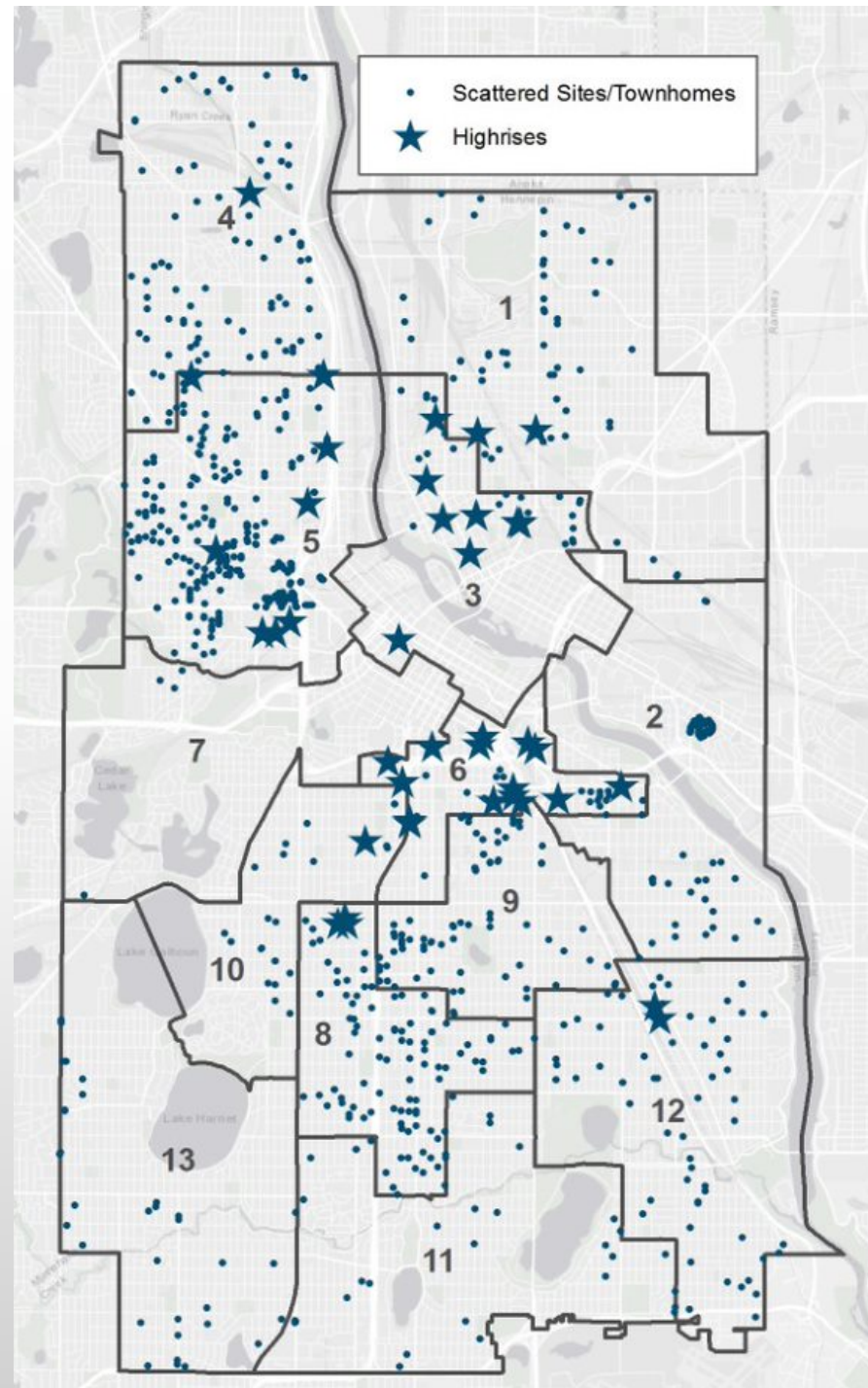


Portfolio Repositioning: Opportunities in Minneapolis Public Housing

Greg Russ, Executive Director



MPHA Units



MPHA Base Capital Needs by Property Type

Property Type	Immediate Needs	Future Needs	Total
Highrises	\$100.5 Million	\$323 Million	\$423.5 Million
Scattered Sites	\$33 Million	\$51 Million	\$84 Million
Townhomes	\$16 Million	\$8 Million	\$24 Million
Offices	\$2.5 Million	\$11 Million	\$13.5 Million
Total	\$152 Million	\$393 Million	\$545 Million

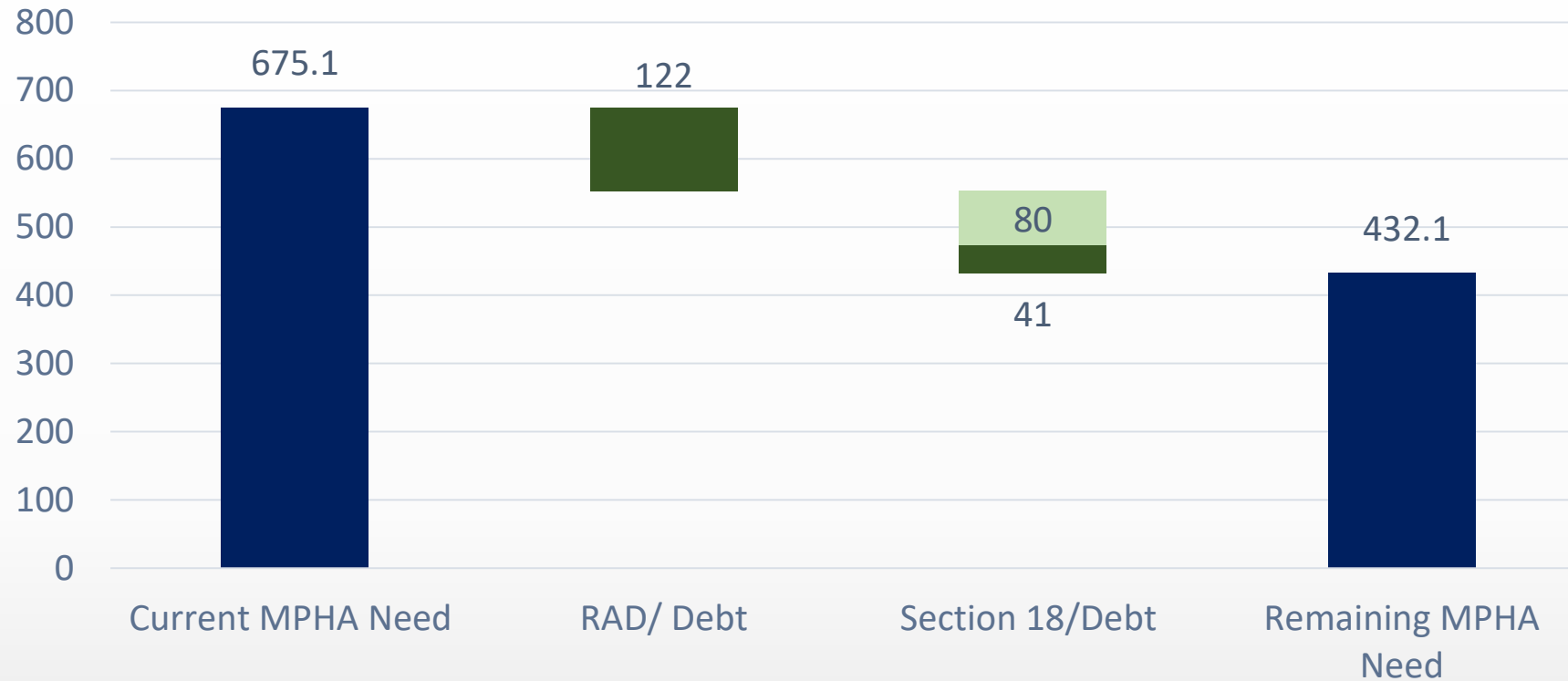
*Existing capital needs numbers only replaces all items as is.

MPHA Need with Improvements + Soft Costs

Property Type	Immediate Needs	Future Needs	Total
High Rises	\$100.5 Million	\$323 Million	\$423.5 Million
Scattered Sites	\$33 Million	\$51 Million	+ \$84 Million
Add: Livability & Green on High Rises only	\$20.1 Million	\$64.6 Million	+ \$84.7 Million
Add: GC & Overhead	\$21.5 Million	61.4 Million	+ \$82.9 Million
Grand Total	\$175.1 Million	\$500 Million	\$675.1 Million

- **MPHA, from a policy perspective wants to increase the livability & replace infrastructure items with energy efficient items** and a 20% increase has been applied.
- For modeling purposes, MPHA also included a 14% Contractor Overhead and General Conditions premium.
- Current PNA requires \$675.1 Million over a 20 Year Period.

Using Available HUD Tools to Address Capital Needs



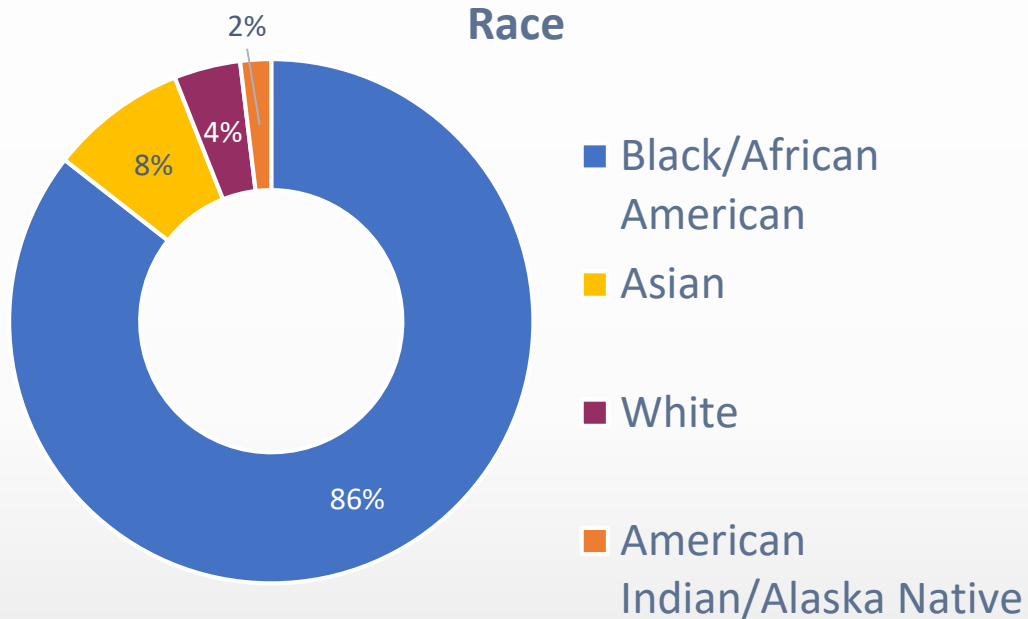
- RAD converts existing subsidy into a single funding stream and allows MPHA to raise debt using the property as collateral.
- Section 18/Debt is another HUD tool providing slightly more funding to allow MPHA to support more debt. ** Includes \$80M of debt from the scattered sites*
- The HUD Tools, by themselves, do not provide enough support to address MPHA's needs. Need to be combined with other financing tools.

Other Financing Tools

Additional Financing Tools Utilized

- City Tax Levy: Use of City Levy as a funding source to support RAD Conversions
- Equity Participation:
 - Procure long-term private debt utilizing the new cash flow generated from renewable Section 8 contract and decreased expenses possible because of new private management
 - Leverage socially-driven equity that can utilize the tax benefits generated by the properties while still receiving a reasonable cash on cash return
- RAD/Debt
 - Funding conversion from public housing to Section 8 to secure private debt and other financing
- Section 18/Debt
 - Funding conversion from public housing to Section 8 with additional vouchers to secure private debt and other financing. Must have buildings that are obsolete.
- Grants
 - Federal Home Loan Bank
 - POHP/STATE

Demographics of Scattered Site Residents



Income Profile

- Average Income \$30,104
- 75% of scattered site households are employed
- Almost half of scattered site households show income gains while housed with MPHA, increasing their income by 130% on average

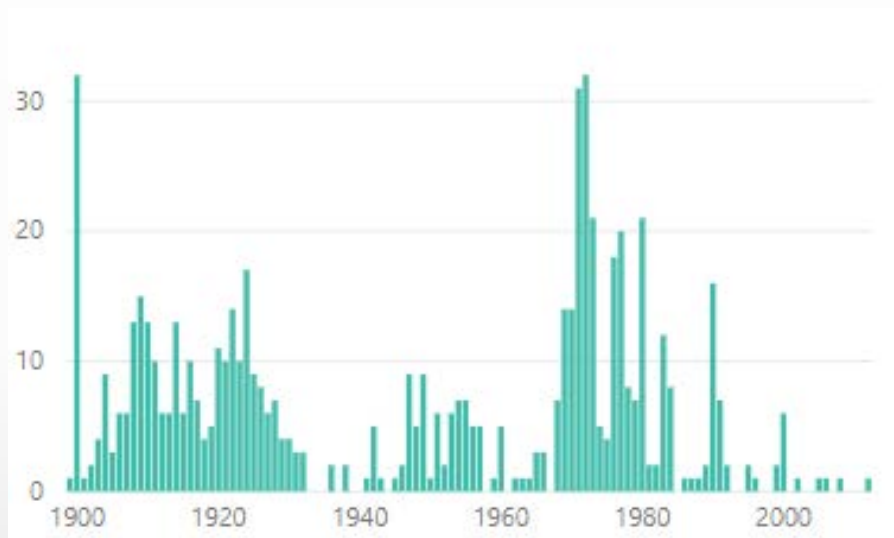
Tenancy Profile

- Average tenure is 6.1 years
- 12% of vacating scattered site households move out because they purchased their own home



The Portfolio

Scattered Sites by Year Built



- Average property is 71 years old

Estimated Market Value

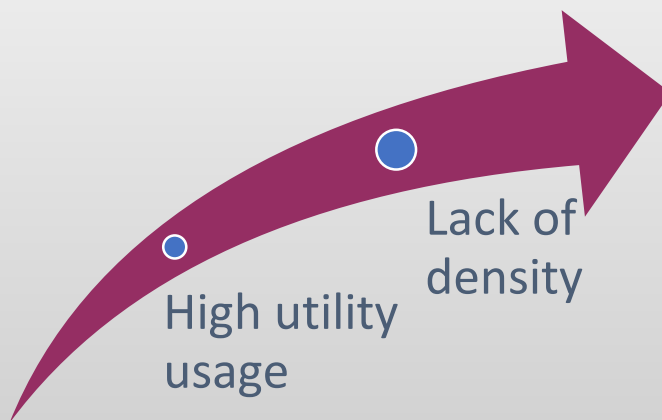
- Total aggregate value of 736 scattered units is \$172 million



Maximum
single family
home value:
\$532,000

Minimum
single family
home value:
\$82,000

Scattered Sites Cost Drivers



MPHA's Response: Reinvestment Plus Density



Energy Efficient Retrofits

- Reinvestments in properties will include additional energy and utility savings upgrades...making the units more affordable to operate.

Same land, but more units AND/OR

Same number of units, but less land

- Reinvestment also means replacing some single family homes with higher density options, clustering the units to make them more affordable to operate and maintain.
 - Accessory Dwelling Units
 - Duplexes
 - Triplexes
 - Rowhomes
 - Larger multi-family redevelopment opportunities
 - Land swaps with City and Land Bank for long-term affordable
 - Homeownership opportunities



Minneapolis Land Use Policy

- Minneapolis 2040, the City's Comprehensive Plan, was approved in December 2018
- This plan changes zoning citywide to allow up to three units on any residential lot
- This provides MPHA with an opportunity to consider densification on sites to serve more families



Financial Impact of Conversion

Family Housing:

Application for conversion
of single-family units



HUD's Conversion Path from Public Housing	Section 18 Program to Tenant-Protection Vouchers (TPVs)	
HUD's provided subsidy dollars, per unit per year	Public Housing	TPVs
	\$3,960 operating + separate Capital Grant \$2,740 (\$6,700 total)	\$9,360 HAP subsidy + separate admin fee of \$790
Why? After conversion, MPHA can access more money for renovations from loans, bonds, and other funding sources.	This conversion leads to a large increase in the subsidy dollar amount that can be used to improve and rehab housing. MPHA plans to attach the TPVs permanently to the housing, but this doesn't change the above subsidy dollars received.	

These calculations are for illustrative purposes only and are based on average estimates of MPHA properties and funding from 2018. These numbers vary every year by property, by unit type, by rent paid, and by federal funding. The federal funding has been inconsistent.



Questions?

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