Pathways to Preservation

Protecting MPHA’s affordable housing for current and future low-income residents of Minneapolis

About MPHA

• Almost 6,000 units of public housing
• Also administer more than 5,000 housing vouchers (Section 8)
• Serve more than 26,000 people
• Independent agency
  • Board of Commissioners appointed by Minneapolis Mayor and City Council.
• HUD-ranked “High Performer” since 1997
• Minnesota’s only “Moving to Work” (MTW) housing authority (one of 39 nationwide).
MPHA’s MISSION:

“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.”

Development Principles

What Principles do we need to make reinvestment choices that fit the mission of MPHA?
Congressional funding for public housing capital investment is insufficient—and declining.

The Capital Fund Program (CFP) is the federal money housing authorities can use to modernize and improve our housing stock.

MPHA’s federal Capital Fund award, already far short of the need, has fallen a further 27 percent since 2009. We do not expect this trend to change.
Capital shortfalls are compounded by cuts to other types of funding.

Our operating subsidy funds day-to-day operations and maintenance...

Congress has currently authorized only 85 percent of the operating subsidy that HUD calculates is necessary for ongoing operations.

MPHA has “single fund flexibility...”

This flexibility comes with being a “Moving to Work” agency.
MPHA’s facilities are aging.

42 highrise buildings, with an average age of almost 50 years old.

730 “scattered site” homes, which range from 10 to more than 100 years old.

A 184-unit townhome complex built in 1952—our oldest major property (and most pressing major need).

Average age of all MPHA properties: 68 years.

MPHA’s facilities are aging.

We work hard to meet all maintenance requests, keeping our units comfortable and livable.

But many of the most critical and expensive challenges are harder to see: plumbing, electrical, HVAC, roofs...
We work to augment the capital money we receive...

In recent years, one-time events like the federal stimulus, irregular state grants, and our ability to reallocate certain funds internally have helped us to supplement somewhat.

...but we remain well short of our capital needs for investment.

Immediate Needs 2017 ➔ $120 M
Immediate Needs 2018 ➔ $137 M
Long Term ➔ $500 M
HUD Funds ➔ $10M/Year
What are the options available to us?

- B Borrow
- B Bonds
- TAX-C Tax Credits

Borrowing

Invest now... pay back over time.

Challenge: Find future income and/or cost-savings for repayment.
Challenge: Minimize risk of foreclosure and other financial risks.
Bonds

Issued by MPHA or another entity.

Invest now... pay back over time.

**Challenge:** Find future income and/or cost-savings for bond payments.

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**Tax Credits**

- Investors
- Ownership
- IRS
- MPHA Property
How do tax credits raise money for the property?

...in exchange...

Investor

Equity

Lower Taxes for Investor

10 years to take tax credit...
15-year “compliance period”

What are the rules on ownership to claim the credit?
Example: Possible ownership structures

- **Minneapolis Public Housing (MPHA)**
  - Land Owner
  - Land is leased by MPHA to MPHA Apartments, LLC through a ground lease

- **MPHA - Non-Profit**
  - Project Developer
  - Not-for-profit affiliate of the MPHA

- **MPHA Manager, LLC**
  - Managing member of MPHA Apartments, LLC
  - 100% Owned by Non-Profit

- **MPHA Apartments, LLC**
  - Owner of MPHA Apartments
  - 99.99% owned by Tax Credit Investor Member
  - 0.01% Owned by MPHA Apartments, LLC

- **Contract with Minneapolis Public Housing Authority for Property Management and Asset Management Services**

Complicated arrangement for the sake of the tax credit, but we can retain public oversight and retain the low-income purpose of the property.

How MPHA controls the tax-credit deal:

- **MPHA owns the land**
  - Long-term “ground lease” to investor/interim owner.
  - Even buildings can be leased.

- **Deal documents**
  - LLC Agreement
  - Land Use Agreements
  - Property Management

- **Options to purchase**
  - ...for MPHA or MPHA nonprofit

- **Project-based subsidies by MPHA**

- **Public Housing Resident Protections**
  - Lease
  - Grievance

- **Mortgages**

- **Reserves**

- **MPHA manages?**
What about State and City Support?

- Grants
- Development loans
- City tax levy
- Partnerships on projects and programs that serve our residents

Investments by the state and city can be vital to meeting our fiscal challenges.

**Challenge:** Government entities are likely to compose only a small part of any overall solution.

What are the rules we would follow in this work?

**Guiding Principles for Redevelopment and Capital Investments at MPHA**

MPHA will engage in a public, portfolio-wide planning process to assess the needs and mission-oriented opportunities at all properties owned by MPHA. This process has two primary goals:

- Ensure the long-term physical and financial viability of MPHA’s existing public housing stock; and
- Increase the livability and overall marketability of units, through high-quality design and construction.

MPHA will encourage active and meaningful resident and community participation throughout the planning and implementation process, and seek collaborations and partnerships with the City of Minneapolis, other governmental agencies, and housing advocates where appropriate to enhance and improve MPHA’s affordable housing portfolio.

MPHA will make real estate investment decisions for each property and MPHA’s city-wide housing stock that reflect MPHA’s mission statement:

*The mission of 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.*
MPHA intends to preserve or redevelop (with right-of-return) all existing public housing units. If the eventual redevelopment effort results in the loss of units, MPHA will commit to develop replacement units elsewhere in the city.

MPHA’s goal is to provide housing that meets the current and projected needs of low-income households in Minneapolis, and preserves—and where possible increases—affordable housing options in all Minneapolis neighborhoods.

MPHA commits to protect those MPHA residents who are particularly vulnerable, including the elderly, persons with disabilities, persons with income below 30% of the area median income, and immigrant families (as permitted by law).

MPHA’s planning efforts shall include a process (including relocation plans) that minimizes displacement and includes first right-of-return for any current MPHA resident.

Should MPHA undertake redevelopment of a property with a private for-profit or nonprofit developer partner, MPHA will require that the developer/partner contribute to MPHA’s mission including, where feasible, the provision of resident services, job or educational opportunities. The partnership must result in a development agreement that provides a return on investment that clearly benefits MPHA or its residents.

Consistent with its Mission and these Guiding Principles, MPHA will explore and when possible seek alternative avenues for financing its capital investment strategies, including:

**Continued Use of Its Moving to Work Authority (MTW)**
MTW permits MPHA to shift resources from its Section 8 Program to its low rent program to supplement capital and operations funds that will help preserve its portfolio.

**Use of Project-Based Vouchers (PBVs)**
MPHA has authority to project-base Section 8 Housing Choice Vouchers, which could provide valuable resources and help leverage other financing to increase overall affordable housing to extremely low-income families in our community. These resources could be applied to development or redevelopment activities related to MPHA’s portfolio.

**Public Housing Preservation and/or other Affordable Housing Bonds from the State of Minnesota**
Minnesota Housing Finance Agency (Minnesota Housing) has a program funded by the Minnesota Legislature that targets funds specifically for public housing preservation and other affordable housing development and preservation that could be available to MPHA and/or its partners.
Low Income Housing Tax Credits (LIHTC)

The use of the LIHTC would require MPHA to partner with a private equity investor and create a non-profit entity to share ownership of the property with the investor for the tax credit compliance period (up to 15 years); to retain long term use for low-income families. If LIHTCs are utilized, MPHA will require that these valuable assets be returned to MPHA, or its non-profit entity, at the end of the tax credit compliance period or an earlier date should the investor wish to exit the partnership.

Local and Other Sources of Funding (including but not limited to Government, Foundations, and Leveraging Private Financing)

The Federal Government’s failure to adequately fund public housing coupled with MPHA’s capital needs and the overall need for affordable housing in our community requires that the Agency pursue various sources of revenue to preserve and where possible increase the level of affordable housing in our community.

Sale or Transfer of Ownership:

In a comprehensive portfolio assessment, properties with housing and vacant land might be identified that may prove more valuable as an asset to sell or transfer for development purposes. Should MPHA identify any such properties, MPHA will make such sales or transfers only when such assets can be replaced elsewhere in the city in accordance with a redevelopment plan and schedule that has been publicly adopted by the MPHA Board.