

# HENNEPIN COUNTY

## HOUSING AND REDEVELOPMENT AUTHORITY

**DATE:** November 22, 2019

**MEMO TO:** HCHRA Board of Commissioners

**FROM:** Kevin Dockry, Director, Community Works  
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**SUBJECT:** Follow up to Resolution 19-HCHRA-0046 (HCHRA Conduit Financing - Elliot Twins Project)

On November 12, 2019, the Hennepin County Housing and Redevelopment Authority (HCHRA) Board of Commissioners considered preliminary approval to issue up to \$26.5 million in housing revenue bonds for the Elliot Twins Apartments (Resolution 19-HCHRA-0046). The matter was laid it over to the December 3, 2019 HCHRA meeting to allow staff to gather additional information. The following addresses questions raised at that meeting.

Minneapolis Public Housing Authority (MPHA), has applied for housing revenue bond financing to assist in the rehabilitation of the Elliot Twins Apartments, an existing public housing development located at 1212 9th Street South and 1225 8th Street South, Minneapolis. The building has 174 affordable rental units originally constructed in 1961. The Elliot Twins Apartments contains a mix of efficiency and one-bedroom apartments. Under the proposal, ten (10) new units will be constructed and the existing 174 units will be rehabilitated, for a total of 184 units when completed.

MPHA will utilize the U.S Department of Housing and Urban Development (HUD) Rental Assistance Demonstration (RAD) program to convert the existing public housing subsidies for the Elliot Twins Apartments into a Section 8 operating subsidy.

### ***Why is MPHA seeking a RAD conversion?***

RAD conversions allow public housing authorities to complete needed rehabilitation work. In its current public housing structure, MPHA must fund repairs solely through annual federal appropriations from HUD, which provides only a fraction of the resources it needs to address capital improvements. In 2019 for example, MPHA received \$14 million to complete improvements at its 6,000-unit portfolio, while the estimated funding needed to address overdue capital work is approximately \$150 million. As a result, Elliot Twins and other MPHA properties have significant accumulated maintenance and rehabilitation needs that the RAD conversion would address by allowing the use of existing housing finance sources. The RAD conversion will allow MPHA to access conventional housing finance tools (such as Low Income Housing Tax Credits and private mortgage loans) to complete this rehab.

### ***Who will own and manage Elliot Twins Apartments after RAD conversion?***

MPHA will maintain long-term ownership of the Elliot Twins Apartments through an affiliated non-profit entity, as required by RAD. In addition:

- MPHA continues to own the land outright;



- The building is subject to an underlying Land Use Restriction Agreement that stipulates the property may only be used for low-income housing;
- The housing units are supported before, during, and after renovation by federal housing subsidies that govern all aspects of the landlord-tenant relationship (including the setting of rent, which remains 30 percent of adjusted income);
- MPHA shares ownership, as the controlling partner, with a Low Income Housing Tax Credit (LIHTC) limited-partner investor, in an arrangement bound by stringent terms that restrict the partner's ability to impose policy changes or otherwise deviate from the mission of the property. This term of co-ownership is temporary, with the investor exiting the relationship after 15 years and the housing authority remaining in control.

***Will the RAD conversion dislocate tenants?***

No. RAD requires a right of return/continued tenancy in the property, a prohibition against re-screening, and robust notification and relocation rights (should they choose to move out). In addition, residents gain a new option to receive tenant-based voucher assistance if they wish to subsequently move from the property, which is a right not available under the existing public housing program.

***How will the RAD conversion impact affordability at Elliot Twins Apartments?***

The RAD conversion changes the source of federal rental subsidy, but tenants continue to pay 30% of their income towards rent regardless of their income. The RAD program includes several requirements to ensure continued affordability and housing stability for existing residents:

- Housing units move from public housing subsidy to a Section 8 subsidy with a long-term contract that, by law, must be renewed in perpetuity.
- A Use Agreement is recorded against the property to further enforce HUD's long-term requirements. This ensures that the units remain permanently affordable to low-income households. Residents continue to pay 30% of their adjusted income towards the rent and maintain the same basic rights as they possess in the public housing program.

***How will income restrictions change at Elliot Twins Apartments?***

The median annual income of current residents of the Project is \$10,212, which equates to approximately 10% of area median income (AMI). The median includes a small number of existing tenants with incomes in the 60%-80% AMI range. With the RAD conversion, the income limits for new move-ins will be governed by the Section 8 voucher program (30% and 50% AMI, see table below). LIHTC income restrictions are set higher (60% and 80% AMI, see table below) to accommodate existing residents and future income growth of new move-ins.

Income Restrictions for New Tenants - Elliot Twins

	Program	< 30% AMI	< 50% AMI	< 60% AMI	< 80% AMI	Total
<b>Current</b>	Public Housing		130 units		44 units	174 units
<b>Proposed</b>	Section 8 (new tenants)	138 units	46 units			184 units
	LIHTC (existing tenants)	10 units		164 units	10 units	184 units

With this arrangement, the Elliot Twins Apartments will continue to serve extremely-low income tenants while also guaranteeing all existing residents the choice to continue to reside in the property at the same rent level.

Please do not hesitate to contact Kevin at (612) 348-2270 with any questions or for additional information. Thank you.