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Defend Glendale's Initial Analysis of Minneapolis Public Housing Authority's Disinvestment of Glendale Townhomes

Background on the Defend Glendale Campaign: Since, March of 2014 residents of Glendale Townhouse in Prospect Park, Minneapolis have organized to prevent the privatization and demolition of 184 unites of public housing home to approximately 600 people, 50% of whom are children in low-income, working class families. Glendale Townhouse is held in the public trust and managed Minneapolis Public Housing Authority (MPHA). Throughout this process, MPHA has sought to present redevelopment and displacement as an inevitable and unavoidable outcome, do to an alleged lack of resource to rehabilitate Glendale. Our research uncovers a consistent pattern of underinvestment in Glendale that has done little to address long held concerns by residents.

The research team of the Defend Glendale Campaign recently received financial statement audit reports dating back to 2007 for the Minneapolis Public Housing Authority, as well as capital expenditure information pertaining to the Glendale Townhomes dating back to 1989. Though much of this data was formatted in such a way that made analysis very difficult and cumbersome,[1] we have some preliminary findings from our analysis of this information that raise many important questions and issues that are central to MPHA's current planning and decision-making process with regard to the future of the Glendale Townhomes.

Research Findings: Of the $7.25 million that MPHA has spent on Glendale since 1989, only $3.7 million[2] was invested into the actual housing at Glendale; the remaining $3.5 million was spent on administrative buildings, community buildings, security, and site-related items (i.e. landscaping, concrete repairs, parking lot upgrades, etc.). In other words, about half of the capital invested in Glendale over the past 26 years was not spent on improving the actual dwelling units. To put this into perspective, from 2007 to 2014, MPHA spent almost $200 million on capital improvements/expenditures across its entire portfolio of public housing, which is an average of $26 million per year[3] or a median of $14.75 million per year. MPHA financial audit reports from 2007-2014 note that they spend about $10 million per year on high rise capital improvements and modernization investments, with over $34 million spent on high-

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[1] The Center for Public Integrity's 2015 State Integrity report for Minnesota gives an "F" grade to Minnesota for public access to information, particularly noting the lack of an "open data law, requiring the government to publish data online in an open format." The data we received from MPHA was often protected and in PDF format, not providing raw data despite repeated requests, making access, analysis, and interpretation of data very difficult. (http://www.publicintegrity.org/2015/11/09/18432/minnesota-gets-d-grade-2015-state-integrity-investigation)

[2] This is a conservative estimate, and we believe the actual spending on dwelling units was much less. For example, from March 2004 to January 2009, MPHA spent $1,861,204 on "Unit improvements including partial kitchen/bath upgrades, new kitchen flooring, water heaters, and ventilation, site improvements/landscaping/retaining walls, security upgrades," meaning they spent some of this on non-dwelling unit-related expenses (site improvement, landscaping, retaining walls, security upgrades). However, we included the full $1,861,204 in our analysis.

[3] This average was not necessarily consistent across years, since there are a few years where capital investments increased dramatically, such as from 2009 to 2011 when MPHA received federal housing recovery and reinvestment funds as well as energy-savings loans for its contract with Honeywell. The median capital investment by MPHA from 2007 to 2014 was $14,752,578.

rises alone in 2009.[4] During this same period (2007-2014), MPHA spent $169,366 on Glendale capital expenditures.[5] In other words**, MPHA invested less than one-tenth of one percent of its capital expenditures in the Glendale Townhomes during this time**, despite their 2006 physical needs assessment that identified about $12 million in capital needs at Glendale—the effects of which remained still pressing and unaddressed eight years later when MPHA's 2014 capital needs assessment identified about $12.3 million of needed repairs and investment, with the largest increase in costs for dwelling unit-related issues.

In addition to their lack of regular capital investment in Glendale, MPHA also invested much less in the Glendale Townhomes than the average and median amount invested in its other public housing units of the energy savings contract funds with Honeywell in 2009-2011. The average invested from the Honeywell contract across MPHA's public housing portfolio was $393,488 and the median was $470,019.[6] Between $134,217 and $169,366 was spent on Glendale,[7] and those funds were used for improving water use efficiency rather than heating/cooling efficiency measures, which are frequently cited as major issues among Glendale residents, particularly during the bitter cold winter months. In other words, **MPHA spent about $225,000-$335,000 less on Glendale than the average and median investment in all of their public housing properties, and their investment at Glendale did not directly address the most pressing energy-related issues that Glendale residents face**. For example, most of MPHA's public housing sites received "building ventilation system redesign" and high efficiency hot water boilers; Glendale received none of these. Scattered site housing received new thermopane windows, attic insulation, and wall insulation; Glendale received none of these, despite residents' repeated complaints about and its desperate need for improving the lack of insulation that keeps their units unsafely cold during the winter.

During this same period of time, from 2007 to 2009, MPHA focused just about half of its expenditures on Section 8-related housing assistance payments (typically between $45-50 million annually). This is particularly concerning because Section 8-related spending is a direct public subsidy to private developers and landlords. Instead of investing in the existing public housing stock, MPHA instead has funneled about half of its funds into the pockets of private developers and landlords for housing that is less stable, more easily exploitable, and has fewer legal protections for its residents than public housing. Undoubtedly, this is because Section 8 is much cheaper for MPHA than providing and managing public housing; all the while, MPHA continued to disinvest in Glendale.

Since MPHA began discussing plans for Glendale over a year ago, they have continually reiterated and emphasized that they do not have enough funds to rehabilitate, maintain, preserve, and improve Glendale Townhomes within their current budget. However, MPHA received "Moving to Work" (MTW) status from the US Department of Housing and Urban Development (HUD) in 2008, which allows MPHA to allocate its funds with fewer regulations, allowing them to shift money that otherwise would have been

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[4] See Minneapolis Public Housing Authority, "Audited Financial Statements for the Minneapolis Public Housing Authority, Fiscal Year 2009 (October 1, 2008 – December 31, 2009)," page 7.

[5] It should be noted that this figure does not include the $1,861,204 spent on "Unit improvements including partial kitchen/bath upgrades, new kitchen flooring, water heaters, and ventilation, site improvements/landscaping/ retaining walls, security upgrades," that occurred between March 2004 and January 2009, since we were unable to discern in the records provided to us how much was spent in any given year on these particular expenditures.

[6] It should be noted that these figures do not include spending at MPHA's scattered site housing because the expenditure data for these sites were less clear, though these certainly take up a large portion of their investments.

[7] The reason for the cost range is due to conflicting data: the Honeywell Contract data calculates out to the $134,217 figure, whereas MPHA's capital expenditure data indicates the $169,366 figure.

restricted to particular uses.[8] If MPHA's 2014 capital needs assessment accurately identified just over $20 million in capital needs at Glendale over the next 20 years, then it seems very reasonable for MPHA to shift some of the funds it uses for high-rise capital improvements—about $10 million annually—to rehabilitate and preserve the Glendale Townhomes. Even if 10% of those funds ($1 million) were used at Glendale over the next 20 years, they would be more than able to rehabilitate the Townhomes without long-term resident displacement. MPHA didn't even divert any of the $35 million in 2009 to Glendale, which could have more than easily addressed a large portion of the identified needs at Glendale.

We contend that the above evidence reveals systematic disinvestment in Glendale by MPHA relative to its other public housing units, not only with its annual funding but also with one-time contracts such as the Honeywell energy savings contract (2009-2011). It is no wonder, then, that Glendale is in such a state of disrepair: MPHA ignored the needs it identified about a decade ago, invested more at other public housing sites, and did little to address livability-related issues in the Glendale Townhomes. This analysis raises questions about MPHA's use of funds, and begs the question: Has MPHA been strategically disinvesting in Glendale with the purpose of demolishment and privatized redevelopment over the past decade?

1. We call for an in-depth audit of MPHA's spending and capital investments at Glendale and across its entire public housing portfolio over the past two to three decades.

2. With its MTW status, MPHA can easily divert $1 million per year from high rise capital expenditures to fully rehabilitate Glendale over the next 20 years.

3. As a result, we also call for honesty and transparency from MPHA in its claims that they do not have enough funding to rehabilitate and improve Glendale without privatization or resident displacement.

This is a political and administrative *choice*, not an inevitable and unavoidable outcome.

Learn more:

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[8] MPHA is one of XX number of public housing authorities across the country to receive this status. St. Paul Public Housing Authority, which does not have this MTW status, has been able to maintain and preserve their family public housing units with their restricted fund usage structure, indicating that MPHA's disinvestment in family public housing, such as Glendale Townhomes, is not an inevitable or necessary practice, and highlights some potentially questionable uses of funds within their MTW status.