June 28, 2023

REPORT TO THE COMMISSIONERS

FROM: Abdi Warsame, Executive Director / CEO

SUBJECT: MPHA Tax Levy Budget

Previous Directives: The Board previously adopted a resolution authorizing MPHA to request consent of Minneapolis City Council and the Minneapolis Board of Estimate and Taxation to authorize MPHA to exercise its maximum levy authority in 2024 at its May 24, 2023 meeting.

Resident Council Review/Recommendation: This Report will be discussed with the Resident Advisory Board (RAB) immediately prior to the Board's June 28, 2023 meeting.

Budget Impact: MPHA estimates its annual revenue to be approximately $12M based on MPHA's maximum levy authority of 0.0185% of the City of Minneapolis' Estimated Market Value.

Affirmative Action Compliance: N/A

Procurement Review: N/A

RECOMMENDATION: It is recommended that the Board of Commissioners authorize the Executive Director to forward the proposed tax levy annual budget to the City of Minneapolis in accordance with the City Charter and Minnesota State Law.

At the May 24, 2023 meeting of the MPHA Board of Commissioners, staff requested the Board's adoption of a resolution authorizing MPHA to request consent of Minneapolis City Council and the Minneapolis Board of Estimate and Taxation to authorize the PHA to exercise its levy authority in 2024 to an amount equal to 0.0185% of the City of Minneapolis' Estimated Market Value, or the maximum allowable amount under state law. Since the adoption of that resolution, the City has shared a summary of the process and requirements that includes the submission of the PHA's estimated revenue and budgetary needs for the upcoming fiscal year, as well as recommended capital expenditures for the next five fiscal years, based on annual projected revenues. This submission is due on or before July 1, 2023.

As the Board is aware, MPHA's properties have extensive capital needs, and significant resources are necessary to address those needs. The agency strives to align this current state with a vision for the future, rooted in our values and mission of providing quality, deeply affordable housing to the residents of Minneapolis. Our recently adopted 2023-27 Strategic Plan outlines six goals that are resident centric and aim to create and sustain vibrant and healthy communities. The levy budget and five-year plan were formulated with these aspirations in mind, and will help us achieve these four specific goals:

- Provide and preserve deeply affordable, high-quality housing for highrise residents.
- Build new and expand partnerships with federal, state, and local governments, in addition to philanthropic entities to support MPHA residents and those who are on our waitlist.
- Provide and preserve deeply affordable, high-quality family housing.
- Increase supply of deeply affordable housing by at least 150 units per year.

The levy five-year plan was also prepared with careful thought and consideration of the feedback we've heard from our biggest champions of this effort – our residents.

Executive Summary

The levy annual plan and five-year budget target both preservation and new unit production, as well as health, safety, code compliance, and quality of life improvements. It provides the opportunity to address not only over $60M in current and upcoming capital needs, but paves the way to long-term preservation for three sites with ~500 units, creates nearly 100 new units and opportunities for more, and includes capital work targeted at top resident priorities. Our proposed development projects leverage other resources – both public and private – to allow us to do more with these dollars, and positions those properties for long-term sustainability. It touches the lives of thousands of residents, and will positively impact our community in numerous ways.

Below is the levy five-year budget summary as well as more detailed project descriptions. The proposed projects and accompanying budgets are subject to change annually based on continued levy approval and changing needs and environment, amongst other considerations. It reflects, however, MPHA's intentions with this resource.

PROJECT	2024	2025	2026	2027	2028
DEVELOPMENT/REDEVELOPMENT INITIATIVES					
MPHA DEV01	$6,500,000	$7,000,000			
MPHA DEV02	$750,000				
MPHA DEV03	$500,000				
MPHA DEV04			$6,000,000		
MPHA DEV05			$1,000,000	$6,500,000	
MPHA DEV06					$6,000,000
MPHA DEV07				$1,000,000	$2,000,000
CAPITAL IMPROVEMENTS					
MPHA CAP01	$2,200,000	$2,200,000	$2,200,000	$2,200,000	$2,200,000
MPHA CAP02	$575,000	$600,000	$250,000	$270,000	$570,000
MPHA CAP03		$1,650,000	$1,650,000	$630,000	$630,00
MPHA CAP04	$200,000	$200,000	$200,000	$200,000	$200,000
MPHA CAP05	$675,000	$350,000	$450,000	$500,000	$250,000
MPHA CAP06	$600,000		$250,000	$700,000	$150,000
TOTAL	**$12,000,000**	**$12,000,000**	**$12,000,000**	**$12,000,000**	**$12,000,000**

Development/Redevelopment Initiatives

MPHA DEV01 – Highrise Preservation & New Unit Production
Comprehensive rehab/preservation of a 1960's era highrise that houses over 100 residents. Scope of work anticipated to address over $15M of current/upcoming needs including building systems updates (plumbing, electrical, HVAC), kitchen/bath rehab, appliances and new unit finishes, window/roof replacement, and common area updates, as well as property enhancements that have an overall emphasis on livability/accessibility improvements, additional resident amenities, and addressing specific population needs; anticipates new unit production with up to 25-30 potential new units; leveraged with HUD conversion tools (RAD Blend), Project Based Vouchers (PBVs), 4% bonds/Low Income Housing Tax Credit (LIHTC) equity, and debt, tools and financing that also positions the property for long-term sustainability. Projected Total Development Costs (TDCs) of $40-50M. Target closing: 2025 with new units online within 12-18 months of target closing/construction commencement.

MPHA DEV02 – Three-Unit Scattered Site Infill Demonstration Project
Replacing a long-term vacant, high needs 1920's era single family scattered site home with a three-unit development with at least one fully accessible unit, in an Opportunity Area. Leverages City's existing committed resources of $200K, 50% funding match of $950K from MPHA MTW resources and PBVs. MPHA intends to explore utilizing a Faircloth to RAD conversion for the three units that would generate additional ongoing federal housing

assistance subsidies. Projected TDCs of ~$1.95M; spring 2024 groundbreaking with new units online within 8-10 months of construction commencement.

MPHA DEV03 – Two-Unit Scattered Site Infill Demonstration Project
Replacing a single family scattered site home recently lost to a fire with a two-unit development featuring at least one fully accessible unit, in a non-ACP50 area of Minneapolis which is defined as an area that is not an area of concentrated poverty where 50% or more of residents are people of color. Leveraged with 50% funding match of $300K in MPHA MTW resources, $200K of insurance proceeds and PBVs. MPHA intends to explore utilizing a Faircloth to RAD conversion for the two units that would generate additional ongoing federal housing assistance subsidies. Projected TDCs of ~$1M; spring 2024 groundbreaking with new units online within 6-8 months of construction commencement.

MPHA DEV04 – Scattered Site Infill Project
Five-site, 30-unit scattered site infill/redevelopment project in non-ACP50 areas. Redevelops seven units that have a total current need of over $200K. Leveraged with PBV support, 9% bonds/LIHTC and debt. Projected TDCs of $17-22M. Target closing: 2026-2027 with new units online within 12-18 months of target closing/construction commencement.

MPHA DEV05 – Highrise Preservation
Comprehensive rehab/preservation of a 1960's era highrise that houses up to 125-150 residents. Scope of work anticipated to address over $10M of current/upcoming needs including building systems updates (plumbing, electrical, HVAC), kitchen/bath rehab and new unit finishes, window/roof replacement, and common area updates, as well as property enhancements that have an overall emphasis on livability/accessibility improvements, additional resident amenities, and addressing specific population needs; leveraged with HUD conversion tools (RAD Blend) & debt, tools and financing that also positions the property for long-term sustainability. Projected Total Development Costs (TDCs) of $30-40M. Target closing: 2027-2028.

MPHA DEV06 – Scattered Site Infill Project
Five-site, 30-unit scattered site infill/redevelopment project in non-ACP50 areas. Redevelops existing eight units that have a total current need of over $225K. Leveraged with PBV support, 9% bonds/LIHTC and debt. Projected TDCs of $17-22M. Target closing: 2028-29 with new units online within 12-18 months of target closing/construction commencement.

MPHA DEV07 – Glendale
Predevelopment activities including extensive resident, community, and other stakeholder engagement to shape project goals and objectives. MPHA anticipates preserving the existing number of units (184) and will explore options for new unit creation. Initiates the path to address $30+M of current and future needs, positions the property for long-term sustainability and potentially add units in an area of opportunity. Anticipated closing on first phase: 2029.

Capital Improvements

MPHA CAP01 – Highrise Ventilation & Cooling Systems
Ventilation and cooling systems upgrades and/or replacements to improve indoor air quality/fresh air intake and in-unit cooling for resident health and safety at eight highrises housing nearly 800 residents that are on average comprised of over 60% disabled and 65% elderly populations.

MPHA CAP02 – Highrise Elevator Modernization
Comprehensive elevator modernization at nine properties that are homes to over 500 residents that are on average comprised of over 60% disabled and 75% elderly populations. The scope of improvements includes new controls, machines, and traveling cables, as well as addressing ADA compliance and code-required door lock monitoring, which is a safety measure that prevents elevators from moving if there are circuitry problems or doors that do not properly close. These upgrades ensure reliable and safe vertical transportation for our highrise residents and staff.

MPHA CAP03 – Highrise Window Replacement
Replacement of three highrise building/252 unit, 1980's era windows with assemblies that have LOW-E glass, are 30-40% more energy efficient, and meet current code which includes fall protection safety features.

MPHA CAP04 – Highrise Community Spaces
Replacement of community space finishes, furniture, and fixtures and/or site landscaping/amenities and other enhancements to shared resident interior/exterior community spaces across five highrises that are homes to over 900 residents that are on average nearly 60% disabled and 75% elderly populations. Many of our residents utilize these spaces for events and activities that help support quality of life and build a greater sense of community; additionally, many residents utilize indoor air-conditioned community spaces during summer months due to the lack of in-unit air conditioning in most of our highrises.

MPHA CAP05 – Highrise Safety Improvements – Building Access
Replacement and upgrade of eight highrise building entry systems to provide greater control over and visibility to visitor access for the safety and security of the nearly 1000 residents residing at these properties that are on average nearly 60% disabled and over 75% elderly populations. Trespassing has historically caused numerous unwanted, illegal, and harmful activities in our buildings including assault and robbery.

MPHA CAP06 – Highrise Safety Improvements – Site Security
Installation and/or replacement of site fencing, gates/access control, surveillance cameras, lighting, and other security enhancements to increase defensible outdoor spaces at eight high-density highrises for the over 1300 residents and staff that live and work at these properties. The populations at these properties are on average nearly 60% disabled and 75% elderly. These measures act as deterrents and help limit trespassing and illegal/harmful activities at our properties.

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