projected addition of 10 units at the Elliot Twins (increasing the unit total from 174 to 184). The amendment text is unchanged from the draft received by the board in July.

MPHA made a draft of the amendment available for review on July 19. We received five spoken comments at the board's August 28 public hearing on the RAD amendment. MPHA received no written public comments through the advertised channels (mail and email) specifically devoted to the amendment. However, we did receive multiple comments related to RAD in the context of our 2020 MTW Annual Plan process and public information meetings, which occurred in the same window. Throughout the RAD application process to-date, MPHA has remained regularly engaged with and available to building residents, including the monthly resident council meetings, to answer questions and promote awareness of the RAD conversion.

A summary of comments and MPHA responses follows this board report, followed by the Board Resolution and a copy of the amendment. Please note that the final amendment to the plan will also include reproductions of two HUD notices, provided to the board in July.

*This report was prepared by Jeff Horwich, Director of Policy and External Affairs ([jhorwich@mplspha.org](mailto:jhorwich@mplspha.org)).*



***Summary of Public Comments***  
**Rental Assistance Demonstration (RAD) Amendment**  
**to the 2019 MTW Annual Plan**

**Comments from the Public Hearing (August 28, 2019)**

Five people spoke at the public hearing on the amendment.

1. A resident of the Elliot Twins stated that MPHA should recognize that many types of people live in the buildings, and to be prepared for that. She further stated her belief that MPHA intends to give the buildings to developers, make residents sign documents, and that the process is “disrespectful.”

2. A resident from another public housing property praised the leadership and engagement of the resident council and the Minneapolis Highrise Representative Council during the RAD process. She stated that the RAD conversion is “working beautifully” at the Elliot Twins, but that she is upset by the disruptive misinformation and fear campaign, and that it needs to stop. She stated that information has been widely available, with regular meetings open to residents. She urged those at the hearing to become better informed and take advantage of opportunities to learn.

3. A resident from another public housing property stated that she is extremely disturbed by the “lack of housing” generally. She stated that she feels like she is being ripped off and abused, and she would like to see more accountability “in the housing system.” She called for better communication, especially around what is going on with her building, and wants “to know who we can trust.”

4. A resident from another public housing property stated that the RAD application has not been approved by residents, who have been silenced and abused. She stated that MPHA is lying and that there is an “eviction plan” that is pushing residents out. She stated that the Elliot Twins have already been remodeled, there is no need for RAD, and it is part of a plan to end public housing in Minneapolis. She accused MPHA staff of racism and violating laws.

5. A member of the general public stated that there has been extensive reporting on the shortfalls of RAD and how the program is being used as a “cash machine” for private interests. He stated that he rejects the idea that private investment is needed and we should “keep public housing public.” He cited a report by the General Accounting Office finding that RAD has not leveraged as much private investment as expected. He also stated that he had questions about

MPHA's nonprofit, "Community Housing Resources," which is a nonprofit and "not wholly public." He stated his support for Elliot Twins residents fighting to protect their homes.

### **General Comments on RAD from the Concurrent 2020 MTW Annual Plan Process**

During the period for review of the 2019 RAD amendment, the draft of MPHA's 2020 MTW Annual Plan was also available for review and public comment. Comments related to RAD (including many identical form letters MPHA received) generally echoed the critical comments above. Many comments repeated incorrect information about the RAD conversion; for example, that residents will face eviction and rent increases, or will be required to use Section 8 vouchers or live with friends and family during the renovation. Comments also incorrectly stated that residents were not informed prior to MPHA's application. One commenter specifically asked MPHA to clarify what MPHA means when it says "most" households will not experience an increase in rent.

MPHA's draft plan also received formal comments from the Minneapolis Highrise Representative Council (MHRC). Within those comments, MHRC commends MPHA for early and ongoing involvement around RAD by resident leaders at a city and building level, from the drafting of MPHA's *Guiding Principles for Capital Investments* to the design and relocation subcommittees at the Elliot Twins that have been actively meeting throughout 2019.

### **MPHA Response**

MPHA continues outreach to residents of the Elliot Twins and the wider community on our intentions and commitments related to our RAD conversion, as well as the extensive resident protections required by federal law. MPHA's sole purpose—its only permissible purpose—in converting the Elliot Twins to project-based vouchers using RAD is to invest in a major building modernization to benefit the people who live there. We are gratified to enjoy an excellent, collaborative process with building residents that has yielded valuable design feedback and a draft of a strong, clear contract covering temporary relocation during construction.

MPHA has made detailed information on RAD available on its website, and much more is available directly from HUD. We will continue to counter plainly false information, including as reflected in public comment. Although MPHA will likely work with an investor using Low-Income Housing Tax Credits (LIHTC), this investor gains no power to evict or screen-out residents, raise rents above 30 percent of adjusted income, alter property management policies, or change the use of the building from its legally-binding, long-term purpose: to house extremely low-income people. Further, the LIHTC investor's involvement is temporary, leaving the picture after a 15-year compliance-period commitment.

The RAD program itself explicitly protects current residents from rescreening, grants a right-of-return to the property after any extensive work, and assures continued funding for resident organizations. The RAD process requires residents to be engaged and informed, and MPHA will

continue to meet our own high standards in this regard. It does not, notably, require resident approval; MPHA's board is the ultimate steward of our properties and our mission.

MPHA agrees with commenters who lament the federal government's failure to adequately fund major capital repairs to the nation's public housing. The ideal solution would certainly be for Congress to simply meet its obligations, and we press steadily in Washington to hold the line or even increase capital funding. We will continue to do so, and to make use of every dollar we receive. However, Congress funds capital at 10 percent of current need. Responsible housing authorities cannot stake our futures on ideals and wishes; the results would be a catastrophic loss of infrastructure and true displacement. We must use all the tools at our disposal today to preserve our housing for its intended purpose and remain true to our mission.

MPHA maintains that with MPHA's ownership of the underlying land, ongoing federal subsidy, a publicly appointed board, state and local funding interests, a not-for-profit social service mission, ongoing property management by MPHA, and multiple levels of public oversight and accountability, a RAD-converted property remains very much "public."

The language of the RAD amendment is prescribed by HUD. There are no appropriate alterations we might make in response to public comment. However, MPHA appreciates the specific invitation from one commenter to clarify references to "most" families with regard to assurances on rent increases. In shifting under RAD from Section 9 ("traditional" public housing) to Section 8 project-based vouchers, the fundamental income-based rent formula does not change: tenant rent is set at 30 percent of adjusted income. However, one rent-related concept under Section 9 does not follow the conversion: "flat rent," also known as "ceiling rent." Under flat rent regulations, tenants may choose to pay the flat rent set by the housing authority for their public housing unit. In practice, this means that households with the highest incomes may choose to pay the flat rent, as it is less than 30 percent of their income. Following RAD conversion to project-based vouchers, these households would revert to paying 30 percent of their income toward rent, constituting an increase in the household contribution to rent. However, two facts are salient: first, the RAD regulations allow housing authorities to phase in these rent increases over many years (for households where the increase is more than 10% or \$25 per month), and MPHA intends to adopt this phase-in approach. Second, the number of families fitting this profile is very small, among current Elliot Twins residents and public housing residents generally. Almost all families are extremely low-income, with incomes far below the level where flat rent becomes relevant. Thus, MPHA is confident in stating that most families will not experience a rent increase as a result of RAD conversion, where "most" means all but the small number of households who are currently paying less than 30 percent of their income toward rent.



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### **RESOLUTION No. 19-191**

**WHEREAS**, the Minneapolis Public Housing Authority (MPHA) seeks to preserve and remodel one of its oldest highrise properties, the Elliot Twins (MN00200006-8A, MN002000006-8B); and

**WHEREAS**, the Rental Assistance Demonstration (RAD) program offers an opportunity to stabilize MPHA's federal subsidy to this property and work with new partners to fund the building improvements for the benefit of its low-income residents; and

**WHEREAS**, the MPHA Board of Commissioners approved MPHA's application for the RAD program in August 2018, followed by HUD's approval of that application in December 2018;

**WHEREAS**, HUD requires that housing authorities include planned RAD conversions as an amendment to their annual plan (or MTW Annual Plan, for Moving to Work agencies such as MPHA); and

**WHEREAS**, as an amendment to the MTW Annual Plan, MPHA has conducted a public hearing and considered comments from that hearing;

**NOW THEREFORE, BE IT RESOLVED** by the Board of Commissioners of MPHA that MPHA's 2019 MTW Annual Plan is hereby amended and that the Executive Director is authorized to submit it to HUD for approval as required in the MTW Agreement.