

July 11, 2018



**MPHA's Latest Plans:  
Dismantle Public Housing and Displace Residents Through Section 8  
Privatization:  
An In-Depth Analysis of MPHA's "Strategic Vision and Capital Plan"**

On June 6, 2018 MPHA delivered their "Strategic Vision and Capital Plan 2018-2020" to the Housing Policy and Development Committee of the Minneapolis City Council<sup>1</sup>. This document, which was presented to the MPHA Board of Commissioners on May 16, 2018 in spite of a lack of resident and community engagement as required by city, state, and federal rules, lays out MPHA's plan to end public housing in Minneapolis as it has existed since 1938, using Section 8 to dismantle public housing and displace residents.

**Section 8, known as Tenant Protection Vouchers (TPVs), Displaces Tenants**

Before we examine the details of MPHA's latest plans to displace residents, let's look at how the Section 8 voucher system has failed residents of Minneapolis and across the nation.

Section 8 is a voucher system that low-income residents apply to receive rental assistance. Recipients take this voucher, and use it to find housing on the private market. Under the Section 8 system, renters pay 30% of their income for rent. There is a different kind of Section 8, which is called Project Based Section 8. Under this program, for-profit and non-profit corporations get federal affordable housing funds to subsidize their rental properties for Section 8 tenants. They are called "Project Based" because renters who are living in a Project Based Section 8 apartment cannot move and retain their voucher. Now these housing corporations are moving to the AMI system, which increases rents at a high rate. Low-income families cannot afford AMI housing. Please read our AMI charts, which show why AMI housing doesn't work for low-income housing<sup>2</sup>.

Studies conducted around the country show that large percentages of Section 8 voucher recipients are forced to give up their voucher because they are unable to find housing using it. One study in California found that up to 64% of Section 8 voucher recipients had to give up their voucher<sup>3</sup>. Even those who find housing are not safe. Section 8 voucher recipients can be displaced if their building owner decides to sell it off to investors who raise the rent. This is exactly what happened at the Crossroads apartment complex in Richfield in 2016 where hundreds of low-income and Section 8 voucher recipients were displaced. Some of these residents are now being displaced again in Bloomington at Normandale Lake Estates as their new homes are being sold off, starting the cycle again. Normandale Lake Estates is comprised of three buildings, each with 25 units. With an average of 3 people per unit, this means around 225 low-income tenants with Section 8 vouchers are now being pushed out. Tenants who

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<sup>1</sup> <http://mphaonline.org/wp-content/uploads/2018/06/MPHA-Strategic-Vision-As-Approved-by-Board-May-2018.pdf>

<sup>2</sup> <https://www.dgphc.org/2018/05/10/ami-housing-deeply-unaffordable-for-low-income-families-part-2/>

<sup>3</sup> <https://www.ocregister.com/2016/10/05/no-voucher-no-vacancy-no-help-the-cruel-realities-of-section-8-housing-in-orange-county/>

shared their story with us are Linda Soderstrom and a Somali mother with small children. She does not want to share her name. She, along with her children will be homeless in

30 days because she can't find housing with her voucher. This is because of discrimination and racism, and landlords/ developers don't want to accept Section 8. You can read Linda's story here: <https://tinyurl.com/LindaSoderstrom>

Section 8 is a voluntary program and landlords do not have to participate if they don't want to. This means that Section 8 voucher recipients face a lot of discrimination, especially if they are Black, Latinx, and other communities of color, immigrants, East African, or Muslim. Minneapolis recently passed an ordinance that would have made it illegal for landlords to discriminate against Section 8 recipients. However, landlords successfully sued the city, and the ordinance was overturned. Even though Section 8 doesn't work for residents, politicians continue to promote it as a solution

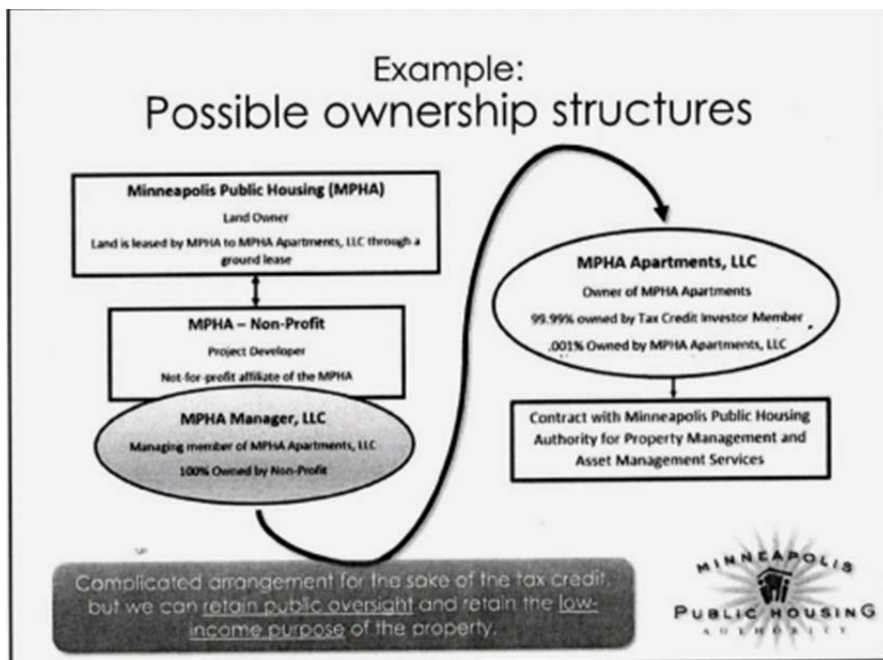
Section 8 is also more vulnerable than public housing. In February of 2018, Donald Trump proposed cutting the Section 8 program by \$1 Billion. According to Diane Yentel of the National Low Income Housing Coalition, this would lead to 250,000 people losing their vouchers<sup>4</sup>. A cut to the Section 8 program would mean residents lose their assistance immediately, but this is not the case with public housing.

### **MPHA's Current Plan is to Displace Through Section 8 (TPV)**

MPHA has failed to push their original plans of pushing people out of their homes and selling their buildings directly to private owners, but they did not give up on their privatization plans. Instead, they came up with a plan that doesn't look as aggressive to people who don't know about the effects of Section 8. They came up with these plans to say "We are not displacing people right away." However, here's a chart from MPHA that shows that they are planning to transfer 99.99% ownership to private owners: (full document can be found at <https://tinyurl.com/MPHA-s-Pathways-to-Destruction>)

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<sup>4</sup> <http://nlihc.org/article/point-view-trump-s-massive-cuts-housing-must-be-stopped>



(detail from above image)



MPHA won't own anything. MPHA will cease to exist as a public agency. MPHA will create a non-profit (in the above image it's called "MPHA Apartments LLC") that will own 0.01% of the property and 99.99% will be owned by private developers. This is clearly not public housing anymore.

Once this happens, people will be moved out. MPHA wants this to happen piece by piece, not all at once because that would embarrass them. MPHA's new plan still privatizes, dismantles, and displaces public housing. It's the same plan, but with a new face. MPHA is making promises they cannot keep about what will happen after they sell the properties. MPHA says they will continue to manage their properties after they sell, but in a MPHA board meeting, Greg Russ himself stated that "the investor does have the right to come in and remove the property manager if they feel we're doing a bad job. So that's a risk." Even as property manager, MPHA won't have control over who moves in because it will cater to rich, wealthier white people. This is classic gentrification. Furthermore, if buildings go into foreclosure, any agreements that MPHA and the city signs with these developers when they hand the buildings over to them will be voided. There will be no legal remedy to save these buildings.

**Now let's take a look at MPHA's plans to privatize through Section 8.**

**Page 3**, titled "Defining the Problem," lays out MPHA's strategy and vision for the coming years and decades.

It states: “Consistent with MPHA’s mission to provide housing for low-income families, MPHA must seek new public and private sources of funding to implement a capital plan to preserve MPHA’s low-income housing for the future.”

Here, we will show how this strategy will displace residents, while creating profits for developers.

Let’s start with the first part of this statement:

- The average income for MPHA’s working households is \$20,656, while the overall average income is \$14,201 and seniors on social security earn \$750 a month, 9000 a year.
- All public housing residents pay 30% of their income for their rent. MPHA is pushing Area Median Income housing, which is not the same as income-based public housing. To be clear, 30% of one income for rent is not the same as 30% AMI for rent.
- Rents that are deemed “affordable” for “low-income families” are not affordable for the average household currently living in public housing.
- MPHA puts the phrases “Inadequate Capital Funding” and “Inadequate Operating Subsidy” in big letters.
- MPHA claims they don’t get enough money from the government to fund repairs, maintenance, and rehab or to cover their administrative costs (like salaries, office expenses, admin expenses, etc.).
- MPHA overstates their lack of capital and operating funding, without asking for money from the State or the City.
- These are all tactics to privatize public housing, which MPHA is pushing while they continue to increase their operating costs by paying huge salaries to senior staff and consultants.

MPHA’s numbers and backlog don’t add up:

- An example of operating funding is the \$1 million MPHA spent on private consultants to help develop this plan.
- These consultants say that MPHA has a capital backlog of \$127 Million (CSG Operational Analysis), but the graph on page 3 shows a number closer to \$140 million.
- MPHA is contradicting their own consultants. MPHA is claiming that there is an additional \$13 million in repairs without any proof, audit, or justification for where this number came from.
- Furthermore, through more data requests, DG&PHC discovered that the backlog they claim is not \$127 Million, but \$112.5 Million. But we have no concrete evidence of where this \$112.5 Million dollars came from. It is not a real number because there is no audit or justification of how MPHA came up with this number. From 2015 onward, MPHA has refused to conduct an independent financial audit on how much the real backlog is.
- In addition, DG&PHC discovered that **MPHA is sitting on a \$23 Million dollar surplus** that they are not spending on the capital or operating expenses “(backlog)” they claim to have.
- During MPHA’s Special Board Meeting on May 16, 2018 where Greg Russ presented the latest plan to dismantle public housing and displace residents through Section 8 (the

“Strategic Vision and Capital Plan 2018-2020”), **Greg Russ himself stated “We are in a good financial position with regard to our reserves.”**

- MPHA ‘s contradicts itself because they claim that they are facing a financial crisis yet they are sitting on \$23 million dollars they refuse to spend on capital or operating expenses.
- Emails also show that there is double billing, and misuse of tax dollars without proper accountability. This shows MPHA is not financially responsible.
- There is no audit to show how MPHA got this number. Resident leaders have requested that the State or City audit MPHA for years, but there has been no accountability because no one will do so.
- At the same time, MPHA wants to use the unverified and un-audited “backlog” public relations narrative to get more tax dollars to invite private developers to take over homes through Section 8.
- They want to privatize our homes and displace us so that private investors and corporate landlords can profit from a land grab by taking over public housing.

MPHA claims that their funding from the Federal government will never increase.

- If you look at the graph on page 3, it shows flat funding from the federal government.
- But, MPHA actually saw their funding for capital repairs go up by about **42% in 2018** <sup>5</sup>.
- MPHA Commissioners are actually unhappy about getting more funding because it makes it harder for them to justify their plans to privatize.
- They have been pushing a major PR campaign to claim that they don’t have enough money to maintain their public housing.
- In reality, MPHA has plenty of money. They have been successfully managing public housing for decades. HUD has even named them one of their high performing agencies<sup>7</sup> and their inspections receive 98 out of 100 from HUD.
- When Greg Russ told the Board of Commissioners on a May 16<sup>th</sup>, 2018 special meeting that MPHA would never get increased funding from the Federal government Commissioner Rosenbaum replied:

*“In fact, we increased our amounts of money by a fairly considerable amount. Well beyond anything we had imagined that we might get. We are in a very difficult place to change, to make a full strategic pivot based on assumptions which so far have not materialized.”*

He goes on:

*“Our income stream increased significantly and all of a sudden we have extra money. That’s a very hard place for us to make strategic decisions around.”*

- This statement shows that MPHA’s narrative that they don’t have money to keep public housing public is not working.
- If MPHA were short on funds they could approach city or state for funding, but they haven’t.

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<sup>5</sup> <https://docs.house.gov/billsthisweek/20180319/BILLS-115SAHR1625-RCP115-66.pdf>  
<sup>6</sup> <http://nlihc.org/article/senate-committee-approves-robust-funding-affordable-housing-fy19-0>  
<sup>7</sup> [http://www.minneapolismn.gov/www/groups/public/@finance/documents/webcontent/convert\\_280114.pdf](http://www.minneapolismn.gov/www/groups/public/@finance/documents/webcontent/convert_280114.pdf)

**On page 5**, both the “Pilot Programs and Test Initiatives” and “Rehabilitation and Construction” strategies contain references to demolition of public housing, and the construction of new buildings that will not be public housing. These buildings will be privatized through the Section 8 program as we have explained above.

**On Page 6**, MPHA talks about “resident input at every step,” which is the opposite of what MPHA has done.

- MPHA has not brought this plan to residents, and instead brought it straight to the city without resident input.
- This violates HUD policy, as well as city, state, and federal rules and laws about public participation.
- They talk about resident input from design to implementation, but this has never happened.
- In addition, they have violated their own guiding principles, which they also passed without resident input or approval.
- In the chart, they say they are going to provide resident input for a “Relocation Rights Contract,” “Land Use Restriction Agreement,” “Redevelopment Choices in Support of the Mission” and “resident and legal services engaged in development of documents.” Each of these pieces will displace residents.
- “Relocation Rights Contract” means that residents will be displaced.
- “Land Use Restriction Agreement” means the removal of Declarations of Trust (“DOT”) that keeps public housing public and prohibits from being privatized. MPHA already asked HUD permission to waive DOT if the city government, and residents approve, but the decision from HUD is still pending.
- “Redevelopment Choices in Support of the Mission” means privatizing public housing through Section 8.
- MPHA has failed to explain what “Resident and Legal Services Engaged in Development of Documents” means. It shows that they plan on using MPHA lawyers to make people sign documents that will displace them as they have done in the past. Residents will not have access to independent legal advice that will represent them because MPHA knows that residents cannot afford this.
- This is how the system takes advantage of poor people, people who don’t speak English, and people who don’t have the legal expertise to understand MPHA documents.
- MPHA also talks about “Property Plans” which means that MPHA has individual property plans, which they are not sharing with residents. Some residents are being told they have to move out, and there is no transparency about their plans.

**Pages 5-10**, shows that MPHA is planning on privatizing all public housing. They even show the timeline.

- They will start with a pilot project at Elliot Twins and some scattered sites first, beginning in 2018-2019.
- Starting in 2020-2024 they will begin large scale construction.
- By 2025-2029 there will be full scale demolition and construction of new homes, displacing thousands of people.

DG&PHC has shown documentation of these plans to Council Abdi Warsame and Mayor Jacob Frey. But, they are silent and have not passed the resolution and ordinance they promised

during the 2017 city elections which would make sure public housing stays public by stopping all types and methods of MPHA's privatization plans.

**Page 14**, makes it very clear that MPHA is privatizing and will be displacing residents. They plan on using RAD, which is the same privatization scheme that residents in Glendale rejected in 2015.

- "Subsidy/Funding Conversion" means that they plan to use RAD or another scheme to change the ownership of public housing to private hands.
- "Transfer of Properties" means that MPHA will no longer own public housing. They will create a separate non-profit that will own 0.01% of the property.
- "City Tax Levy" is \$95 million dollars in funding that MPHA plans to give to developers who will take over the buildings, instead of using that money to maintain public housing.
- "Private Loans" are regular funding from banks, which will also give banks control over properties if the new private owners fail to make payments or if the properties are foreclosed. Public housing agencies don't apply for loans because all their funds are tax dollars from HUD, along with local city and state funds.

MPHA says that "Transferring Properties" triggers "Tenant Protection Vouchers." But TPV's are just Section 8 vouchers. These will not work for residents. They claim they will protect affordability with Land Use Restriction Agreements, but these will replace Declarations of Trust (DOT), which are the strongest protection to keep public housing public and prevent displacement.

**Page 15 – 16**, MPHA is lying about the actual rent they are collecting. They are collecting more than they say they are collecting. This chart is propaganda. They even admit this when they say that it is "Preliminary Estimation for Illustrative Purposes" in red. This means these numbers are fictional. When you add up these "estimations" and compare them to MPHA's own data, they don't add up. MPHA is underestimating rent in order to push their argument. In meetings with Glendale residents in 2015, MPHA project manager Dean Carlson stated that 89% of the rent collected from Glendale goes towards repairs and maintenance for a larger capital pool for other properties.

**Page 17**, clearly shows that MPHA plans to privatize. They plan to "convert the public housing platform to a project-based Section 8 platform." Project-Based Section 8 housing is not publicly owned. Let us look carefully what MPHA is really saying on page 17. MPHA says:

- "HUD Capital Grants Will not Meet their Rehab Needs"  
**This is false. HUD increased MPHA's capital funding by 42% in 2018.**
- "Public housing funding method does not produce cash flow to borrow or attract Low Income Housing Tax Credit (LIHTC) investors."  
**All this says is that public housing is not marketable to private developers. Developers will displace thousands of residents once the conversion takes place.**
- "Strategy: Convert the public housing platform to a project-based Section 8 platform."  
**It is very clear under their strategy that they want to take public housing and convert it to project-based Section 8 housing where 99.99% will be owned by private developers, who will displace people.**
- "Why convert: Section 8 platform provides higher HUD subsidy and a more reliable revenue stream."

**This is a false statement. There is no evidence from HUD or anyone else that Section 8 funding is more reliable than public housing funding because Section 8 is under the hands of developers and private landlords who only volunteer to rent to Section 8 tenants.**

- “Higher revenue stream permits borrowing and attracting LIHTC investment.”  
**Again, all this is saying is that they have to convert to Section 8 in order to market to private developers.**
- “Why now: In March, 2018, HUD published an updated Demolition/Disposition Notice that provides improved opportunities to convert.”  
**Translation: Because Carson and Trump have made it easier for MPHA to do it. But the city and community still must approve these plans.**
- “Current funding is favorable for RAD conversions.”  
**We already showed in 2015 when residents fought against RAD conversion in Glendale that RAD would displace residents. RAD conversion would give the new owner the mechanism to decide how many units would still be Section 8, which is usually a small number compared to high end market rate apartments. Private owners have the final say. RAD is the tool that will displace these residents.**
- “How: Through a conversion process that disposes of the public housing unit to an MPHA controlled non-profit and replaces it with a project-based voucher.”  
**This nonprofit will own 0.01% of the building. MPHA will no longer be a public agency. The remaining 99.99% will be privately owned by developers, who will displace residents to make more money.**

MPHA keeps saying that DG&PHC is misinforming people. How are we misleading people when we just share their documents that clearly show they are dismantling public housing and displacing residents by thousands?

**On page 18**, MPHA says “After any financial transfers of properties, MPHA would continue to manage the properties as “public housing” for its residents” (the quotation marks around “public housing” are from MPHA’s own plan. These quotation marks are not from DG&PHC). MPHA was forced to put the words “public housing” in quotation marks because they know that a “financial transfer” to private investors would mean that public housing is no longer publicly owned, and therefore is not *public* housing. On this page, MPHA also shows a chart of how they would be dismantling public housing.

- MPHA says that they will undergo a “Financial transfers of properties.” This means that they will sell the public housing buildings to private investors.
- This transfer will allow MPHA to sell 99.99% ownership stakes of publicly owned housing to private owners.
- The 0.01% that remains will be “transferred” to a nonprofit that will be controlled by corporate developers (see chart on page 2).
- This means MPHA will cease to exist as a public agency. They will continue to use the “MPHA” name for this new nonprofit, but it will no longer be a public agency and will not be subject to the same levels of public accountability, transparency, and accessibility as MPHA.
- The City of Minneapolis and the US Department of Housing and Urban Development will no longer have any control over MPHA.



On the chart on pg. 18, MPHA has divided the properties into categories “A” through “D” to show their different strategies to privatize. The chart shows that residents at all properties will receive “Tenant Protection Vouchers” (TPVs). **TPVs are just Section 8 vouchers.**

- Group A are the scattered sites.
  - “Scattered Sites” are single-family homes. They are in almost every ward in the city.
  - MPHA wants to convert these to fourplexes or bigger.
  - They are the only properties that they say won’t receive tax credits, which seems to indicate they want to displace current residents and sell them off through a process called “disposition.”
- Group B is Glendale Townhomes & Elliot Twins
  - Elliot Twins are two buildings, each with 87 units. They are in Ward 6, **Abdi Warsame’s ward.**
  - Glendale has 184 units, and is in Ward 2, **Cam Gordon’s ward.**
  - MPHA wants to use Section 8 to displace residents and sell these properties to investors who will own 99.99% through Low Income Housing Tax Credits.
- Group C are a specific group of midrise buildings
  - 1710 Plymouth is in Ward 5, **Jeremiah Ellison’s ward.**
  - 809 Spring St & 1900 3rd St are in Ward 3, **Steve Fletcher’s ward.**
- Group D are all 42 high-rises
  - These buildings are spread all across the city.
  - This will displace thousands of residents.

**On Page 19**, MPHA again uses made up numbers to push their agenda. It is not worth responding to numbers that aren’t real.

## **Conclusion**

This plan is just a nice cover-up for privatization and displacement. MPHA was embarrassed when residents at Glendale and Elliott Twins exposed in 2017 that MPHA’s displacement plans continues to spread to other high-rises, and MPHA is actually planning to displace residents as stated from their own documents and annual reports. As a result, Greg Russ, Executive Director began lobbying the City of Minneapolis to come up with new plans that does not reveal all of the facts of their disastrous plan. Greg Russ began developing a close relationship with Mayor Jacob Frey to gentrify this city and displace public housing residents under another cover. This is the same plan with a different name Glendale residents rejected in 2015, but now they want to push it to the whole city. MPHA uses fake numbers, false language, and their well funded PR team to promote their dismantling and displacing agenda for public housing as a good plan, which will displace thousands public housing residents in the coming years, and deepen the homelessness and the housing crisis in this city.

**Defend Glendale & Public Housing Coalition**

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