MPHA Family Housing Capital Investment Request

Prepared for 2023 State Legislative Session

Overview

MPHA Housing Programs

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

2022 Agency Accomplishments

Funding Request from State Legislature

- Agency Capital Backlog
- 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."

6,259 public housing units	**10,500** public housing residents	**26,000** people in Minneapolis served by MPHA	**5,304** housing choice vouchers	**15,500** people with housing choice 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.
- Last year, 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.
- 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 maintains a waitlist for this type of housing, recently as many as 7,500 people.
- The units remain deeply affordable, and resident's rent portion remained the same.
- MPHA is still the long-term owner and property manager.

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 >1,500 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*

MPHA Program Demographics

Low-Income Public Housing*

Race	
American Indian/Alaska Native	1.3%
Asian	3.7%
Black/African-American	80.4%
White	14.0%

HOH Gender	
Male HOH	50.3%
Female HOH	49.7%

HH Incomes	
Average	$14,716
Median	$11,304
w/ Earned Income	18%

HOH Disabled	59%

Age	
0-17	16.2%
18-29	5.5%
30-49	11.7%
50-61	13.1%
62+	53.6%

HH Size	
1	63.4%
2	12.1%
3	5.2%
4	5.1%
5	4.1%
6	3.7%
7+	6.3%

Deeply Affordable Family Housing

Race	
American Indian/Alaska Native	1.7%
Asian	6.3%
Black/African-American	87.3%
White	4.0%

HOH Gender	
Male HOH	14.4%
Female HOH	85.6%

HH Incomes	
Average	$34,225
Median	$32,850
w/ Earned Income	67%

HOH Disabled	16%

Age	
0-17	55.0%
18-29	17.0%
30-49	18.3%
50-61	6.8%
62+	2.9%

HH Size	
1	0.3%
2	7.0%
3	11.6%
4	14.5%
5	16.5%
6	14.5%
7+	35.7%

Housing Choice Voucher

Race	
American Indian/Alaska Native	2.6%
Asian	0.8%
Black/African-American	85.8%
White	5.8%

HOH Gender	
Male HOH	19.9%
Female HOH	80.1%

HH Incomes	
Average	$28,036
Median	$20,427
w/ Earned Income	42%

HOH Disabled	38%

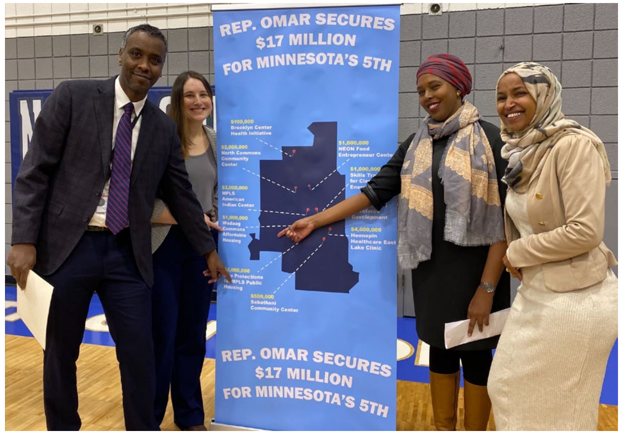
Age	
0-17	49.9%
18-29	12.6%
30-49	21.3%
50-61	8.6%
62+	7.6%

HH Size	
1	13.5%
2	11.9%
3	14.5%
4	14.6%
5	14.0%
6	10.7%
7+	20.7%

**LIPH, Glendale, Elliot Twins*

2022 Agency Accomplishments

- $2M in New Federal Funding for Fire Suppression
- $27M Elliot Twins RAD/LIHTC Renovation
- Helping nearly 750 MPHA families receive >$2.5M in rent relief through Rent Help MN
- August Visit from HUD Secretary
  - Secretary Fudge lauded MPHA as a national example of a successful RAD conversion
- Closing on 84 New-Unit Deeply Affordable Family Housing Expansion Project (CHR)
- Securing Unprecedented $4.9M in City of Minneapolis 2023 Budget
  - $3.7M for CHR Repairs & Five Family Home Rehabs
  - $1.2M as Final Funding for Fire Suppression Work



Addressing Challenge Through Partnership

- In 2022, MPHA secured unprecedented financial assistance from the City of Minneapolis, new federal appropriations, and leveraged financial tools to accomplish its preservation and production work.
  - LIHTC
  - RAD
  - Minneapolis' Affordable Housing Trust Fund/CDBG
  - Various Local/State Government Bonds and Grants
- Despite these expanding partnerships and use of tools, the capital demand greatly exceeds MPHA's capital funding.
- The single largest threat to MPHA is its capital backlog that continues to grow.
- Historically, HUD has only provided funding for 10% or less of the actual need.

StarTribune

MINNEAPOLIS

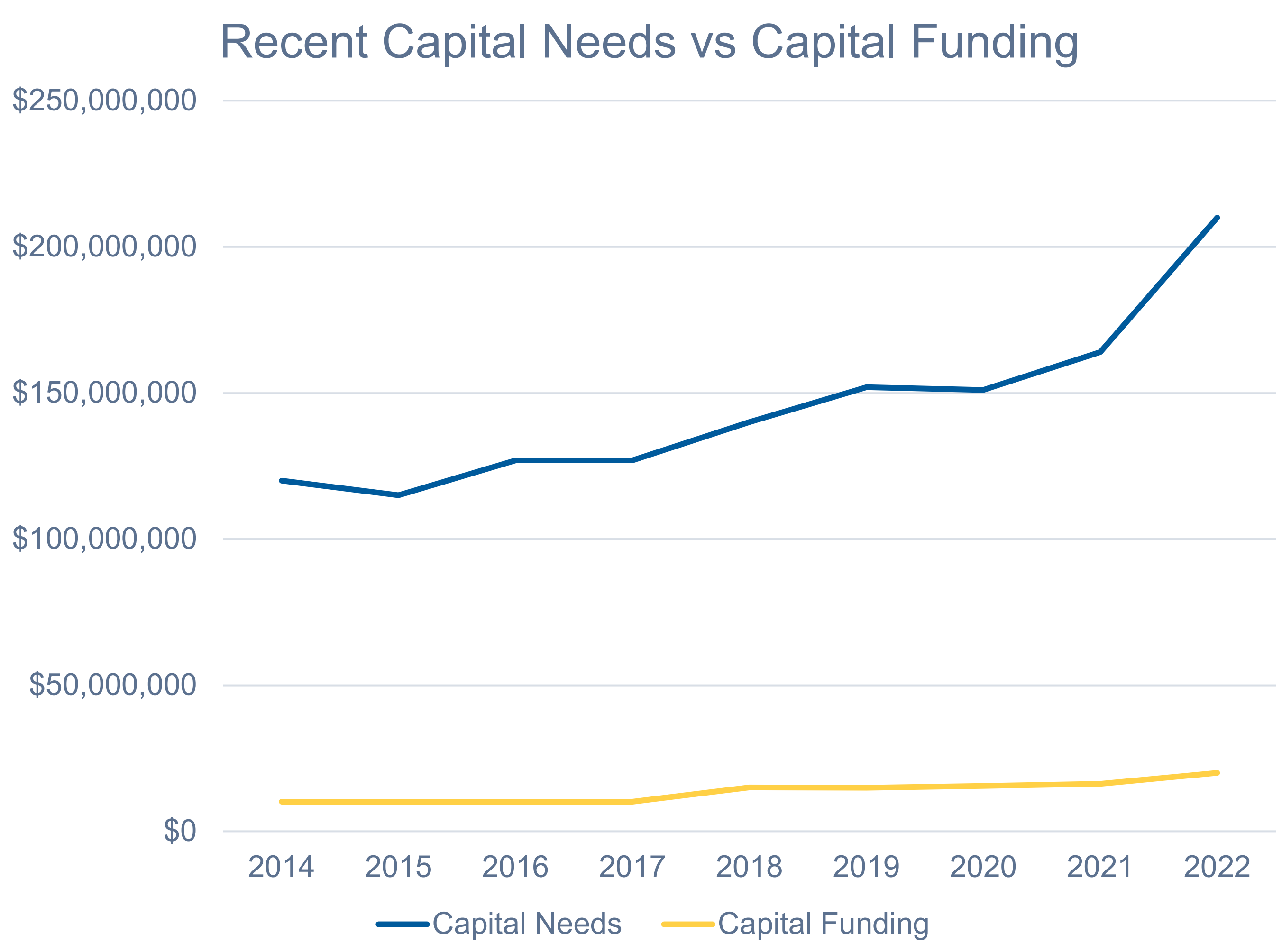
Minneapolis public housing officials seek additional funding as repair needs increase

Mayor Jacob Frey's budget proposal would give the agency $3.7 million over the next two years, but housing officials say they need much more.

By Liz Navratil Star Tribune | SEPTEMBER 3, 2022 — 3:30PM | Listen

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 nearly 70 years old.
- MPHA projects its current unmet needs for these properties at approximately $210M. Left unaddressed, this number is likely to surpass $380M over the next 20 years.
  - $31M of the current backlog lives with CHR homes



MPHA Family Housing

- MPHA owns and operates over 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.

StarTribune

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 solid 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, 67% of these residents are employed, earning an average of $34,225 a year, with more than 60% of these residents' earned income increasing while in CHR homes.
- Better yet, since 2020, 17% 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	
American Indian/Alaska Native	1.7%
Asian	6.3%
Black/African-American	87.3%
White	4.0%

Head of Household Gender	
Male HOH	14.4%
Female HOH	85.6%

HH Size	
1	0.3%
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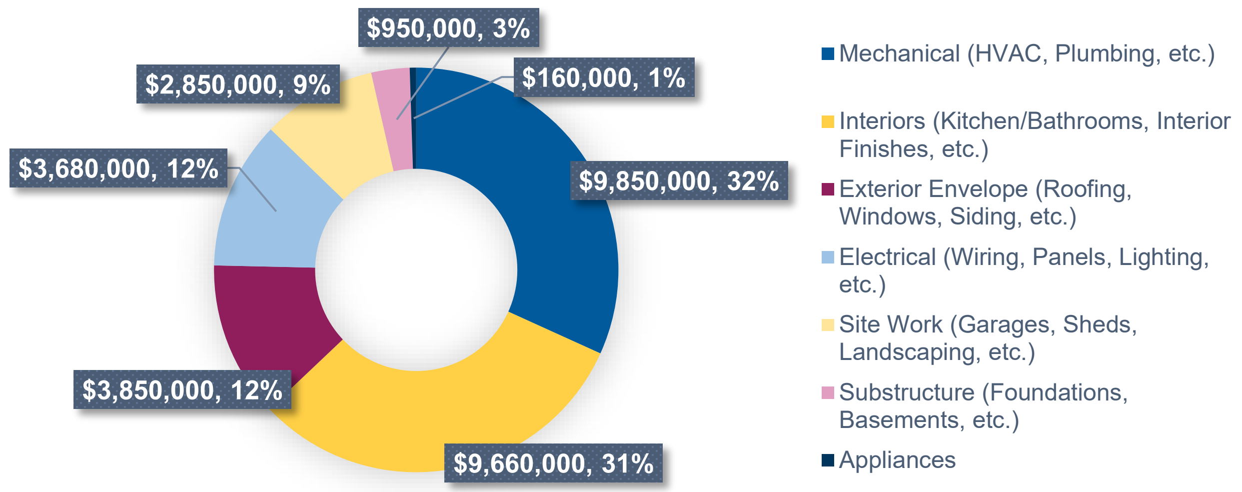
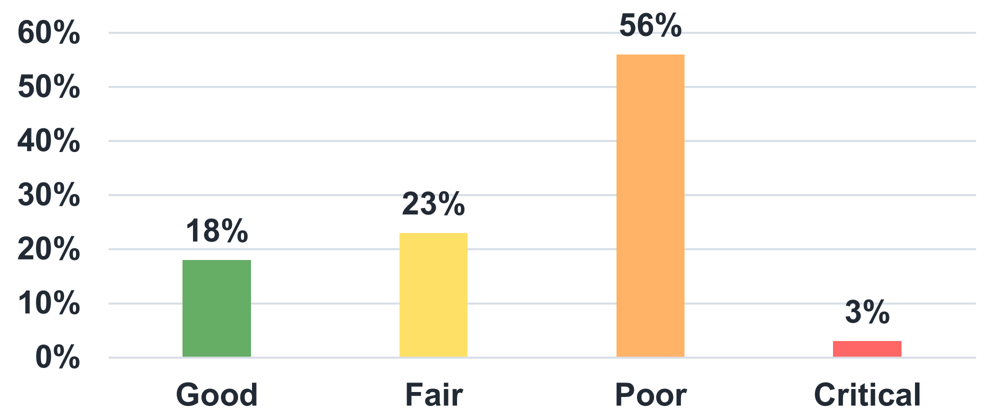
State of CHR Homes

- The long-term viability of these homes is in jeopardy.
- 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 $31 million.
- More than 50% 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.”

2023 MPHA/CHR CAPITAL NEEDS



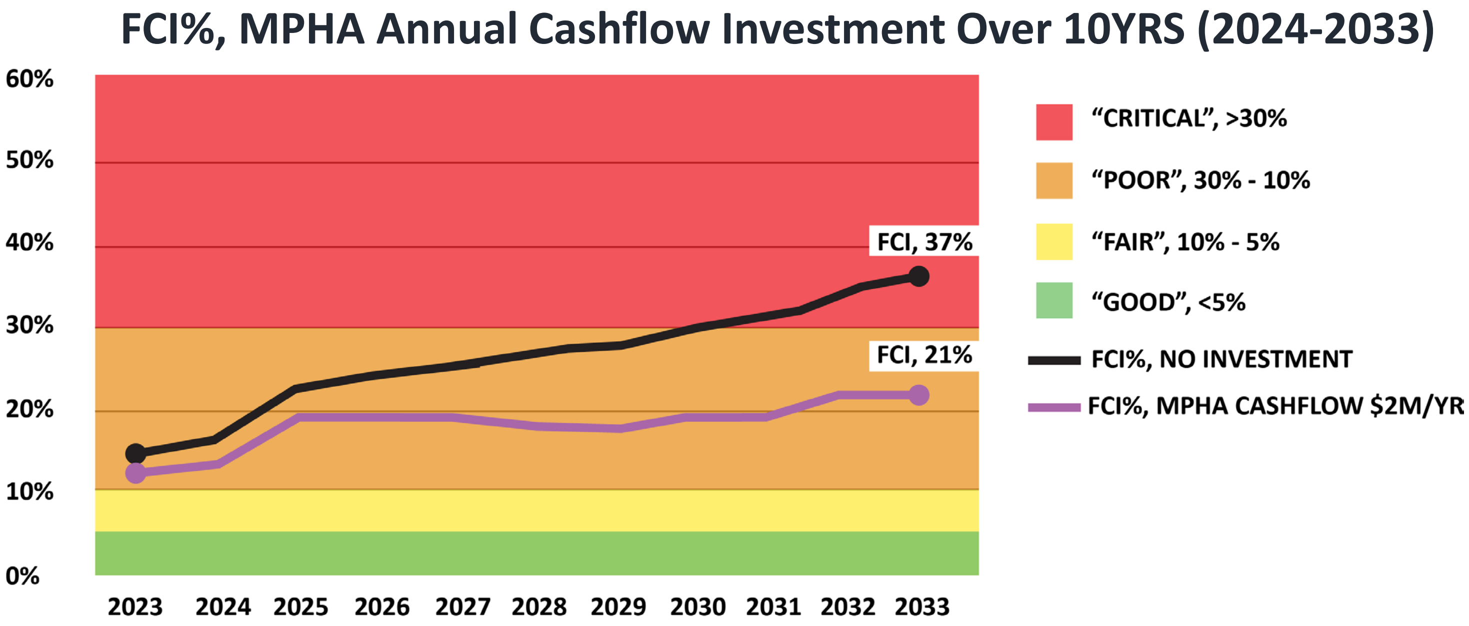
% Total Properties by FCI, 2023



*Figures represented in current dollar value

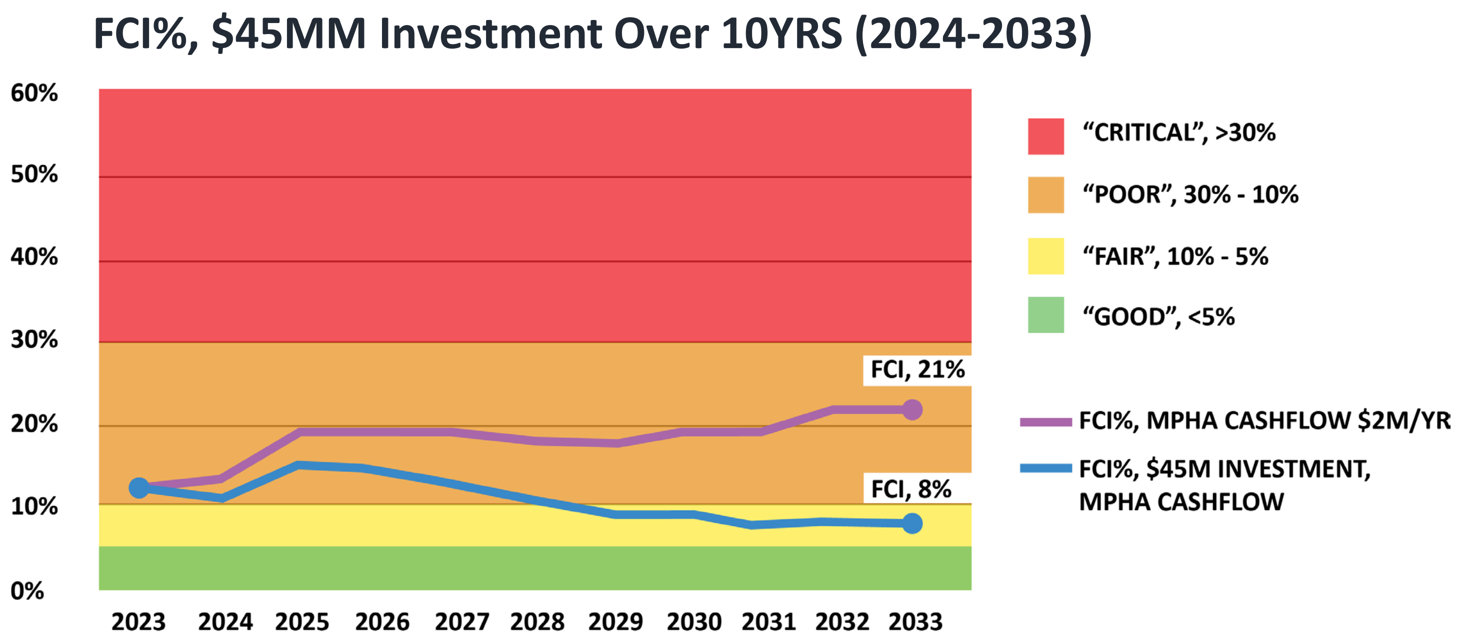
Future of CHR Homes

- The current backlog of capital needs for the CHR portfolio stands at $31 million, with over 50% of the portfolio in “poor” condition.
- If unaddressed, the need becomes $65 million by 2027.
- Absent a significant investment to stabilize the CHR properties, projected cost will be near $85 million by 2032.
  - 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 it by $1.2 million through the demolition and reconstruction of higher needs properties in the 84 new-unit project.



State Investment

- The agency is requesting a one-time $45 million investment from the State.
  - This investment could take two forms, cash or Housing Infrastructure Bonds (HIB).
  - Because of current law, MPHA cannot accept POHP dollars for its CHR portfolio, despite it being the agency's fastest growing portfolio.
- $35 million would be deployed in the first five years to address the backlog of capital need and stabilize properties.
  - The remaining $10M would be used to support future capital work following the 5-year deployment window.
- MPHA needs a large outside capital infusion to begin turning the tide on the capital repair needs and to stabilize and preserve this critical portfolio of 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.



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.
  - This will allow operational stabilization, further supporting the self-sufficiency of the portfolio.
- With the $3.7M from the City of Minneapolis and the agency’s own annual investment in 2023, the agency already has a full capital deployment plan that can be scaled up and pulled forward for a large-scale investment.
- 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. MPHA will continue to identify and implement energy efficiency strategies in this investment.
- This effort provides contracting opportunities to small WMBE/S3 businesses. Over the past 18 months, of total contracts awarded for CHR work, approximately 24% were MBE, 17% were WBE, and 29% were 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 Request from State Legislature

Allocate $45 Million in One-Time Funding to MPHA <u>and Its Affiliates (CHR)</u>

- The agency seeks an investment in the form of one-time cash or HIBs.
  - MPHA cannot accept POHP funds for these critical repairs, as current law does not allow for MPHA wholly controlled affiliates to receive POHP funds.
  - The agency is working with Minnesota NAHRO on a legislative fix on the antiquated restrictions placed on POHP dollars that fail to account for new HUD best practices and financing tools.

- This investment would overcome decades of disinvestment from the federal government and stabilize more than 700 units of deeply affordable family housing in Minneapolis for a generation.
  - MPHA believes its scattered site portfolio can become largely financially self-sufficient for the foreseeable future after overcoming its deferred maintenance capital backlog.
  - MPHA has a full capital improvement plan and can work to begin work and deploy funds quickly.
  - By stabilizing this portfolio, MPHA could also leverage the portfolio to build long-term replacement reserves and invest in other agency preservation and production initiatives.

Minneapolis Public Housing Authority

Questions