September 14, 2018

Response to Greg Russ's Editorial by DG&PHC

On September 11, 2018, the Star Tribune published an editorial by (MPHA) Minneapolis Public Housing Authority's Executive Director Greg Russ, who does not agree with the newspaper's recent coverage of MPHA's privatization plans. http://www.startribune.com/counterpoint-public-housing-in-minneapolis-is-being-preserved-not-privatized/493000811/

In particular, he does not like the newspaper's description of reality, which is privatization. MPHA's intention to transfer 99.99% ownership of publicly owned public housing properties to private hands is privatization. Privatization of public housing results in the dismantling of public housing, the displacement of thousands of public housing residents, the destruction of communities, homelessness, and gentrification. Greg Russ is hoping that if he hides all of these facts, that the public will buy his falsehoods.

Greg Russ attempted to hide his privatization plans with misleading and false statements. The following is an analysis of what Greg Russ says in this article, compared to the real facts, and the actual rules governing RAD conversion, as well as what MPHA has told public housing residents in the past.

1. Greg Russ says: "The federal government, unfortunately, now funds only 10 percent of the repair costs these buildings need."

   This statement is misleading.

   MPHA has refused to conduct an independent audit of the actual conditions and repair needs at their buildings. MPHA claims that their roughly $15 million in annual capital funding from HUD represents 10% of their capital needs. This would make it seem as if each year HUD only funds 10% of the capital needs MPHA accrues. This is not the case. If this were the case, MPHA would need to accrue $150 million dollars in capital needs each year, which is not the case. Their entire budget, which is balanced each year, is around $107 million. They only need about $14 million a year in capital funds, which is what they receive from HUD currently.

   MPHA says that they don't have funds to continue to keep public housing public. As a result, MPHA says they must privatize public housing. But, MPHA properties receive ratings of 98 out of 100 by HUD inspectors. MPHA has always balanced their budget. MPHA received 45% increase in capital funding in 2018 and will receive the same in 2019. MPHA has $23 million as surplus. MPHA spent millions in consulting fees for a network of private developers that are connected to Greg Russ to come up with plans to privatize MPHA. In addition, MPHA is hiring executives with high salaries over $100k. If MPHA has funding crisis, why don't they have a hiring freeze?

MPHA claims capital needs of over $500 million over the next 20 years. This number is presented without evidence, and MPHA has refused independent audits of their capital needs. This number is misleading for several reasons. MPHA received about $15 million dollars in Capital Funding from HUD during 2018 and the same for 2019. If we extend, this level of funding out for 20 years, MPHA will receive $300 million from the federal government alone. MPHA was and is able to receive a levy of up to $8 million per year, but MPHA told the city to remove the levy in 2010. If this levy is reinstated, MPHA would receive $160 million over the next 20 years. This leaves a gap of $40 million over 20 years, or $2 million per year. MPHA received $2.2 million this year from the State of Minnesota, a representative amount of funding they can receive from State funding bodies. Projected forward, this funding model would meet all of MPHA's stated $500 million dollar capital need, with $4 million left over. This does not include the revenue collected as rents and fees from tenants. MPHA has refused to lobby for available public funds such as city and state levies and bonds to keep public housing public. In 2016, Rep. Kahn introduced a $5 million bonding bill at State HF 3112 and SF 3127 to support Glendale as public housing, and MPHA refused to lobby to get these funds. **MPHA does not have money problems. They have privatization on their mind.**

2. Greg Russ says: "Are we selling our buildings? No."

This misleading statement relies on a technicality to avoid being an outright lie.

MPHA's plans, shared with public housing residents, show that they intend to transfer 99.99% ownership to a private investor, with the remaining .01% being owned by a non-profit MPHA intends to create. This non-profit would not be a public agency. **Greg Russ uses the fact that an independent non-profit will hold a .01% ownership stake in privatized buildings to make the deeply misleading statement that MPHA is not selling their buildings. Corporate nonprofit is private.**

(See slide from MPHA's presentation here: **https://tinyurl.com/MPHA-s-Pathways-to-Destruction**)

3. Greg Russ claims that they will not give control of "operational policies, resident rights, (or) setting rent levels" to anyone.

This is a false statement.

Under the ownership schemes MPHA has proposed at Elliot Twins, the private investor would have the right to choose who manages their properties. Greg Russ admitted as much when discussing the potential risks of RAD at MPHA's May 16, 2018 Board meeting, saying “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.”

Although MPHA promises that they will continue to manage their properties, their proposal to privatize their properties through RAD would take this decision out of their hands. In other words, Greg Russ is making a promise that he and MPHA will not be in a position to keep.

4. Greg Russ says: “Can public housing residents, under any scenario, lose their federal housing benefits in this process? Once again, categorically, no.”

This is a false statement that relies on the word “process” to mislead readers.

RAD rules do state that residents cannot be rescreened and lose their housing benefits as a part of the RAD *process*. They also clearly state that following the *completion* of this process, **the new owner has “the ability to rescreen tenants at the time of a tenant’s annual or interim recertification in accordance with their screening/eviction procedures found in their policies.”** In other words, the residents at Elliot Twins absolutely can be forced out of their homes as a result of RAD conversion when MPHA turns the building over to the private developer who will own 99.99% of the building and control decisions about how the buildings are managed and maintained.

This fact has also been observed by US Congresswoman Maxine Waters, who has issued comments highly critical of the RAD program, saying “despite RAD’s potential to have serious, negative impacts on tenants (such as changes in rent or relocation), HUD is failing to adequately track these impacts and monitor potential violations of resident rights under relevant statutes and HUD policies.” Her comments followed a report from the U.S. General Accounting Office (GAO) that clearly stated the negative impacts of RAD. This report found that RAD is putting public housing residents at risk of chronic displacement around the nation, and there is no mechanism to protect residents’ right. Therefore due to RAD, residents are facing displacement, high rents, and they are not coming back to their communities

You can read HUD’s RAD Guideline’s here (see page 13 for relevant info): https://www.hud.gov/sites/documents/RAD_PBRAQUICKREF.PDF

Congresswoman Water’s full comments can be found here: https://democrats-financialservices.house.gov/news/documentsingle.aspx?DocumentID=401258

The GAO report is here: https://www.gao.gov/products/GAO-18-123

5. Greg Russ says: “We recently applied to preserve and make major renovations to one of our oldest high-rise properties, the Elliot Twins.”

This statement is misleading.

By describing the Elliot Twins as “one of our oldest properties,” Greg Russ makes the false implication that the buildings are in disrepair and in desperate need of renovations/rehabs. In fact, the two building were renovated fully from 2006 to 2008 and again as recently as 2014. The buildings are in excellent condition. Why would MPHA need to get a private investor (s) to take over the buildings in order to rehab/ and renovate while the buildings have been fully rehabbed/renovated as public housing two times in the last decade by MPHA unless MPHA is using this as an avenue to privatize and displace?
This investor(s) will access our tax dollars, and receive tax credits such as Low-Income Housing Tax Credits (LIHTC) to do unnecessary rehabs/ renovations to make the buildings marketable for luxury apartments since the buildings are walking distance from the U.S. Bank Stadium which hosted the Super Bowl last year.

6. Russ asserts that “RAD itself simply converts the underlying federal subsidy from one pool to another...”

This is a false statement.

RAD converts public housing to private ownership. The conversion of “the underlying federal subsidy” refers to the change from public housing funding to Section 8 funding private funding. By definition, the Section 8 program funds private landlords, not public housing.

7. Greg Russ claims, “If we need to make major repairs, residents are guaranteed a comparable place to live in the meantime and an ironclad right to return when we finish the work.”

This is a false statement.

MPHA cannot promise to give residents a “comparable place to live.” Comparable would mean in the same location, surrounded by the same community that the disabled and elder residents rely on for support.

Greg Russ stated in a meeting at Elliot Twins on June 3, 2017 that residents will receive Section 8 vouchers when they are being displaced from Elliot Twins. Private landlords are not accepting Section 8 in Minneapolis. Section 8 vouchers continue to displace public housing residents.

MPHA's "ironclad" right to return is an abstract right, separated from the reality of elderly and disabled residents who face permanent displacements from their home and community while MPHA and their private partners pursue an unnecessary redevelopment of their homes.

See Greg Russ's statement in this video: https://www.youtube.com/watch?v=RfMKXv5Btr4.

8. Greg Russ claims that Low Income Housing Tax (LIHTC) Investors would "share ownership" with MPHA.

This is a false statement.

The LIHTC investor would own 99.99% of the building, and an independent nonprofit would own the other .01%. To call this sharing is deeply misleading, and to say that MPHA would "share ownership" makes the statement an outright falsehood. MPHA would not retain even .01% ownership. That tiny ownership stake would belong to an independent nonprofit, not MPHA.

9. Greg Russ claims, "the buildings would remain publicly subsidized, publicly controlled, publicly managed, publicly owned and true to their public mission."

This is a false statement.

Private developers will get the public subsidy to make only 20% of the building Section 8 or more likely Area Median Income (AMI), which is not affordable for public housing residents that pay 30% of their income for rent. The buildings will not be publicly managed. It will be managed by private companies that own 99.9% of the buildings through RAD, which violates the whole mission of keeping public housing public as a public good. Greg Russ is a lobbying for private investors getting public funds and public land.

10. Greg Russ observes that "nonprofit (and actually private) affordable housing providers across the state use Low-Income Housing Tax Credits (LITCH) to build and renovate affordable housing."

This statement is misleading.

Nonprofit and for-profit developers use LIHTC's to build and renovate private housing when they choose to make it semi-affordable by providing about 20% of the units for Section 8 or AMI units. This type of "affordable housing" is not affordable for public housing residents. These private owners only keep their units semi-affordable as long as they are getting large amounts of public funds and LIHTC. But once LIHTC or public funds are cut, these units vanish and residents are displaced. This is not the same for public housing that is publicly owned. For Greg Russ to compare the construction of new housing by nonprofit and for-profit developers and the renovation of privately owned semi affordable housing to the conversion of existing public housing to private ownership is misleading. Private development has always been private and public housing has always been public. In fact, the LIHTC program has limited funding, and by competing to take LIHTC funds from private developers, MPHA would be taking funding away from private developers in order to subsidize the unnecessary conversion of currently existing public housing to private ownership, which will lead to loss of more low-income housing, public housing, causing displacement, homelessness, and gentrification.

Conclusion: Greg Russ and MPHA Commissioners please resign.

Greg Russ continues to lie and mislead the public and public housing residents. Equally important, Greg Russ's family are one of the largest owners and managers of federally subsidized LIHTC Low-Income Housing Tax credit properties in Minnesota through a company called Thies & Talle Inc., located in Chanhassen, MN. Greg Russ's wife Laura Russ is the Vice President of Asset Management of this company, which is owned by her father (and Greg Russ's father-in-law) Kenneth Talle. This is a blatant conflict of interest. Greg Russ and the MPHA Commissioners who are involved with the private investors who want to grab public housing properties for free need to resign. The crisis they are creating for the purpose of greed is becoming a public policy and corruption ordeal that is hurting Minneapolis locally and nationally.

For more information about RAD at MPHA see this article: https://www.weareubuntu.com/race-politcs/2018/8/24/minneapolis-public-housing-authority-prioritizes-profits-over-people

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