



# 2025 MPHA Family Housing Capital Investment Request

Prepared for 2025 State Legislative Session

# Overview

## MPHA Housing Programs

- Low-Income Public Housing
  - RAD/LIHTC
- Deeply Affordable Family Housing (CHR)
- Housing Choice Voucher

## Capital Backlog

## 2024 Agency Accomplishments

- State & Local Funding Deployment Snapshot

## 2025 Funding Request

- Overview of CHR/Family Housing Portfolio
- Success of CHR
- State of Family Housing Portfolio
- State Funding Request

## Recap

## MPHA Mission Statement

“The mission of the Minneapolis Public Housing Authority (MPHA) is 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.”

**26,000+**  
people served by  
MPHA every day



**5,000+**  
public housing units

**6,500+**  
public housing residents



**700+**  
deeply affordable  
family homes

**3,300+**  
deeply affordable family  
housing residents



**7,200**  
Housing Choice  
Vouchers administered

**18,500+**  
residents benefiting from  
MPHA vouchers

# MPHA Housing Programs

## Low-Income Public Housing\*

- MPHA owns and operates 42 high-rises, 184 family homes at Glendale (in SE), 20 scattered family homes, and a 16-unit townhome site in its public housing program (Section 9).
- Across ~5,200 units, MPHA serves ~7,000 public housing residents.
- High-rise units are predominately studio and 1bd.
- These residents are at or below 30% AMI.
- MPHA maintains a waitlist for non-family public housing, recently as many as 6,000 people.
- In 2022, completed \$27M Elliot Twins renovation, rehabbing 174 units and adding 10 new disability accessible units.
- In 2024, announced next redevelopment project, Spring Manor. ~\$65M project will rehab 221 units and add 15 new disability accessible units.

## Deeply Affordable Family Housing

- MPHA owns and operates ~800 scattered site family homes, serving >3,300 residents.
- These homes account for more than 80% of the MPHA housing for families with children.
- MPHA waitlist is >4,300 for this type of housing, off its high mark of ~7,500 in recent years.
- These units were transferred to MPHA wholly controlled non-profit (CHR) in October 2020.
  - Project-based vouchers more than doubled federal subsidy for these units.
  - MPHA remains long-term owner and property manager.
  - Residents' rent portion stayed the same.
- In 2023, MPHA completed 16-site, 84-unit modular multiplex family housing expansion.
- Currently planning five-site, 30-unit upzoning project for 2026 (2 & 3 bedrooms).

## Housing Choice Voucher\*\*

- MPHA administers ~7,200 Housing Choice Vouchers (HCV, "Section 8"), benefitting >18,500 residents across the region.
- There are <500 people on the Section 8 waitlist.
  - The HCV waitlist was last opened in 2019.
- Eligibility for Section 8 starts at 50% AMI, but 75% of MPHA participants must be 30% AMI or below.
- Since 2019, MPHA project-based vouchers (PBVs) have accounted for more than half of all deeply affordable housing built in Minneapolis.
  - 189 PBVs awarded in 2024.
  - 202 PBVs were brought online in 2024.
- HCV includes the nationally recognized Stable Homes Stable Schools partnership, reducing homelessness among MPS students.
- MPHA administers 347 Veterans Affairs Supportive Housing (VASH) Vouchers, key to ending veterans' homelessness in HennCo.

\*LIPH, Glendale, Elliot Twins

\*\*Includes Elliot Twins and CHR

# MPHA Program Demographics

Low-Income Public Housing*			
Race		Age	
American Indian/Alaska Native	1.5%	0-17	13.8%
Asian	3.7%	18-29	5.9%
Black/African-American	79.4%	30-49	10.7%
White	14.0%	50-61	11.7%
<b>HOH Gender</b>		62+	57.9%
Male HOH	51.1%	<b>HH Size</b>	
Female HOH	48.9%	1	66.6%
<b>HH Incomes</b>		2	10.8%
Average	\$16,484	3	5.1%
Median	\$12,480	4	5.2%
w/ Earned Income	16%	5	4.4%
<b>HOH Disabled</b>		6	2.6%
<b>57%</b>		7+	5.4%

Deeply Affordable Family Housing			
Race		Age	
American Indian/Alaska Native	1.7%	0-17	53.8%
Asian	3.9%	18-29	18.9%
Black/African-American	87.7%	30-49	18.1%
White	4.5%	50-61	6.0%
<b>HOH Gender</b>		62+	3.1%
Male HOH	12.3%	<b>HH Size</b>	
Female HOH	87.7%	1	0.5%
<b>HH Incomes</b>		2	7.4%
Average	\$34,502	3	13.5%
Median	\$33,205	4	18.3%
w/ Earned Income	62%	5	14.1%
<b>HOH Disabled</b>		6	14.9%
<b>16%</b>		7+	31.3%

Housing Choice Voucher**			
Race		Age	
American Indian/Alaska Native	2.6%	0-17	50.0%
Asian	1.3%	18-29	14.0%
Black/African-American	85.0%	30-49	20.5%
White	5.9%	50-61	8.1%
<b>HOH Gender</b>		62+	7.4%
Male HOH	19.9%	<b>HH Size</b>	
Female HOH	80.1%	1	12.0%
<b>HH Incomes</b>		2	12.2%
Average	\$22,201	3	14.4%
Median	\$22,845	4	16.3%
w/ Earned Income	41%	5	13.2%
<b>HOH Disabled</b>		6	11.1%
<b>35%</b>		7+	20.8%

\*LIPH, Glendale, Elliot Twins

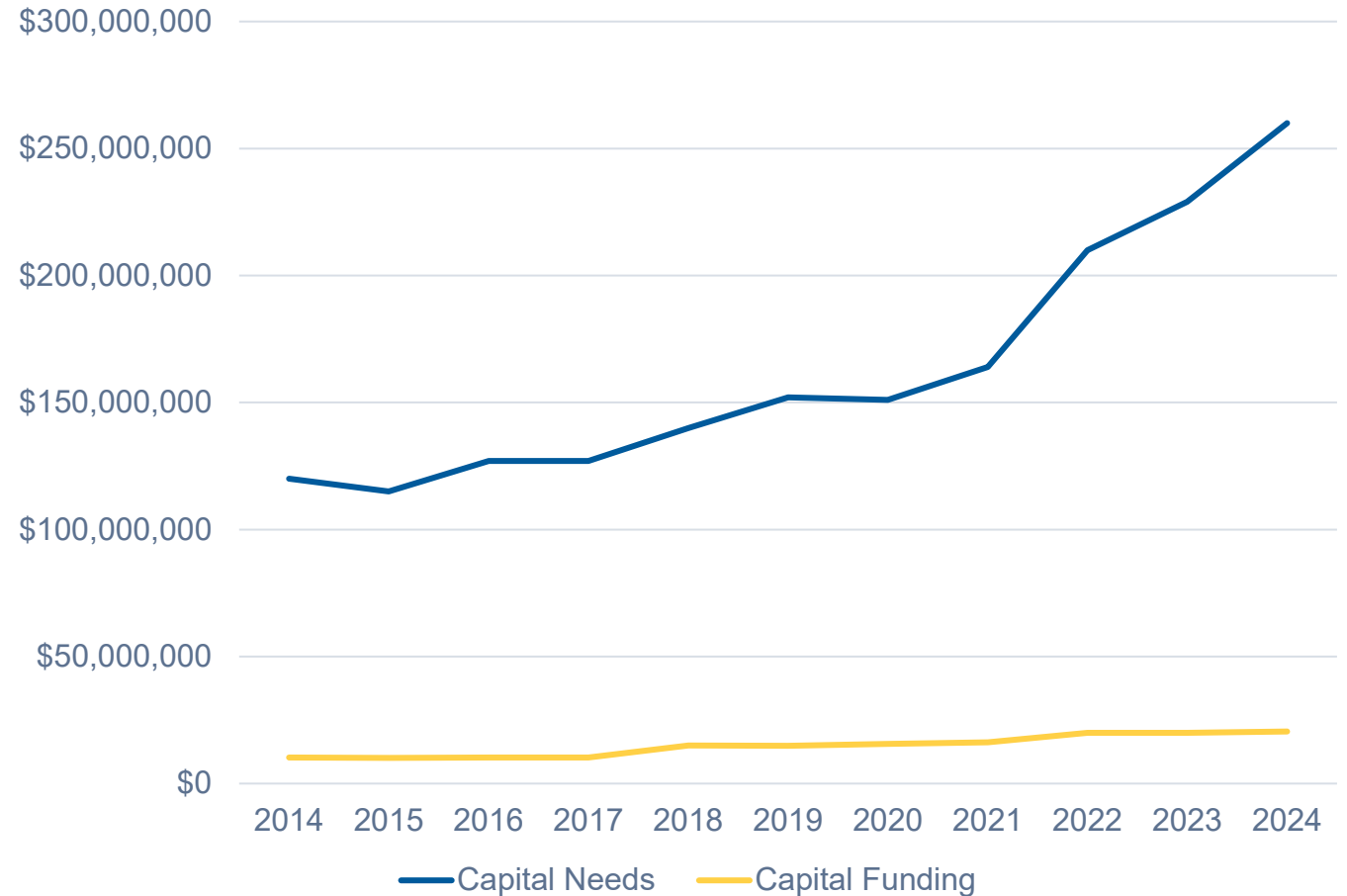
\*\*Does NOT include Elliot Twins and CHR, which use MPHA Housing Choice Vouchers



# MPHA Capital Backlog

- MPHA's housing stock is comprised of nearly 6,000 units located in 42 high-rise buildings, 778 scattered site homes, 184 rowhouse units, and a 16-unit townhome development.
- Forty of MPHA's 42 high-rise buildings were built in the 1960s and early 1970s.
- The age range of MPHA's single-family homes is 10 – 100+ years old, and our 184-townhouse development (Glendale) is more than 70 years old.
- MPHA projects its current unmet needs for these properties at approximately \$260M. On average, capital needs grow by ~\$25M/year, not accounting for inflation or other factors.
- Historically, HUD has only provided funding for 10% or less of the actual need.
- Recent, historic inflation rates and a volatile construction market has made addressing capital needs more costly and challenging.

## Recent Capital Needs vs Capital Funding



# 2024 Agency Accomplishments

- Deployed \$5M to Repair/Upgrade 64 Family Homes, Among Largest Single-Year Efforts
- Awarded \$1.35M from MN Housing to Replace Aging High-Rise Electrical Systems
- Continued \$5M/Year Housing Tax Levy in Minneapolis to Support the Agency's Preservation and Production Activities
- Received \$830k to Expand Stable Homes Stable Schools & \$1.8M for 100 Emergency Housing Vouchers in MPLS FY25 Budget
- Installed Fire Suppression Systems In All 42 High-Rises, A Year Ahead Of Schedule
- Announced MPHA's Largest-Ever Public Housing Redevelopment Project (~\$65M), rehabilitating 221 units and building 15 new
- Helped >600 MPHA Families Receive >\$1M in Rent Relief Through Hennepin County's Emergency Assistance Funds





# Addressing Challenge Through Partnership

- In 2023, MPHA secured more than \$11M in one-time and ongoing state and local assistance to support the agency's preservation and production activities.
- In 2024, the agency secured an estimated \$7.65M in one-time and ongoing state and local funding to support the agency's preservation and production activities.
- These efforts supplemented MPHA's ~\$20M annual HUD capital funding in 2023 & 2024.
- Additionally, the agency leveraged various financial tools to accomplish its preservation and production work.
- Despite these expanding partnerships and use of tools, the capital backlog greatly exceeds MPHA's capital funding.
- The single largest threat to MPHA is its capital backlog that continues to grow.

## RACKET

### MN's Biggest Landlord Needs \$200M+ After Decades of Underinvestment

'We don't have enough units,' says Minneapolis Public Housing Authority CEO Abdi Warsame. But his agency is still plugging away, having just completed its largest construction project in decades.



By **Brian Martucci**

9:44 AM CDT on April 30, 2024

## FINANCE & COMMERCE

### Treasury's Yellen tours Minneapolis public housing, touts federal affordability efforts

Dan Netter // June 25, 2024

## Minnesota Reformer

### Minneapolis to build 15 new public housing units, renovate northeast high-rise

BY: MADISON MCVAN - OCTOBER 23, 2024

# Deployment Snapshot\*

- **\$3.7M from Minneapolis for CHR Repairs**
  - Grant agreement executed April 2024. To date, over \$3.4M in resources have been deployed.
  - Scope of work includes bringing four, long-term vacant family homes in South online (2-, 3-, 4-, and 5-bedroom homes) and exterior envelope replacements (roof, windows, siding, etc.) at 19 homes across the city.
- **\$5M from MN Legislature for CHR Repairs**
  - Grant agreement executed May 2024. Construction bidding complete, contract award underway.
  - When MPHA secured appropriation in 2023, MPHA estimated \$5M would cover the cost for exterior envelope replacements and structural repairs at ~50-60 CHR homes.
    - At that time, volatility in construction market was increasing the costs on just about everything.
    - However, the bids MPHA received for this work were much lower than originally anticipated. MPHA will now be able to stretch these dollars even further.
- **\$1.3M from MN Housing for CHR Repairs**
  - Grant agreement executed Feb. 2024. All resources deployed.
  - Funded 41 “deep turns.” Work included interior renovations (kitchen, bath, etc), electrical, plumbing, and mechanical repairs.
- **\$1.35M POHP GO for High-Rise Electrical**
  - Design work is underway. Funds will be used to replace aging electrical components at the 630 Cedar Avenue high-rise.
- **\$1.3M from Minneapolis for FTR Pilot**
  - Spring Manor project financing anticipated to close in April 2025.

## Public Housing Tax Levy – 2024

Project	Pre-Deployment Work Completed YTD*	Levy Budget
Highrise Preservation & New Unit Production – 809/828 Spring St NE	<ul style="list-style-type: none"> <li>• Design complete; subcontractor bidding underway</li> <li>• HUD Rental Assistance Demonstration (RAD) application submitted; received Commitment for Housing Assistance Payment (CHAP)</li> <li>• Multiple resident meetings since mid-2023; monthly engagement ongoing; one-on-one resident meetings held to discuss relocation options and preferences</li> <li>• Financing partners selected; negotiating initial agreement terms</li> </ul>	\$2,500,000
Three-Unit Scattered Sites Infill Demonstration Project	<ul style="list-style-type: none"> <li>• Design development underway</li> <li>• Project enabled by 2040 plan and funded in part by City of Minneapolis' \$3.7M FY23 investment.</li> </ul>	\$750,000
Two-Unit Scattered Sites Infill Demonstration Project	<ul style="list-style-type: none"> <li>• Design development underway</li> <li>• Project enabled by 2040 plan</li> </ul>	\$500,000
Highrise Elevator Modernization – 600 18 <sup>th</sup> Avenue North	<ul style="list-style-type: none"> <li>• Construction substantially complete <ul style="list-style-type: none"> <li>• To date, nearly \$670,000 deployed*</li> </ul> </li> </ul>	\$700,000
Highrise Elevator Modernization – 1314 44 <sup>th</sup> Avenue North	<ul style="list-style-type: none"> <li>• Construction underway Sept 2024 <ul style="list-style-type: none"> <li>• To date, nearly \$350,000 deployed*</li> </ul> </li> </ul>	\$550,000

\*As of December 31, 2024



# MPHA Family Housing

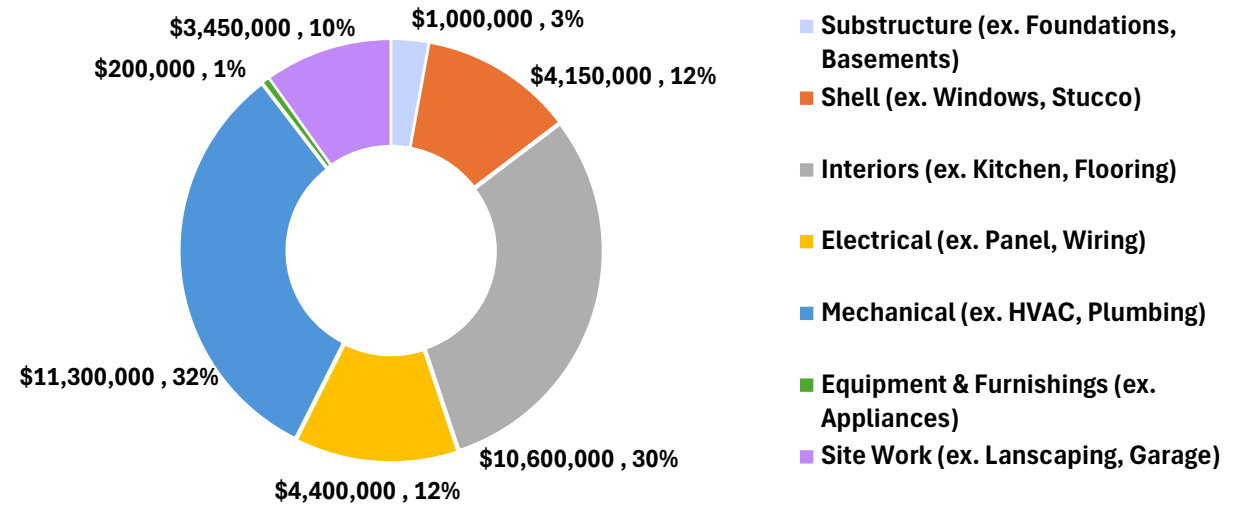
- MPHA owns and operates ~800 scattered site family homes, serving >3,300 residents.
- In 2020, MPHA transferred these homes from Section 9 (Public Housing) to Section 8 (Housing Choice Voucher) platform.
  - Using Project-Based Vouchers, MPHA more than doubled federal subsidies for these units.
  - Using HUD tools and support from state & local partners, MPHA has driven capital backlog on this portfolio to ~\$37M, down from \$45M in 2022.
- These homes are a proven tool to provide families a foundation for upward mobility.
  - Of the current CHR heads of household, 24% were employed when entering their new home. On average, residents earned \$26,039/year in income.
  - Today, 55% of these residents are employed, earning an average of \$43,594/year, >56% of these residents' earned income increasing while in CHR homes.
  - Since 2020, nearly 14% of all families leaving CHR homes have gone on to purchase their own homes.
- These are MPHA's most sought-after units.
  - The waiting list for these homes sits at ~4,300.
  - MPHA opened its waiting list for 5 days in October (the first time in 3 years) and received >3,300 applications.



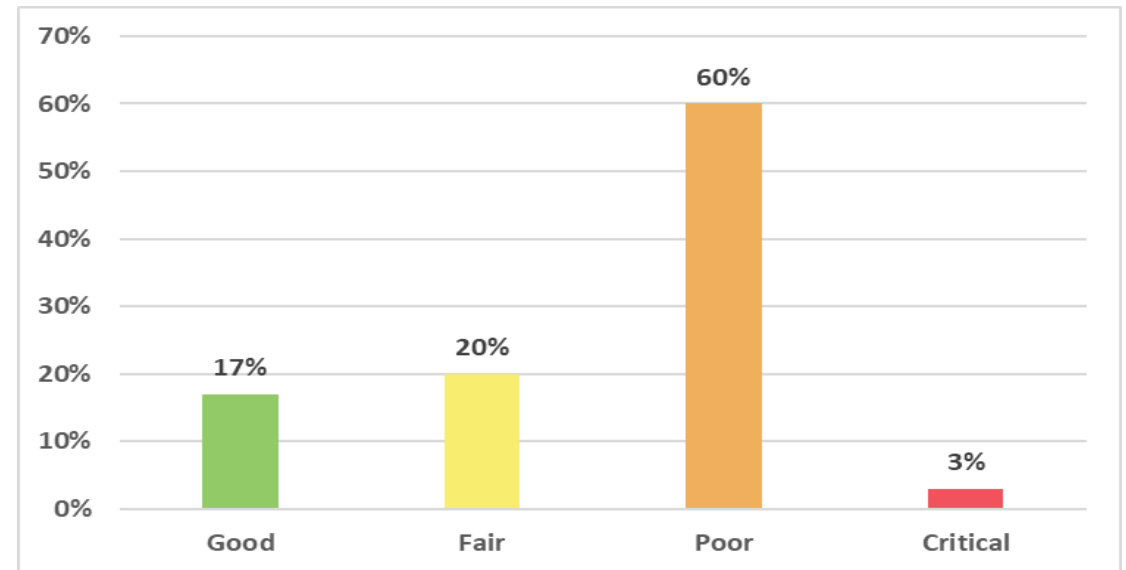
# State of CHR Homes

- While much progress has been made in recent years, the long-term viability of these homes continues to be in jeopardy.
- Due to decades of compounded underfunding from HUD prior to their conversion, the portfolio has amassed a major capital improvement backlog.
- The current backlog of capital needs for the CHR portfolio stands at \$37 million.
- An estimated 60% of CHR properties are in “poor” condition, with FCI scores above 10%.
- The Facility Condition Index (FCI) is an industry standard for measuring condition of units within a real estate portfolio. In the context of FCI, “poor” is defined as:
  - Frequent component/equipment failures with possible building system shut-downs.
  - High resident complaints/low customer satisfaction.
  - Maintenance and capital work in “reactive mode.”

## 2025 CHR Capital Needs



## CHR Property Level FCI%, 2025



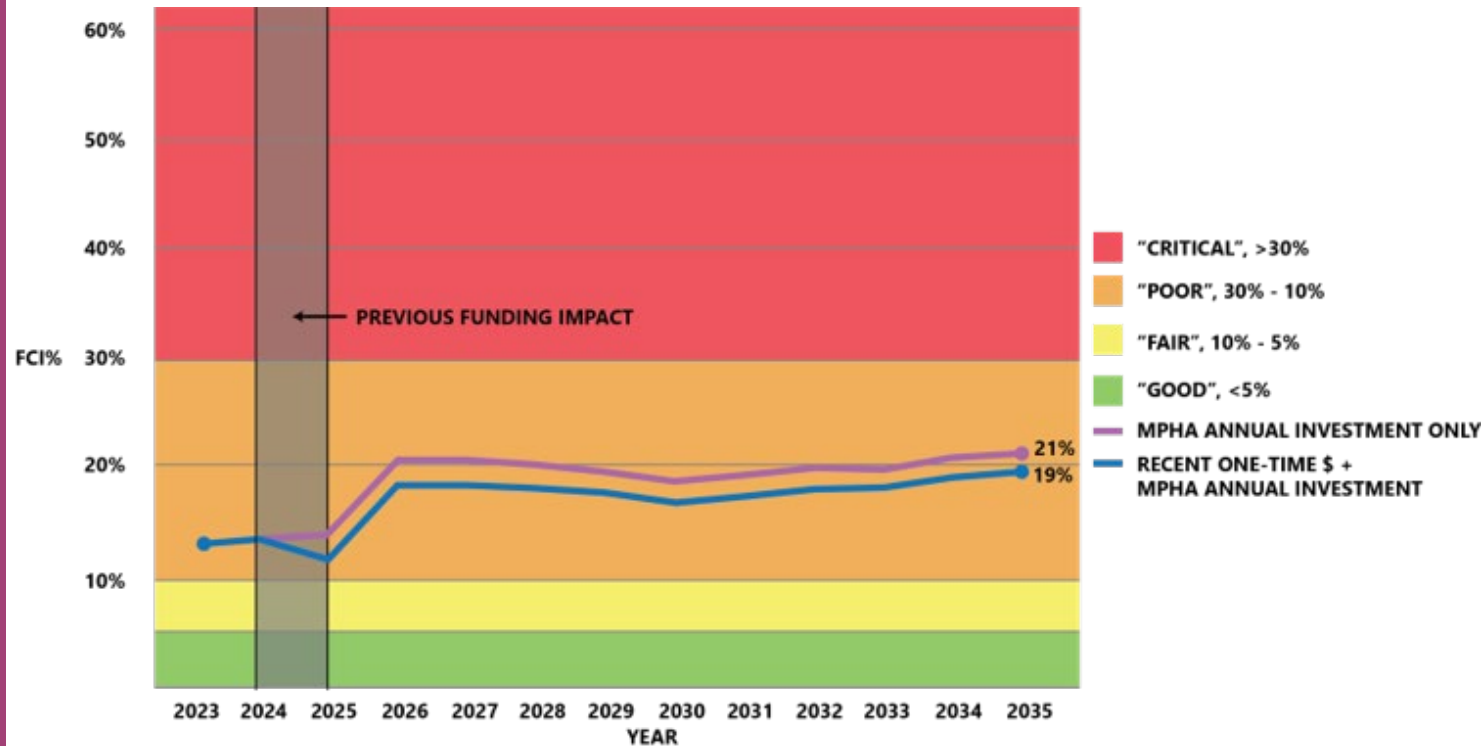
\*Figures represented in current dollar value



# Future of CHR Homes

- The current backlog of capital needs for the CHR portfolio stands at \$37 million, with ~60% of the portfolio in “poor” condition.
- If unaddressed, the need becomes \$55 million by 2028.
  - Accounting for recent, not-fully-spent granted funding.
- Absent a significant investment to stabilize the CHR properties, projected cost will be near \$70 million by 2034.
  - At that time, the operability of these units will be at risk, jeopardizing critical city infrastructure.
- Currently, the agency commits ~\$2M/year towards CHR repairs from its limited budget.
- This investment is insufficient to address the portfolio’s needs. In 10 years, properties end up in worse condition than they are today.

FCI%, MPHA Annual Cashflow Investment Over 10YRS (2024-2034)

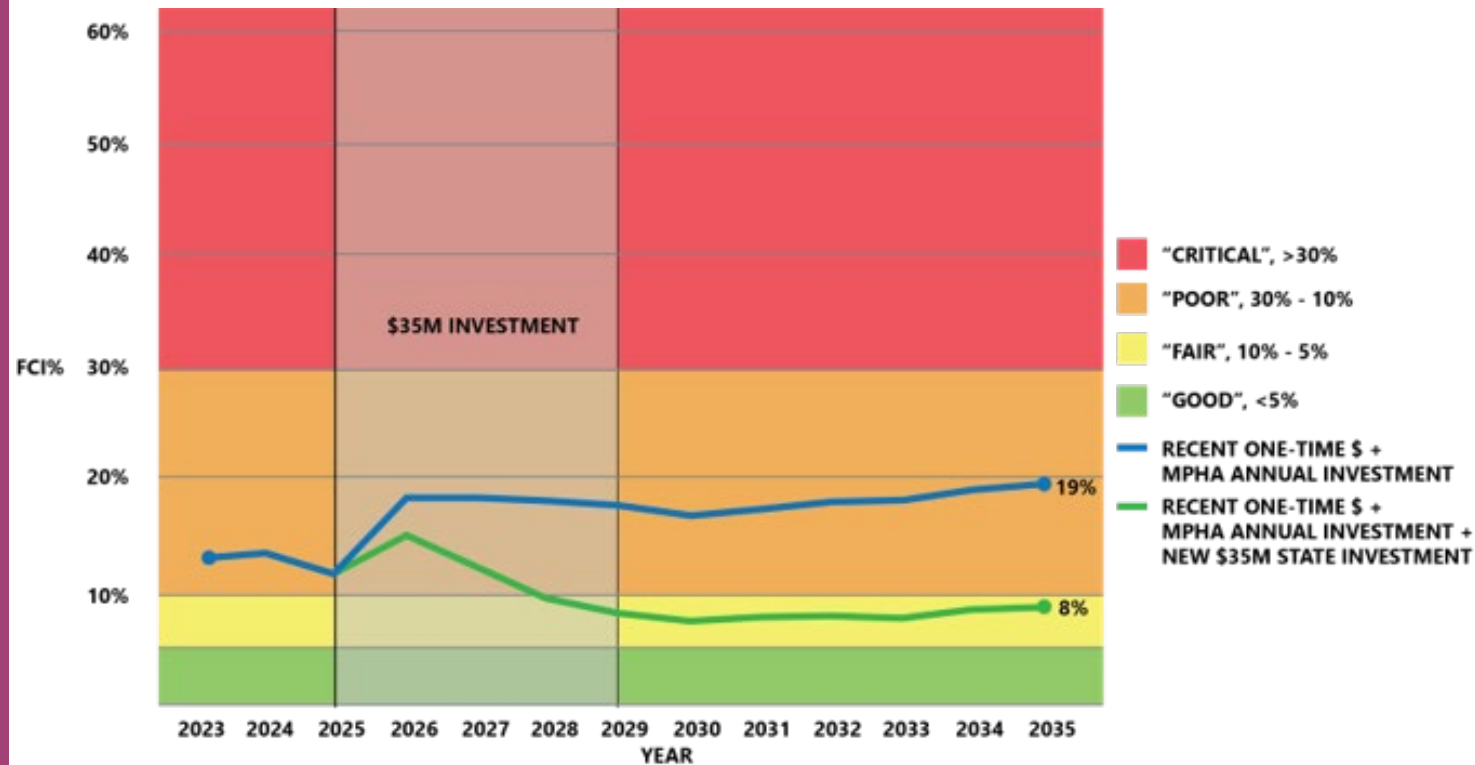




# State Investment

- The agency is requesting a one-time \$35 million POHP cash investment.
  - This would be deployed over four years to address the backlog of capital needs and stabilize properties.
  - MPHA would maximize funding by focusing on high cost/longer lasting exterior/interior buildings systems.
  - Exterior renovations would be made to occupied units, with interior renovations focused on vacancy turns to reduce impact for existing residents.
- While progress has been made recently, MPHA needs an outside capital investment to stabilize and preserve these family homes.
  - Recent state & local assistance for CHR includes:
    - \$3.7M from City of Minneapolis (2022)
    - \$5M from State Legislature (2023)
    - \$1.3M from Minnesota Housing (2023)
- Once stabilized, MPHA's ongoing annual federal subsidy will enable this portfolio to become self-sufficient for foreseeable future.
  - This will allow MPHA to redouble efforts addressing its high-rise capital backlog, adding new family homes to CHR portfolio, and working with residents on other major redevelopment initiatives and projects.

FCI%, \$35M State Investment Over 10YRS (2025-2035)



# Recap

- MPHA is seeking a one-time \$35M cash infusion from the legislature via Minnesota Housing's Publicly Owned Housing Program.
  - Because of current MMB interpretation of "publicly owned," MPHA cannot accept state general obligation bonds for its deeply affordable family housing portfolio, or any of properties that have been repositioned using HUD financing tools.
- MPHA believes its scattered site portfolio can become financially self-sufficient for the foreseeable future after overcoming its deferred maintenance capital backlog.
- The agency already has a capital deployment plan that can be scaled up and pulled forward to accommodate a large investment.
  - Work will include increasing portfolio's availability of ADA accessible units to 5%.
  - MPHA will continue to identify and implement energy efficiency strategies in any investment.
  - Recent contractors include minority-, woman-, veteran-, and low-income-owned businesses.
- MPHA could leverage the portfolio to build long-term replacement reserves and invest in other preservation and production initiatives.







# Questions

