



2024 MPHA Family Housing Capital Investment Request

Prepared for 2024 State Legislative Session

Overview

MPHA Housing Programs

- Low-Income Public Housing
 - RAD/LIHTC
- Deeply Affordable Family Housing
- Housing Choice Voucher
- Agency Capital Backlog

2023 Agency Accomplishments

Deployment Snapshot for Recent Grants

Funding & Policy Request from Legislature

- Overview of CHR Portfolio/Backlog
- Opportunity for Preservation Partnership
- Capital Investment Strategy

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

3,100+
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 across the city, 184 family homes at Glendale in Southeast, 20 additional scattered family homes, and a 16-unit townhome development in its public housing program (Section 9).
- Across these units, the agency serves nearly 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, MPHA celebrated the completion of the historic \$27M Elliot Twins renovation, which moved the high-rise from Section 9 to RAD Section 8.

Deeply Affordable Family Housing

- MPHA owns and operates ~700 scattered site family homes, serving >3,100 residents.
- These homes account for more than 80% of the MPHA housing for families with children.
- MPHA maintains a waitlist for this type of housing, recently as many as 7,500 people.
- 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 the long-term owner and property manager, and residents' rent portion stayed the same.
- In 2023, MPHA celebrated the grand opening of 84 new 2- and 3-bedroom deeply affordable family units.

Housing Choice Voucher**

- Beyond MPHA owned and operated housing, the agency administers the Housing Choice Voucher program (HCV, "Section 8").
- The agency serves ~7,200 voucher-holders, benefitting >18,500 residents across the region.
- There are >1,000 people on the Section 8 waitlist.
 - The HCV waitlist was last opened in 2019.
- Applicants are eligible for Section 8 at 50% AMI or below, but 75% of all participants must be 30% AMI or below.
- Should the agency receive stable, supplementary state funding, the agency could fund additional vouchers.

*LIPH, Glendale, Elliot Twins

**Includes Elliot Twins and CHR

MPHA Program Demographics

Low-Income Public Housing*			
Race		Age	
American Indian/Alaska Native	1.4%	0-17	15.3%
Asian	3.8%	18-29	5.9%
Black/African-American	80.0%	30-49	10.6%
White	13.9%	50-61	11.8%
		62+	56.5%
HOH Gender		HH Size	
Male HOH	50.1%	1	64.7%
Female HOH	49.9%	2	11.6%
HH Incomes		3	5.2%
Average	\$15,538	4	5.2%
Median	\$12,180	5	4.4%
w/ Earned Income	18%	6	2.9%
		7+	6.1%
HOH Disabled	56%		

Deeply Affordable Family Housing			
Race		Age	
American Indian/Alaska Native	1.7%	0-17	54.1%
Asian	5.2%	18-29	18.5%
Black/African-American	87.6%	30-49	18.0%
White	4.4%	50-61	6.5%
		62+	3.0%
HOH Gender		HH Size	
Male HOH	13.6%	1	0.4%
Female HOH	86.4%	2	6.4%
HH Incomes		3	12.4%
Average	\$37,321	4	16.5%
Median	\$36,525	5	14.9%
w/ Earned Income	70%	6	13.8%
		7+	35.6%
HOH Disabled	17%		

Housing Choice Voucher**			
Race		Age	
American Indian/Alaska Native	2.7%	0-17	48.7%
Asian	0.7%	18-29	12.5%
Black/African-American	85.0%	30-49	21.4%
White	6.3%	50-61	9.0%
		62+	8.3%
HOH Gender		HH Size	
Male HOH	21.0%	1	14.7%
Female HOH	79.0%	2	12.8%
HH Incomes		3	14.7%
Average	\$20,814	4	14.6%
Median	\$21,456	5	13.2%
w/ Earned Income	40%	6	10.3%
		7+	19.7%
HOH Disabled	39%		

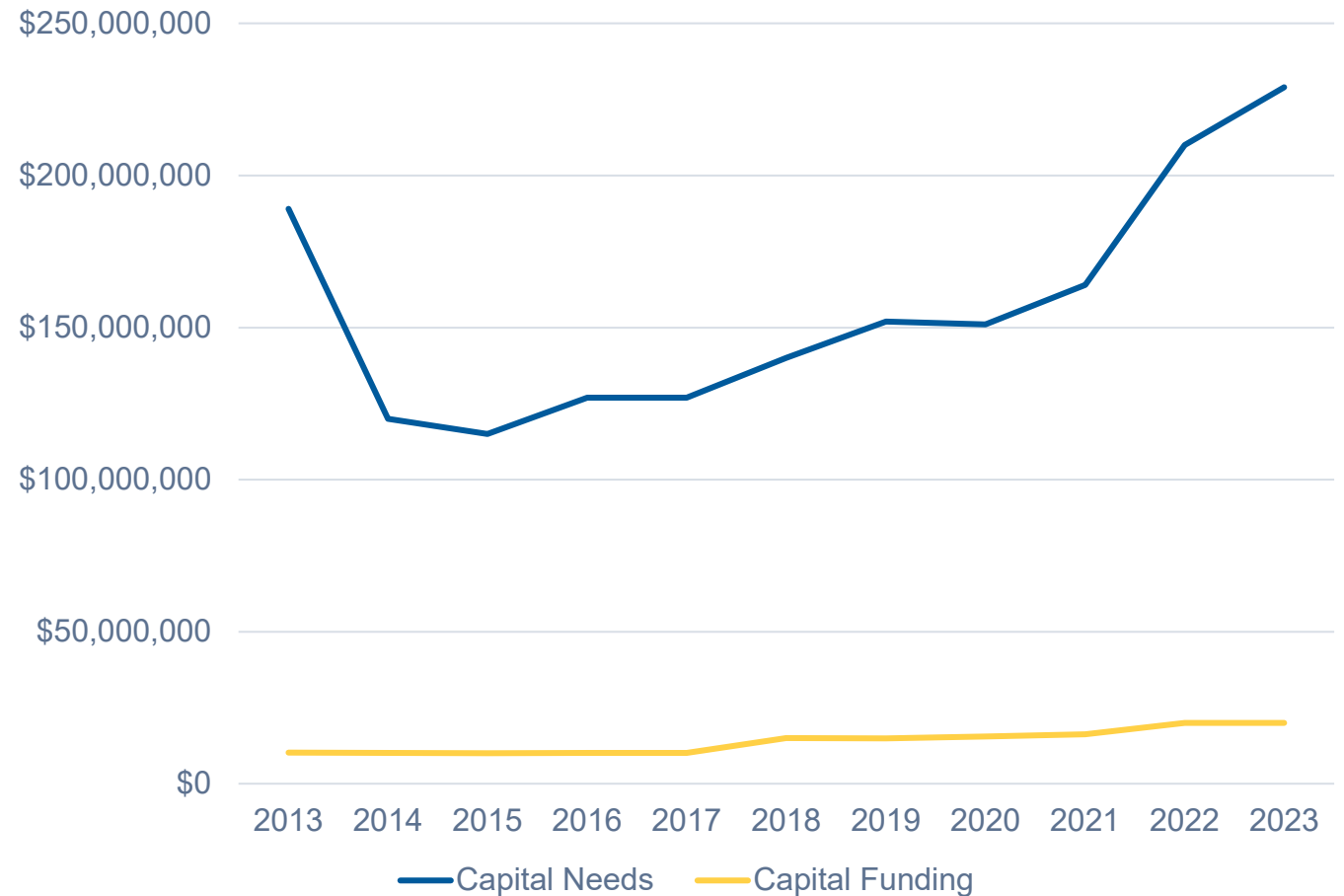
*LIPH, Glendale, Elliot Twins

**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, 736 scattered site homes, 184 rowhouse units, and a 16-unit townhome development.
- Forty of the 42 high-rise buildings in MPHA's inventory 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 \$229M. Left unaddressed, this number is likely to surpass \$380M over the next 20 years.
- Historically, HUD has only provided funding for 10% or less of the actual need.

Recent Capital Needs vs Capital Funding



2023 Agency Accomplishments

- \$5M Capital Grant from Legislature to Repair MPHA's Deeply Affordable Family Homes
- Scored a 98.5% Physical Inspection in HUD's Annual Public Housing Assessment System (An Agency All-Time High)
- \$4M in New Funding from City of Minneapolis and Hennepin County to Expand Stable Homes Stable Schools
- \$1.3M from MN Housing's SHORP to Repair MPHA's Deeply Affordable Family Homes
- \$5M/Year Through the City Of Minneapolis' Housing Levy to Support the Agency's Preservation and Production Activities
- Celebrated Grand Opening of 84 New 2- & 3-Bedroom Deeply Affordable Family Homes
- Helped ~450 MPHA Families Receive >\$800k in Rent Relief Through Hennepin County's Emergency Assistance Funds



Addressing Challenge Through Partnership

- In 2023, MPHA secured more than \$11 million in one-time and ongoing state and local assistance to support the agency's preservation and production activities.
- This supplements the \$20M in capital funds the agency received from HUD in 2023.
- 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.



Sprinkler funding now secured for all public housing high-rises in Minneapolis

—
Minneapolis City Councilmember Robin Wonsley announced an additional \$1.2 million will fund the last four buildings.



Mayor Frey announces funding boost for Minneapolis public housing

City and housing officials say the additional \$4 million in funding would help the cash-strapped Minneapolis Public Housing Authority to complete much-needed repairs and plan ahead.

By **Faiza Mahamud** Star Tribune | AUGUST 10, 2023 — 3:41PM

Deployment Snapshot

- \$3.7M from Minneapolis for CHR Repairs
 - Work scoped and bidding beginning. Work includes:
 - \$1.27M to bring four South Minneapolis family homes online, including a 2-, 3-, 4-, and 5-bedroom home.
 - \$1.07M in exterior enveloping (roof, windows, siding, etc.) at 19 homes across the city.
 - \$1.17M for construction, professional, permitting, and various construction-related administrative costs.
 - ~200k to support redevelopment of SFH in Windom neighborhood to triplex, TBD on 2040 lawsuit
- \$5M from MN Legislature for CHR Repairs
 - Working closely with MN Housing to develop work plan, cost estimates, and grant contract agreement.
 - Tentatively, funds will be directed to exterior enveloping, foundation repairs, and fire detection systems.
- \$1.3M from MN Housing for CHR Repairs
 - As with legislative grant, working with MN Housing to develop work plan and grant contract agreement.
 - Tentatively, funds will be used to increase the number of “deep turns” MPHA does in 2024. Work includes interior renovations (kitchen, bath, etc) and mechanical repairs.
- \$5M Annual Minneapolis Housing Levy
 - In 2024, MPHA is planning:
 - \$2.5M on a major high-rise RAD rehab.
 - \$1.25M to create five new deeply affordable family units across two lots where offline SFHs currently reside.
 - \$1.25M on high-rise elevator modernization projects.

Fire Suppression Installations*

Building	Units	Budget	Funding Source(s)	Status	Construction
1206 2 nd St NE	57	\$620,000	MPHA Capital	Complete	Jan-Apr 2022
1717 Washington St NE	182	\$1,570,000	MPHA Capital	Complete	Apr-Nov 2022
2728 E Franklin St	151	\$1,200,000	MPHA Capital	Complete	Sept '22-Jan '23
Horn Towers	491	\$3,445,000	MPHA Capital	Complete	Jan '22-Jun '23
630 Cedar Ave S	190	\$1,592,000	MPHA Capital/City/State	Complete	May '22-Jan '23
2121 Minnehaha Ave	110	\$888,000	MPHA Capital/City/State	Complete	July-Dec 2022
1627 S 6 th St	116	\$868,000	MPHA Capital/City/State	Complete	Dec '22-Sept '23
600 18 th Ave N	239	\$2,450,000	MPHA Capital/City/State	Complete	Nov '22-Oct '23
1314 44 th Ave N	220	\$10,000,000 (Comp Rehab)	MPHA Capital	Complete	Apr '22-May'23
Hiawatha Towers	281	\$2,100,000	MPHA Capital	Complete	Dec '22-Oct '23
314 Hennepin Ave	299	\$2,425,000	MPHA Capital/City	Complete	Dec '22-Oct '23
2415 N 3rd St	62	\$505,000	MPHA Capital/EDI Grant	Under Construction	Nov '23-Feb'24
1710 Plymouth Ave N	84	\$740,000	MPHA Capital/EDI Grant	Contract Awarded	Jan '24-Apr'24
3116 Oliver Ave N	31	\$370,000	MPHA Capital/EDI Grant	Under Construction	Oct '23-Jan'23
710 2nd St NE	35	\$370,000	MPHA Capital/EDI Grant	Contract Awarded	Apr '24-Jul'24
616 Washington St NE	35	\$395,000	MPHA Capital/EDI Grant	Contract Awarded	Apr '24-Jul'24
809 Spring St NE	32	\$375,000	MPHA Capital/City	Substantially Complete	Oct '23-Dec '23
1900 3rd St NE	32	\$410,000	MPHA Capital/City	Under Construction	Dec '23-Feb '24
3205 E 37th St	28	\$355,000	MPHA Capital/City	Under Construction	Dec '23-Feb '24
3755 Snelling Ave S	28	\$355,000	MPHA Capital/City	Substantially Complete	Oct '23-Dec '23
2415 N 3rd St	62	\$505,000	MPHA Capital/EDI Grant	Under Construction	Nov '23-Feb'24

*As of December 31, 2023

MPHA Family Housing

- MPHA owns and operates nearly 700 scattered site family housing units, serving more than 3,100 residents.
- These deeply affordable homes account for more than 80% of the MPHA housing available for families with children.
- These units were transferred to MPHA wholly controlled non-profit (CHR) in October 2020.
 - MPHA worked hard to make this a seamless transition. Resident's rent portion remained the same.
 - MPHA is still the long-term owner and property manager.
- Project Based Vouchers more than doubled federal subsidy for these units.
- \$33M of the agency's \$229M capital backlog lives with CHR homes.



MINNEAPOLIS

Minneapolis looking to move hundreds of public-housing properties under nonprofit

The cost of maintaining single-family homes is far outpacing what the federal government is providing the Minneapolis Public Housing Authority.

By **Miguel Otárola** Star Tribune | APRIL 6, 2019 — 6:54PM

The Success of CHR

- These homes are a proven tool to provide families a foundation for upward mobility.
- Of the current CHR heads of household, 19% were employed when entering their new home. On average, these residents earned \$20,722 a year in income.
- Today, 70% of these residents are employed, earning an average of \$37,321 a year, with more than 60% of these residents' earned income increasing while in CHR homes.
- Better yet, since 2020, nearly 16% of all families leaving CHR homes have gone on to purchase their own homes.
- As outlined in the agency's current strategic plan, the preservation and production of CHR homes is a top priority of the agency.

There is a substantial unmet need for this type of deeply affordable family housing in Minneapolis, as evidenced by the recent highwater mark of more than 7,500 people on MPHA's public and deeply affordable family housing waitlist. More than 80% of those on the waitlist are households of color.

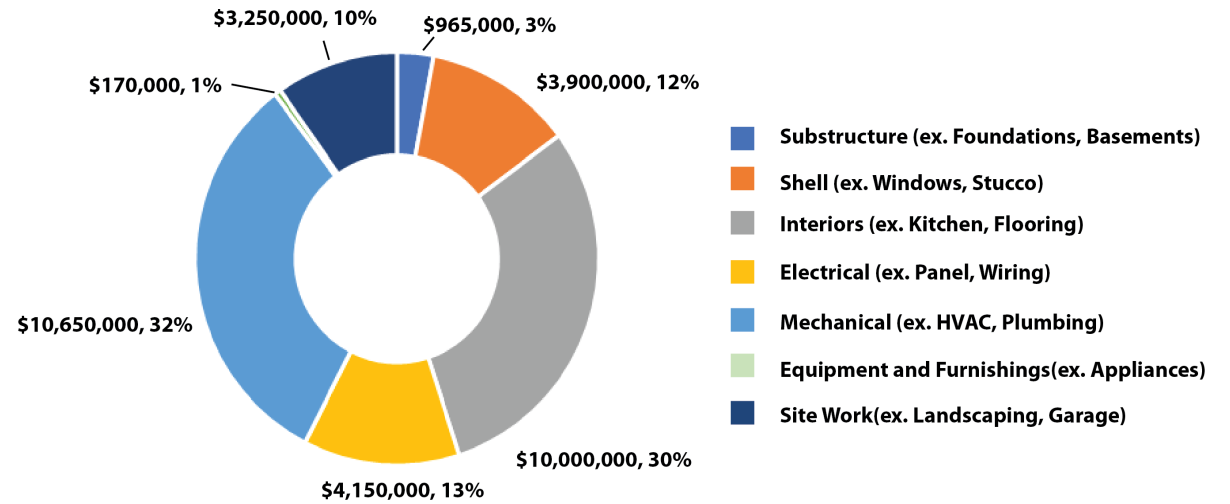
CHR Resident Demographics

Race		HH Size		Age	
American Indian/Alaska Native	1.7%	1	0.4%	0-17	54.1%
Asian	5.2%	2	6.4%	18-29	18.5%
Black/African-American	87.6%	3	12.4%	30-49	18.0%
White	4.4%	4	16.5%	50-61	6.5%
		5	14.9%	62+	3.0%
		6	13.8%		
		7+	35.6%		
Head of Household Gender					
Male HOH	13.6%				
Female HOH	86.4%				

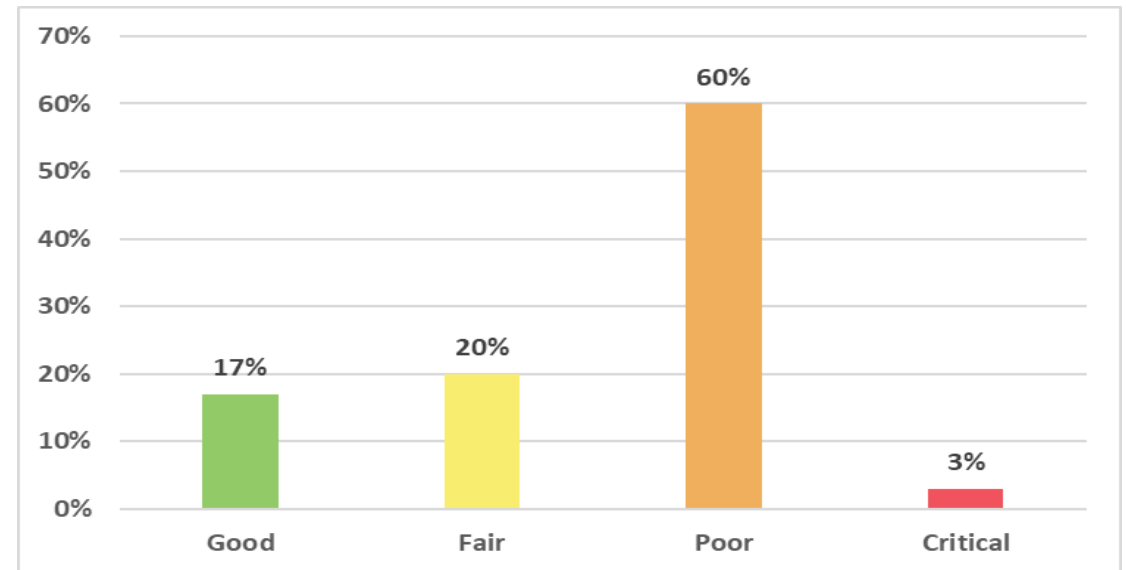
State of CHR Homes

- While much progress has been made in the last year, the long-term viability of these homes continues to be in jeopardy.
 - Because recent grant funding has not yet been deployed, both the CHR capital backlog and average FCI score increased in 2023. MPHA projects improvement in both categories in 2024 as grant funds are deployed.
- 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 \$33 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 improvements in “reactive mode.”

2024 CHR Capital Needs



CHR Property Level FCI%, 2024

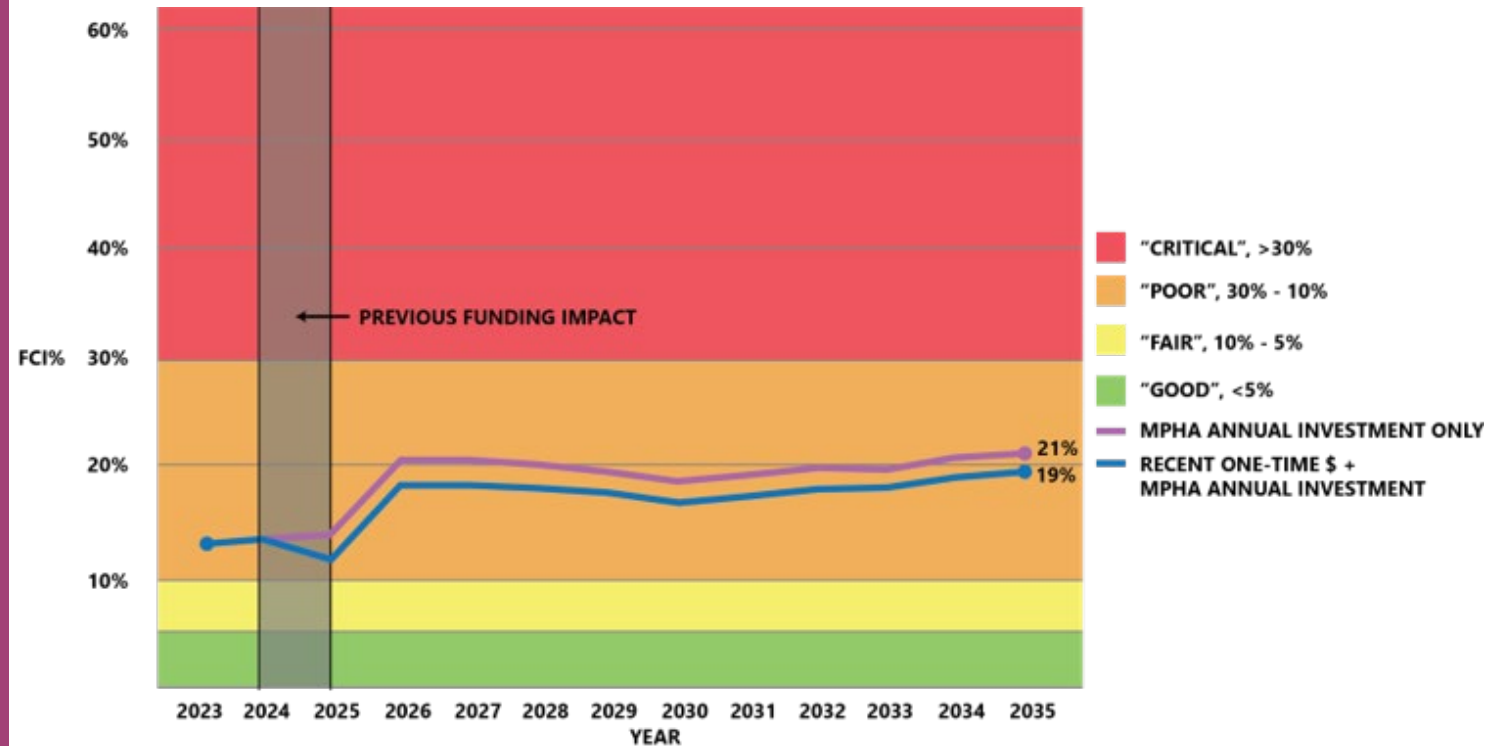


*Figures represented in current dollar value

Future of CHR Homes

- The current backlog of capital needs for the CHR portfolio stands at \$33 million, with ~60% of the portfolio in “poor” condition.
- If unaddressed, the need becomes \$55 million by 2028.
 - Accounting for recent, not-yet-spent \$10M 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.
- The agency seeks to reduce the capital backlog in other ways, including:
 - Reducing by \$1.2 million through demo and rebuild of higher needs properties in the 84 new-unit project.

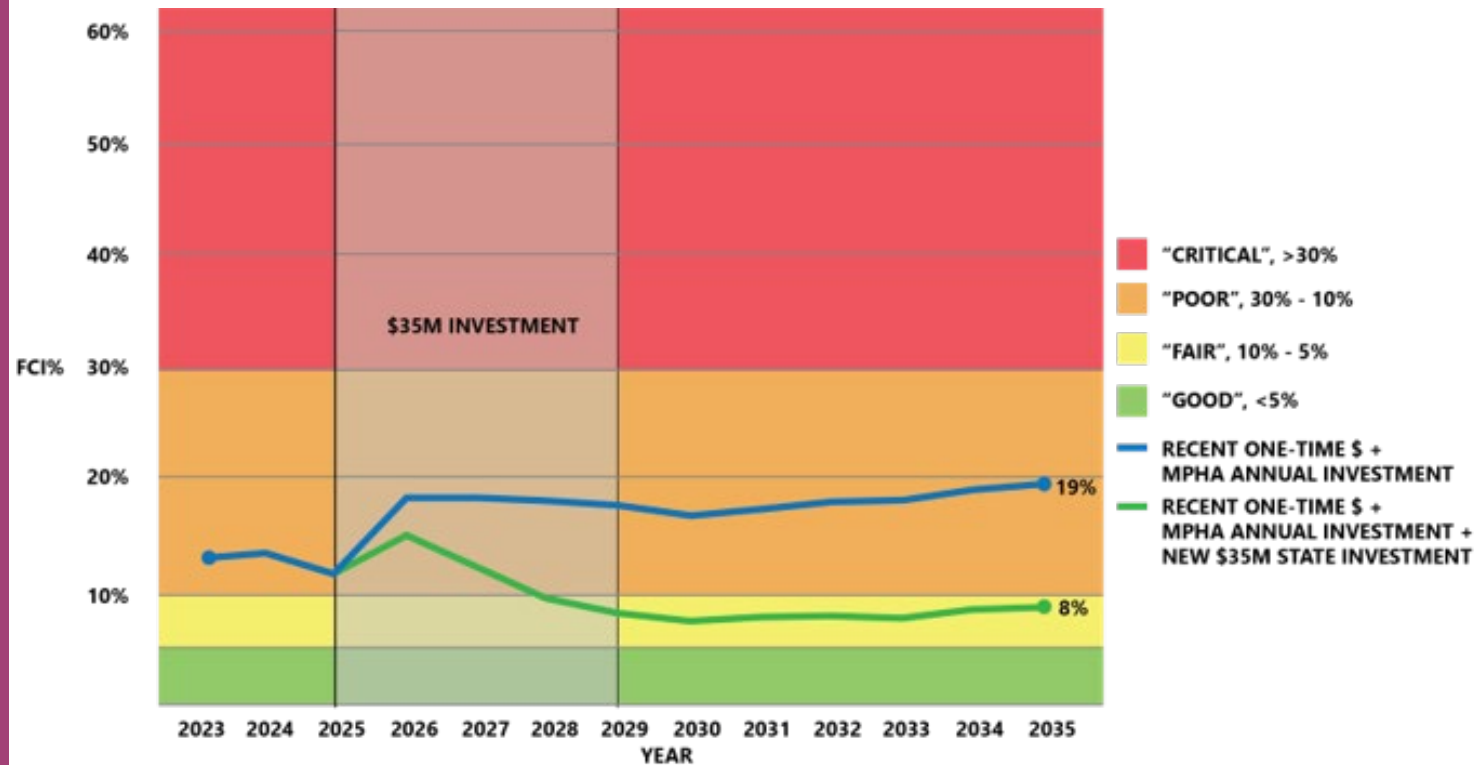
FCI%, MPHA Annual Cashflow Investment Over 10YRS (2024-2034)



State Investment

- The agency is requesting a one-time \$35 million cash investment from the State.
- \$35 million would be deployed over four years to address the backlog of capital need and stabilize properties.
- While much progress has been made recently, MPHA continues to need a large outside capital investment to stabilize this portfolio and preserve these family homes.
- Stabilizing this portfolio would allow the agency to move beyond its current reactionary capital improvement program and refocus on preventative maintenance and resident services.

FCI%, \$35M State Investment Over 10YRS (2024-2034)



Desired Outcome

- A one-time capital infusion from the state is critical to create a long-term solution that moves beyond insufficient property cashflow.
- MPHA believes its scattered site portfolio can become financially self-sufficient for the foreseeable future after overcoming its deferred maintenance capital backlog.
- Moving units out of “poor” condition allows MPHA to end cycle of chasing work orders.
 - This includes replacing items rather than triaging.
 - Could focus on preventative rather than reactionary.
 - Operational stabilization, further supporting self-sufficiency of the portfolio.
- The agency already has a portfolio capital deployment plan that can be scaled up and pulled forward to accommodate a new, large-scale investment in CHR capital work.
- MPHA could leverage the portfolio to build long-term replacement reserves and invest in other preservation and production initiatives.



Capital Investment Strategy

- The agency would maximize the capital funding that goes directly towards property improvements with a focus 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.
- Vacancy turns will be evaluated for ADA suitability to increase the portfolio's availability of accessible units to 5%.
- MPHA has proven its commitment to energy efficiency with its Elliot Twins Rehab and Family Housing Expansion Project (FHEP). MPHA will continue to identify and implement energy efficiency strategies in this investment.
- Last year, ~42% of contracted labor hours for CHR/FHEP work were performed by minority-owned businesses (MBE), 6% by women-owned businesses (WBE), and 5% by low-income Section 3 vendors.
- Ensuring the long-term sustainability of this portfolio is critical. Throughout the investment period, MPHA will continuously evaluate resources and reserves to ensure the portfolio has capital funds to sustain it into the future.

Funding + Policy Request from Legislature

- The agency seeks support and passage of a one-time Publicly Owned Housing Program (POHP) cash grant of \$35M.
- Because of current Minnesota Management and Budget interpretation of “publicly owned,” MPHA cannot accept POHP bonds for its deeply affordable family housing portfolio, or any of properties that have been repositioned using HUD financing tools.
 - This problem extends beyond Minneapolis, challenging public housing and housing redevelopment authorities across Minnesota to qualify for bond funding intended for publicly owned housing.
- In addition to the cash grant, MPHA is seeking support and passage of legislation to codify a definition of “publicly owned housing” that enables POHP bond eligibility for housing that has been (or will be) repositioned using HUD financing tools.



Questions

WELCOME HOME

