MPHA City Budget Request for Fiscal Year 2011

Cora McCorvey, Executive Director/CEO

Ways and Means/Budget Committee Hearing
Room 317 City Hall

October 15, 2010

Agenda

- Overview of MPHA
  - Agency-wide Planning
  - Programs & People Served
  - Performance
- Strategic Initiatives
  - The American Recovery & Reinvestment Act (ARRA)
  - Preserving and improving MPHA's housing inventory
  - Reducing energy consumption
  - Security services and protecting our assets
  - Serving our aging population
- Budget Request
- Questions and Discussion

Mission

The mission of the Minneapolis Public Housing Authority is to promote and deliver quality, well-managed homes to a diverse low-income population and, as a valued partner, contribute to the well-being of the individuals, families and community we serve.

Planning

- Business Plan
  - Although MPHA is not a formal part of the City's business planning process, MPHA does create a business plan.
  - MPHA has developed a Moving To Work Plan. The Moving To Work Plan describes the primary policies and key program initiatives that MPHA will pursue over the next several years.
  - The Moving To Work Plan is developed with the assistance of residents, resident organizations, staff, community partners and stakeholders.
  - A copy of MPHA's Moving To Work Plan can be obtained from our website at www.mphaonline.org.

Programs & People Served

- MPHA serves a diverse community of approximately 24,300 people.
  - Managing approximately 5,900 public housing units
    - 41 Highrise buildings
    - 1 Family housing development
    - 753 Scattered Site units
    - Public Housing units are in every ward of the City
  - Administering over 5,000 Section 8/Housing Choice Vouchers
- Ninety-eight percent of MPHA's funding comes from the Federal Government through direct funding or revenues from operating a federal program.
- Tremendous demand for more Public Housing and Section 8/HCV Vouchers - over 17,800 applicants currently waiting for Public Housing or Section 8/HCV Vouchers.

Programs & People Served

Public Housing

- Fifty-two percent of MPHA heads of household were not born in the United States, coming from 80 different nations.

- Twenty-eight percent of our tenants are below the age of 17 while 47% are over the age of 50.

- Average annual income of all our public housing tenants is $11,801 (equivalent to $5.67 per hour).

Programs & People Served

Section 8/Housing Choice Voucher Program

- Federally funded rental assistance program helps low-income families, the elderly, and the disabled find decent, affordable, safe, and sanitary housing in the private market.
- In contrast to public housing, Section 8/HCV predominantly serves families. Forty-nine percent of household members served by MPHA vouchers are children.
- Average annual household income of participants is $12,547.

Performance

- MPHA's **Public Housing program** continues to receive HUD's highest performance rating as it has for twelve consecutive years.

- MPHA's **Section 8/HCV program** has achieved HUD's highest performance rating for three consecutive years, and earned the "Deconcentration Bonus Indicator" by showing that two percent of our families relocated to low poverty census tracts.

Challenges/Strategic Initiatives

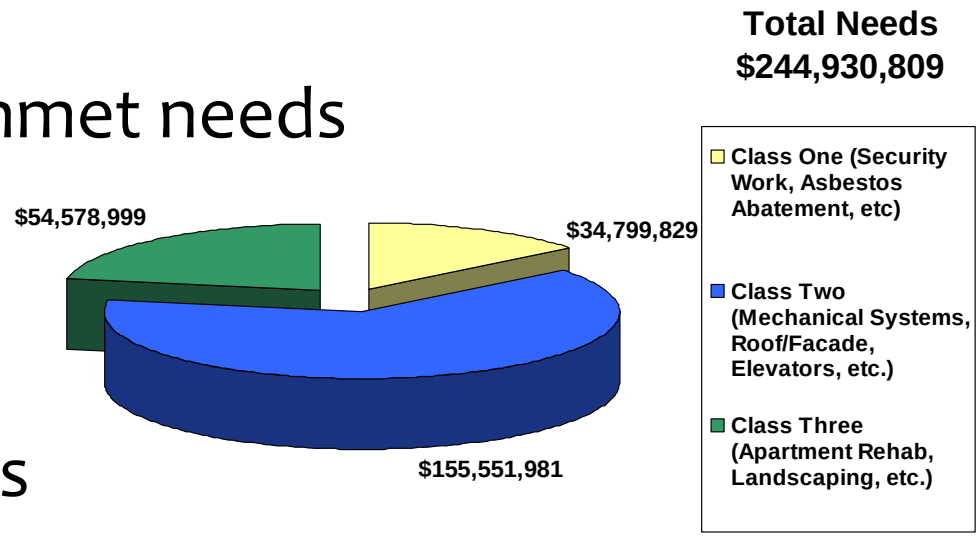
- On top of all the day-to-day demands required of MPHA as one of the largest providers of affordable housing in the State of Minnesota, MPHA is facing a number of challenges that require strategic initiatives.

Challenges/Strategic Initiatives

- Challenges:
  - Preserving and improving MPHA's housing inventory
  - Reducing energy consumption, deriving energy related costs saving and improving our local environment
  - Providing adequate security services and protecting our assets
  - Serving our aging population

Challenge/Strategic Initiative

- Preserving and Improving MPHA's Housing Inventory
  - MPHA conducts a Comprehensive Needs Assessment every five years
  - Over $245 million in unmet needs
  - MPHA updates this assessment annually and identifies priorities



Strategic Initiatives/Preserving and Improving MPHA's Housing Inventory

- Energy Performance Contracting (EPC)
  - MPHA and Honeywell International entered into an EPC that invests significant resources in addressing our antiquated HVAC systems, and implementing conservation measures designed to reduce water, electrical and gas consumption.
  - This project requires a $33.6 million investment over a 20 year period.
  - MPHA financed this investment and will pay back the financing with guaranteed savings over a 20 year period.
  - EPC Benefits:

Carbon Footprint Reduction

- Savings of 124,173,00 gallons of water
  - Enough to supply the entire annual water supply required in 2,268 homes
- Savings of 119,163,300 cubic feet of gas
  - Enough to supply the annual heating required in 934 homes
- Savings of 3,321,000 kwh of electricity
  - Equivalent to the annual usage of 472 homes

The American Recovery and Reinvestment Act (ARRA)

- ARRA was enacted by the United States Congress and signed into law by President Barack Obama on February 17, 2009. This legislation was enacted to provide a stimulus to the U.S. economy in the wake of the economic downturn. . . . MPHA was awarded ARRA funding in four areas:
  1. ARRA Formula Grant provided to all public housing authorities based upon the Capital Fund Formula, and three competitive grants
  2. Senior Center – North Minneapolis
  3. "Green" Memory Care Development
  4. Scattered Site Energy Savings "Green" Initiative

Strategic Initiatives/Preserving and Improving MPHA's Housing Inventory

- ARRA Formula Capital Fund Investments
  - MPHA was able to secure $18.2 million in ARRA Capital Funds to assist in addressing its $245 plus million backlog in unmet capital needs.
  - These funds are enabling MPHA to move forward in responding to some of its most critical capital needs.
  - MPHA has obligated all of these funds and spent over 90%, one full year ahead of HUD's requirements.

Strategic Initiatives/Preserving and Improving MPHA's Housing Inventory

- Scattered Site Green Initiative
  - MPHA successfully competed for an additional $11.6 million Scattered Site 'Green Initiative' ARRA Grant that allows the agency to make additional energy conservation improvements
  - Energy improvements at 733 of MPHA's scattered site homes including:
    - New electronic ignitions stoves
    - Energy Star rated refrigerators
    - New lighting and thermostats
    - As needed, some of these homes will also receive insulation, new windows, water heaters and furnaces
  - Annual electric savings = 2,837,237 kwh or annual usage of 403 homes
  - Annual gas savings = 75,423,500 cu feet of gas or annual usage of 549 homes
  - Estimated total savings = $1.6 million annually

Strategic Initiatives/MPHA's Aging Population – ARRA Grants

- Heritage Park Senior Services Center and Thomas T. Feeney Manor
  - MPHA successfully competed for ARRA funding to develop a new Senior Center and first-in-the-nation public housing memory care development for elders with Alzheimer's and other forms of dementia.
  - These developments will be located in Heritage Park.

Strategic Initiatives/Preserving and Improving MPHA's Housing Inventory

- Annual Capital Fund
  - MPHA continues to implement $10-15 million of the Housing and Urban Development (HUD) funded improvements every year.

Strategic Initiatives/Preserving and Improving MPHA's Housing Inventory

- Reality of Need
  - As substantial as these investments are, the reality is when MPHA assesses its properties for their need, the capital funding we receive is not sufficient to ensure the long-term viability of our assets.

2011 Budget Request

MPHA's 2011 City Budget Request

MPHA's request for 2011 is consistent with the Mayor's Budget Recommendation and the City's Five-Year Financial Direction.

- Security Services - $1,944,824*
- Citizen Participation - $68,000

*Request assumes 98% of tax levy amount will be collected and available

MPHA's 2011 City Budget Request

$1,944,824 for Security Services

- Strongly supported by residents, the Minneapolis Police Department, and the neighborhoods where our buildings are located.
- Maintaining an adequate level of safety and security in and around the agency's properties remains a high priority. Widely diverse neighborhoods and resident populations present unique safety and security challenges.

MPHA's 2011 City Budget Request

Security Services (cont'd)

- Funds from the City of Minneapolis are critical in maintaining a comprehensive program of safety and security in our buildings and the neighborhoods in which they are located.

- Combined with the Minneapolis Police Department, Project Lookout, and security hardware improvements, this comprehensive strategy has proven itself over the years and has increased the livability of each of those neighborhoods.

MPHA's 2011 City Budget Request

$68,000 for Citizen Participation

- 100% of the funding goes directly to Resident Organizations and Councils.
- Assists residents in working on diversity and cultural initiatives and helps the large number of immigrant residents integrate into the community.

Questions and Discussion

Minneapolis Public Housing Authority

Cora McCorvey, Executive Director/Chief Executive Officer

MPHA Ways and Means Budget Presentation

October 15, 2010

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State of the Minneapolis Public Housing Authority

October 15, 2010

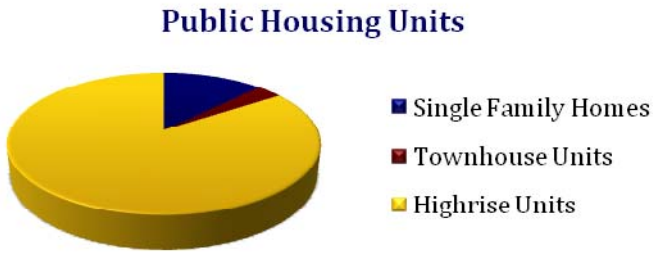
The mission of the Minneapolis Public Housing Authority (MPHA) is to promote and deliver quality, well-managed homes to a diverse low-income population and, as a valued partner, contribute to the well-being of the individuals, families and community we serve.

With approximately 5,900 public housing units and over 5,000 Section 8 vouchers, MPHA serves a diverse community of approximately 24,300 people (6.2% of the City's population) who reside in housing located in virtually every neighborhood of the City. There is an unrelenting need for affordable housing confirmed by our waiting lists: there are over 5,900 applicants currently waiting for public housing and over 11,800 applicants waiting for Section 8 vouchers.

Low Income Public Housing Overview

Public housing was established by the federal government to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. The U.S. Department of Housing and Urban Development (HUD) provides operating subsidies for the management of housing for low-income residents at rents they can afford. Eligibility for public housing is determined based on the participating family's annual gross income and meeting other federal and local eligibility thresholds. The program is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status. In addition to federal aid for the operation of public housing, HUD also provides MPHA with capital grant funds for public housing modernization and new public housing unit development.

- There are approximately 5,900 households living in public housing units managed by MPHA, which include 753 single-family homes, 184 townhouse units, and 4,958 highrise apartment units.



- MPHA's 41 highrise apartment buildings were predominantly built in the 1960s and early 1970s. In 2009, MPHA spent $31.6 million in public housing modernization, an unprecedented level of capital spending due to additional funds provided by the American Recovery and Reinvestment Act (ARRA).

- Currently 52% of MPHA heads of household were not born in the United States. Residents come from 80 countries and speak numerous languages. During the 1980's, immigrant residents were mainly from Southeast Asia, but since the mid-1990's MPHA has seen a dramatic increase in the number of immigrants from East Africa. There are currently a number of highrise buildings where the Somali population is larger than the US-born population. The Pentagon, 1415 East 22nd Avenue,

for example, houses 78% Somali immigrants. This influx of non-English-speaking residents and residents from different cultures makes management of those properties more challenging.

For many immigrants, living in a highrise building is a new experience. MPHA staff educates residents on a wide variety of housing and livability issues such as how to use a gas stove, understanding the complicated formula used to determine rent, etc. MPHA recognizes that we cannot effectively manage our properties if we cannot communicate with residents. MPHA has two contracts with vendors that provide interpretation and translation services, we have bilingual staff, and we work closely with the Minneapolis Highrise Representative Council (MHRC) to assure we can communicate effectively with residents. MPHA spends over $23,000 per year on translation and interpretation services.

- Twenty-three percent of our tenants are below the age of seventeen years, while 47% are over the age of 50. The average annual income of our public housing tenants is $11,801 which is equivalent to $5.67 per hour.

Low Income Public Housing Performance

- **High Performer Status.** When MPHA first became an independent agency nineteen years ago, it was at risk of being labeled a "troubled" housing authority. It pursued a strategic vision, and with bold and consistent leadership, was able to transform itself. MPHA achieved HUD's highest performance rating, and for twelve consecutive years has maintained that status. Under the Public Housing Assessment System (PHAS), HUD rates public housing authorities across the nation in various performance categories, including the physical condition of property, financial status, and management practices. Through prudent investments and wise operational practices, MPHA has consistently received grades in excess of 90% in all these areas. MPHA's most recent financial audit by the State of Minnesota Auditor shows no findings in its Low Income Public Housing operations.

- **Occupancy.** MPHA's Low Income Public Housing Program has continued to maintain high occupancy levels, with 2009 annual occupancy at nearly 99 percent of all available public housing units. In 2009, MPHA's Low Income Public Housing Program entered into 698 new lease agreements and received 2,225 new applications for housing.

- **Senior Housing.** MPHA has responded to the special needs and challenges of seniors by adopting and implementing a Senior Designation Plan. To date, eleven buildings with 1,865 units have been reserved for elderly and near-elderly residents, creating an environment where seniors can live in community, have specialized and targeted services, and more comfortably interact with their peers.

- **Assisted Living.** Within its Senior Developments, MPHA has partnered with Hennepin County, Volunteers of America, Augustana Services, and others to provide support and services to frail elderly residents at risk of nursing home placement at four highrises across the city. These programs allow MPHA seniors to age in place and receive enhanced services that increase as the needs of seniors increase. MPHA successfully competed for, and was awarded, $9.7 million in ARRA funds to develop a 48-unit "Green" Memory Care-Continuum of Care development in Heritage Park.

- **Senior Community Centers:** MPHA has contracts with Eastside Neighborhood Services and Volunteers of America to operate Senior Community Centers at its properties at 1801 Central Avenue NE and 1505 Park Avenue South. These centers not only serve public housing residents who are located contiguously to the sites, but also serve the larger senior community in the

surrounding neighborhoods. MPHA was awarded $10.4 million in ARRA Funds to create a new state-of-the-art Senior Center in Heritage Park.

- **Smoke-Free Housing Environments.** MPHA established its first smoke-free development at its Heritage Commons at Pond's Edge facility in Heritage Park. This development protects vulnerable seniors who suffer lung and bronchial sensitivities and offers relief from other issues related to secondhand smoke. MPHA is also partnering with the City's Department of Health and Family Support to develop new initiatives to curb smoking in its other developments.

- **Early Childhood / Head Start.** At its Glendale Family Development, MPHA has entered into a long-term collaboration with PICA Head Start to operate early childhood education programs for public housing and area children. The program began in Glendale in 1995, and offers preschool experiences for children in the Glendale community and a full range of related family services, including health and dental services, social services, and parent involvement opportunities. The program has capacity for 210 children and to date has serviced approximately 2,814 children and their families.

- **Luxton Park.** MPHA has negotiated agreements with Luxton Park to provide services to MPHA Glendale Family residents. This collaboration helps the park remain viable and provides needed services to our residents, including supervised recreational activities and a broad range of community services, such as after school programs, summer activities, and access to computers.

- **Self Help Program.** This year MPHA has allocated over $130,000 to provide stipends for low-income public housing residents who volunteer to perform tasks that support MPHA operations. This program promotes a sense of ownership in residents of MPHA properties and invests in the well-being of our residents by providing additional resources for participants.

- **Resident/Participant Leadership, Involvement, and Collaboration.** MPHA is a national leader in resident/participant involvement and collaboration in creating and implementing agency initiatives. For the past two years, MPHA has been invited to make presentations at national conferences on strategies for fostering resident leadership. MPHA works with 41 highrise resident councils, a city-wide Minneapolis Highrise Representative Council, and two family-based resident organizations. There are two resident members on the MPHA Board of Commissioners. MPHA also works with the Tenant Advisory Committee (TAC) that meets prior to each board meeting and comments on issues presented to the MPHA Board. In addition, the MPHA Board of Commissioners appoints a Resident Advisory Board (RAB) that has helped to develop MPHA's annual Agency Plan and now assists with developing its Moving To Work (MTW) Plan.

  MPHA also works with various other resident committees including the Security Advisory Committee (SAC), Modernization, Maintenance and Management (MMM) Committee, and other committees where residents and participants collaborate with MPHA on various projects and issues. MPHA intends to continue to improve these collaborations under its Moving To Work Demonstration.

- **Community Partnerships.** MPHA works with the City of Minneapolis to respond to critical affordable housing needs. In addition, the agency has established partnerships with various community agencies and organizations that result in increased services for its residents and contribute to the betterment of the community.

  Through our Resident Initiatives and Policy and Special Initiatives Departments, MPHA has incubated and implemented numerous social and supportive services initiatives and has 39

agreements with various agencies and organizations to provide services to MPHA public housing highrise and family residents.

MPHA has strong partnerships with organizations such as Volunteers of America of Minnesota, which provides case coordination services to highrise residents, resource referrals, and other services to promote the independence and general well-being of MPHA highrise residents. MPHA has agreements with four assisted living programs, food shelves, a senior center operated by East Side Neighborhood Services, two on-site Beauty Salons at Horn Towers and Heritage Commons, and a radio show titled "Senior Perspectives" with CCD/KMOJ Radio.

MPHA also has a long-standing partnership with the Minneapolis Highrise Representative Council (MHRC) dating back to the 1980's. The MHRC is a citywide resident organization that provides training, leadership, and support to highrise residents and individual building resident councils. MHRC also administers highrise laundry contract services and MPHA's Diversity Contract, which includes training and activities to promote cultural education and resident participation. Since the mid-1990's, MPHA has also contracted with the Corporation for National and Community Service (CNS) to provide employment opportunities for residents through the AmeriCorps VISTA program.

MPHA's mission calls for the agency to "contribute to the well-being of the individuals, families and community we serve." In the operation of its Low Income Public Housing and its Section 8 Housing Choice Voucher programs, the agency recognized that there were distinct populations who needed not only housing, but also supportive services to successfully participate in the life of the community, and MPHA has formed valuable partnerships to meet those needs.

Section 8 Housing Choice Voucher Program Overview

The Section 8 Housing Choice Voucher Program (HCV) assists very low-income families, the elderly, and the disabled in finding decent, affordable, safe, and sanitary housing in the private market. Eligible program participants may rent single-family homes, townhouses, duplexes, and apartments where the owner of the selected property and the property itself have been approved for program participation. The family pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Eligibility for participation in the Section 8 HCV Program is based on income, eligible citizenship status, and the ability to pass a criminal history background check. The amount of the subsidy available to the family is based on the family's income level and the household's composition. In general, the family's income may not exceed 50 percent of the median income for the county or metropolitan area in which the family chooses to live. By law, MPHA must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the area median income.

- MPHA's housing voucher program assists 15,564 individuals and families. The average annual household income is $12,547, with an average family rent portion of $239 per month and an average Housing Assistance Payment of $685 per month.

- 49% of the household members served by MPHA vouchers are dependent children under the age of seventeen years.

- 82% of Section 8 HCV participants are African American, 10% are Caucasian, 4% are Native American, and 2% are Asian.

- 11% of our participants are elderly and 55% are disabled.

MPHA continues the "Kids Collaborative." The Kids Collaborative was formed in 2001 in an effort to ensure that safe, affordable housing in neighborhoods not concentrated by poverty is available to kids and their families, so that kids can remain stable in the same school and thrive. It is a unique and successful collaborative created by MPHA, Minneapolis Public Schools, the Minneapolis Department of Community Planning and Economic Development, and Lutheran Social Service of Minnesota. The Kids Collaborative has won recognition as a national "best practice" highlighted by the U.S. Department of Housing and Urban Development (HUD) and the National Center for Homeless Education.

Section 8 HCV Mobility Voucher Program. MPHA has recently re-established its Mobility Voucher Program to encourage low-income families to move to "non-concentrated" areas of the community. This initiative responds to the shared goal of our Federal, State, and City governments to deconcentrate families who live in poverty. The program is structured to increase housing choices for families who are on the MPHA Section 8 HCV waitlist who currently live in areas concentrated by poverty, and who want to move into non-concentrated areas. In addition, these families will receive priority for MPHA's Section 8 HCV Family Self-Sufficiency program, and for participation in MPHA's homeownership programs. We have designed the Mobility Voucher program, hired the "Community Services Coordinator," completed the action plan, and developed the program materials. These include Contract for Participation, neighborhood profiles, and maps of community resources, area schools, and transportation routes. By September 2010, we plan to notify qualified waitlist applicants about this special voucher opportunity.

Disaster Housing Assistance Program. MPHA's Section 8 HCV Program provided housing assistance to individuals and families displaced by Hurricanes Katrina and Rita through its Disaster Housing Assistance Program (DHAP). The DHAP Program was temporary in nature and ended in August 2009. Of the nine families we served under DHAP, seven have been admitted to the Section 8 HCV Program, one found permanent housing in a project-based community, and one secured employment that made them income ineligible for admission to the HCV Program.

Veteran's Administration Supportive Housing Program (VASH). This is the third year that HUD has allocated Housing Choice Vouchers to local public housing agencies to specifically target homeless veterans. HUD selects the housing authority based on a variety of factors, including the number of reported homeless veterans and the proximity of a local Veteran Affairs Medical Center (VAMC) with the capacity to provide case management. Communities that receive HUD homeless assistance work with local VAMCs to identify eligible participants. The VAMC case managers work directly with local housing agencies administering the HUD-VASH program to determine income eligibility and help homeless veterans find suitable housing.

In 2008, HUD awarded MPHA's Section 8 HCV Program with 70 VASH Vouchers. An additional 35 VASH Vouchers were awarded in 2009, bringing the total to 105, all of which are currently utilized. On June 3, 2010, HUD Secretary Shaun Donovan announced that nearly 8,000 additional homeless veterans would receive permanent housing assistance through HUD-VASH. HUD awarded $58.6 million in additional funding to local public housing agencies to specifically assist homeless veterans in their area.

MPHA was recently notified of an additional award of 50 VASH vouchers, demonstrating our federal government's commitment "to create a national partnership at every level of government and with the private sector to reduce and end homelessness in the nation, while maximizing the effectiveness of the Federal government in contributing to the end of homelessness". (*From: Federal Government's Interagency Council on Homelessness.*)

Section 8 HCV Program Performance

- **Utilization.** As of September 2010, over 5,000 families were actively participating in the Section 8 HCV Program. Approximately 2,000 owners currently partner with MPHA to provide participant families with decent, safe, and sanitary housing.

- **High Performer Status.** In Fiscal Year 2009, for the third consecutive year, MPHA's Section 8 HCV Program was certified with HUD's highest performance rating based on its Section Eight Management Assessment Program (SEMAP). In addition to SEMAP's standard performance indicators, MPHA earned the "Deconcentration Bonus Indicator" by showing that two percent of our families relocated to low poverty census tracts.

- **Section 8 Waitlist Management.** The Section 8 HCV waitlist was opened in 2008 for the first time in five years. Over 13,000 individuals and families applied for rental assistance. The MPHA Section 8 HCV waitlist is now managed in a "paperless" environment. In Fiscal Year 2009, over 500 new families were admitted to the Section 8 HCV Program. Applicants of the 2008 waitlist are being processed for eligibility on a monthly basis and will be issued turnover vouchers for admission to the program.

- **Property Inspections**. MPHA's Housing Inspections team is responsible for ensuring that each Section 8 HCV property meets HUD's Housing Quality Standards (HQS) and those parts of the City of Minneapolis rental licensing standards that have formally been adopted and incorporated locally. MPHA conducted almost 7,500 move-in, re-inspections, and annual HQS inspections last year at

over 4,000 residential addresses. In addition, MPHA works closely with the Minneapolis Police, Fire, and Regulatory Services Departments in a cooperative effort to ensure that the housing stock participating in the Section 8 HCV Program is not only affordable, but provides safe and decent housing for all Section 8 HCV Program Participants.

MPHA and the City's Regulatory Services Department plan to initiate a joint demonstration project in 2010 in an effort to objectively identify and assess duplicated housing inspections activities between the City and MPHA, as well as our common interests, needs, and differing housing condition standards. MPHA will contract with the City to conduct Section 8 HCV housing inspections in selected areas of the City during this demonstration project using the City's rental licensing standards, so that data-driven comparisons can be made to the housing inspections experience in the City as a whole. The ultimate goal is to identify and eliminate the costs associated with unnecessary duplication of effort and to contribute to the quality of the City's rental housing stock.

- **Collaboration with the City and the County.** MPHA's Section 8 HCV staff continues to work in partnership with City of Minneapolis elected officials and senior staff, along with neighborhood groups, to develop solutions and to resolve issues associated with program participants and the properties leased to them.

  Most recently, we entered into an agreement with the Minneapolis Police Department to assist the Section 8 HCV Program with its program integrity. At the most basic level, a Minneapolis Police Sergeant will investigate alleged criminal activity, neighborhood complaints, and suspected fraud committed by voucher holders or program owners who participate in the Section 8 HCV Program. The goal is to clearly demonstrate MPHA's commitment to protecting the Program's integrity when there is reason to believe that any criminal or fraudulent activity is taking place in connection with the Section 8 HCV Program.

Capital Improvements Program

MPHA's Facilities and Development Department works closely with the Executive Director to identify capital needs, make improvements, complete modernizations, and ensure the preservation of our properties. This department also takes the lead in new development initiatives pursued by MPHA. With its Moving to Work authority, the infusion of American Recovery and Reinvestment Act (ARRA) funds, and its Energy Performance Contract initiative, MPHA has been able to strategically allocate its resources to make substantial improvements in our managed portfolio of capital assets. These improvements position the agency to make significant progress in its capital needs backlog, and enhance its ability to address energy conservation needs, thereby reducing MPHA's carbon footprint, while ensuring the long-term preservation of its housing stock.

Energy Performance Contract

MPHA entered into a $33.6 million contract with Honeywell International, Inc. to implement energy conservation measures throughout MPHA's highrise apartment inventory. The contract, which is primarily financed through a municipal lease from Bank of America, is authorized under a special HUD incentive program that encourages PHAs to borrow private capital to fund energy improvements. The improvements include replacing 40-to-50-year-old boilers, installing low flow toilets and shower heads, and replacing existing stoves with energy efficient models. This "green" project is expected to be fully completed by the end of the year and is anticipated to save 124 million gallons of water, 119 million cubic feet of gas, and 3.3 million kilowatt hours of electricity annually.

The project is truly a win-win for the agency. Not only is MPHA preserving its aging facilities to keep them viable for the long-term, but also significantly reducing its carbon footprint. Of all dollars awarded in contracts to date, 20.4% went to women-owned businesses, 11.6% were awarded to minority-owned firms, and 1.9% to Section 3 contractors. 76% of the contracted dollars are to local businesses. Also, a contract for $238,000 was awarded to the Minneapolis Highrise Representative Council (MHRC) for the training and employment of residents for a variety of jobs.

American Recovery and Reinvestment Act (ARRA) Grants

The American Recovery and Reinvestment Act of 2009 was enacted by Congress and signed into law by President Barack Obama on February 17, 2009. This legislation was enacted to provide a stimulus to the U.S. economy in the wake of the economic downturn brought about by the subprime mortgage crisis and the resulting credit crunch.

In March 2009, MPHA received an ARRA Capital Fund Formula Grant of $18.2 million. In addition, MPHA successfully competed for three ARRA grants totaling over $31.6 million, which were awarded in September 2009, for the creation of a new state-of-the-art Senior Center, a first in the nation "green" 48-unit public housing Memory Care–Continuum of Care housing development, and an energy efficient Scattered Site "green" initiative.

- **Capital Fund Formula Grant**. One hundred percent of ARRA Formula funding is required to be spent on public housing capital improvements, which enabled MPHA to almost double the amount of work for which the agency had previously planned and budgeted. MPHA has conducted an array of capital improvement activities at highrises and scattered site single-family housing units. These improvements will reduce MPHA's overall level of needs and help ensure the long-term viability of our properties. In addition, MPHA used $2.6 million in ARRA funds to acquire and complete the development of twenty BrightKeys townhome units in Heritage Park, which will become part of MPHA's new Rent to Own initiative.

  Primary funding: $18.2 million in ARRA Formula funds.

- **Senior Center – Heritage Park, North Minneapolis.** MPHA will design and build a new state-of-the-art senior center in Heritage Park in North Minneapolis. MPHA has established partnerships with Neighborhood HealthSource, Minneapolis YMCA, Courage Center, Hennepin County, the City of Minneapolis, and others to create a community resource that will provide an array of services to MPHA seniors and elderly north side residents, including medical, adult daycare, social, and recreational services.

  Primary Funding: $10.5 million ARRA funds.

- **Senior Housing / Memory Care /Continuum of Care**. MPHA will develop a 48-unit "green" senior development adjacent to its proposed new Senior Center that will focus on providing housing and supportive services to frail elderly low-income residents who have dementia, memory loss, and who are at risk of nursing home placement. MPHA has established a partnership with Hennepin County and the State of Minnesota that will bring resources to support the service needs of at-risk low-income elderly persons. This development will fully utilize various energy efficient methods and "green" technologies, including solar and geothermal technology. In addition, the structure will be built with "green" materials and designed to reduce the development's carbon footprint.

  Primary Funding: $9.7 million ARRA funds.

- **Scattered Site "Green" Initiative.** MPHA will make significant energy improvements to 733 of its scattered site single-family properties. MPHA's energy savings strategies will enhance the operational effectiveness of building systems, add to the long-term preservation of our housing resources, reduce the agency's carbon footprint, and save significant costs related to energy use and consumption. These efforts will benefit not only MPHA and its residents, but also taxpayers.

  Primary Funding: $11.6 million ARRA funds.

The ARRA Impact on MPHA and the City of Minneapolis

As earlier noted, MPHA is one of the top performing public housing operations in the nation. Because it was prepared to assume high-level roles and responsibilities, the Obama Administration heavily invested ARRA funds in MPHA to stimulate our local economy and carry out substantial economic improvements in our highrise and scattered site properties. MPHA received ***very*** substantial consideration from the Administration when making formula and competitive grant funding decisions, when compared to other housing authorities in the nation. As one of the "tools of the recovery", MPHA is contributing the following significant outcomes in our local community:

- Funnel millions of dollars into the local economy that will help preserve existing jobs, avoid job layoffs, and create new job opportunities, including those for small businesses and minority- and women-owned businesses. As of September 30, 2010, MPHA's ARRA Formula grant has resulted in 180 new hires and over $1.7 million in contracts to minority- and women-owned businesses.

- Improve the quality of thousands of affordable rental housing units for today, while better preserving these precious resources for the future.

- Strengthen the community by providing health and wellness opportunities and connection to other needed social services designed to meet the unique needs of aging adults, who are both MPHA and lower income neighborhood residents.

ARRA funds have stringent requirements and very aggressive timelines for obligating and expending the funds. Failure to meet these requirements would result in HUD recapturing the funds. Currently MPHA is in compliance with all obligation and expenditure requirements. All ARRA funds must be 100% obligated within one year of award – September 2010, 60% of ARRA funds must be expended within two years – September 2011, and 100% must be expended within three years – September 2012.

The following chart shows a breakdown of ARRA grants with obligation and expenditure requirements.

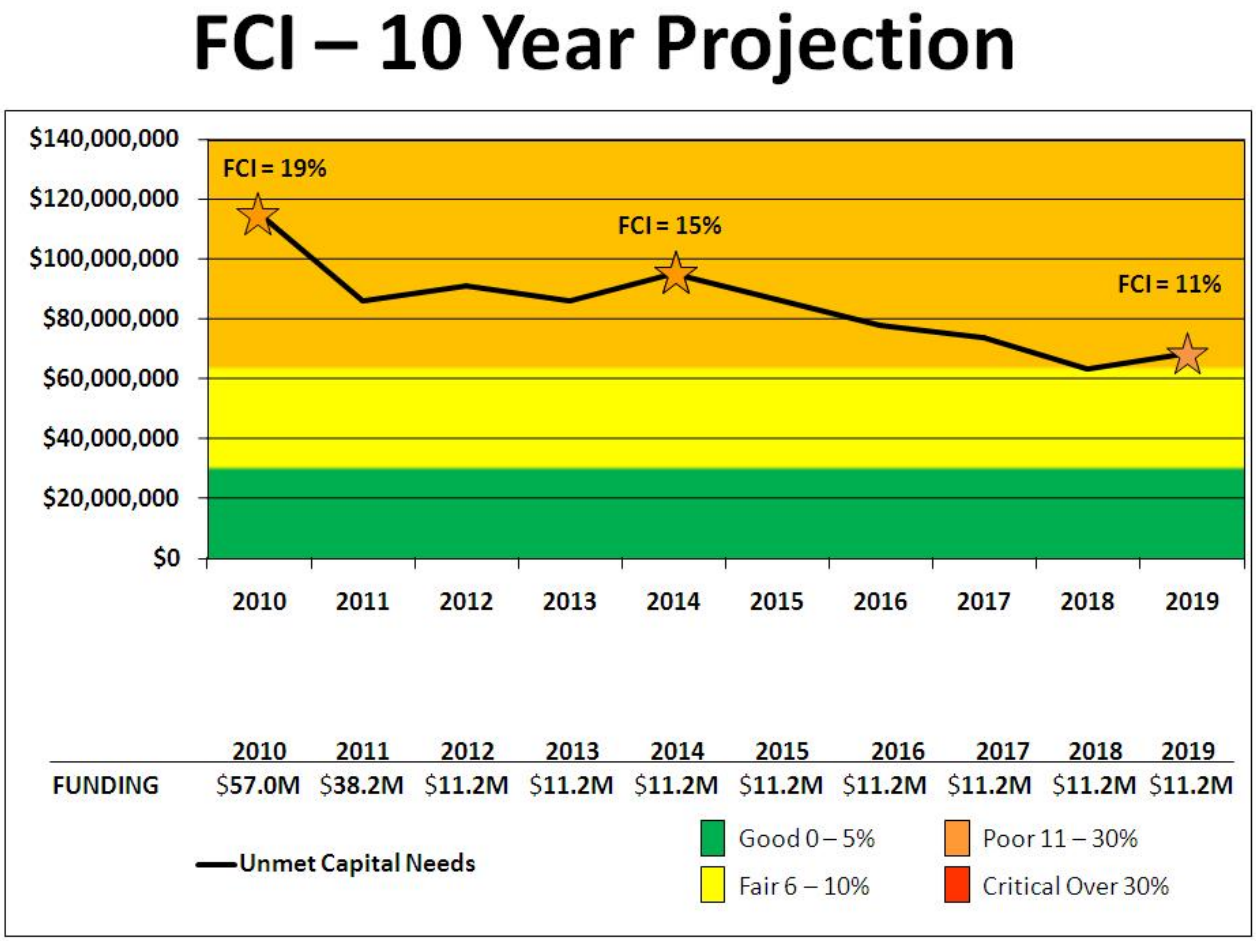
ARRA Grant	Grant Award	100% Obligation Deadline	60% Expenditure Deadline	100% Expenditure Deadline
Formula	$18,252,472	03/17/2010	03/17/2011	03/17/2012
Memory Care 'Green'	$9,730,109	09/23/2010	09/23/2011	09/23/2012
Senior Center	$10,439,784	09/28/2010	09/28/2011	09/28/2012
Scattered Site 'Green'	$11,650,000	09/29/2010	09/29/2011	09/29/2012

Facility Condition Index

MPHA assesses the physical condition and tracks the performance of our properties by utilizing an industry-accepted tool known as the Facility Condition Index (FCI). The FCI is used by industries that have responsibility over large capital asset inventories such as higher education, municipalities, military, and increasingly, public housing authorities. The FCI is a measurement that takes into account the "growing" capital renewal needs year over year and measures it against the replacement value of an asset (FCI =

Need/Asset Value). MPHA uses this information to understand the current state of each property, to forecast a building's future performance based on various funding levels, and to formulate asset management strategies that will preserve our housing stock.

The following chart illustrates MPHA's Facility Condition Index for the next 10 years. The additional funds from the Energy Performance Contract and ARRA, as well as strategic investment of the yearly Capital Fund Grant, is projected to boost MPHA's FCI from traditional levels, close to the "fair" range.



Moving To Work Demonstration Program

In January 2008, MPHA executed an amended and restated agreement with HUD to operate its housing programs under HUD's "Moving to Work" demonstration program. Moving to Work (MTW) offers high performing public housing authorities like MPHA the opportunity to design and test innovative, locally-designed housing and self-sufficiency strategies for low-income families by allowing exemptions from existing public housing and Section 8 HCV rules.

The purpose of the MTW program is to give housing authorities and HUD the flexibility to design and test various approaches for providing and administering housing assistance that accomplish three primary goals:

- Reduce costs and achieve greater efficiencies in federal expenditures.
- Give incentives to families with children where the head of household is working, seeking work, or preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient.
- Increase housing choices for low-income families.

MPHA has developed and submitted to HUD its 2010 MTW Plan. Major initiatives include:

- **Recertification of elderly or disabled public housing resident families once every three years instead of annually.** MPHA is certifying families who are elderly or disabled and who are on a fixed income every three years, rather than annually. This saves time and effort for these residents and helps MPHA to more effectively target its resources.
- **Conversion of mixed-financed units to project-based Section 8 HCV.** MPHA is revising this initiative, which originally addressed conversion for its 112 suburban mixed-financed developments to include 200 additional Heritage Park mixed-finance public housing units that were also developed as part of the Hollman Consent Decree. MPHA intends to seek additional vouchers from HUD for this initiative.
- **Combination of MPHA's current homeownership programs into a single MTW initiative with a foreclosure prevention component.** MPHA's homeownership initiatives, Home Ownership Made Easy (HOME) and Moving Home (Section 8 HCV Homeownership Demonstration Program) have been revised and combined with a new Foreclosure Prevention Initiative (Saving Home) that assists low-income families in avoiding foreclosure.
- **Revision of MPHA's earned income policy to allow eligible public housing families a full two-year income disregard.** Federal regulations allow certain families a full income disregard for one year and a 50% disregard for the second year. As families move in and out of employment, the disregard is postponed. Monitoring is time-consuming and creates administrative hardships that are prone to errors. MPHA has created a full two-year income disregard for eligible families, eliminating some administrative and monitoring costs.

- **Implementation of a new public housing Family Self-Sufficiency program.** MPHA has implemented a new public housing Family Self-Sufficiency (FSS) program targeted for families who seek to become home owners. This program will assist 50 families that meet MPHA's homeownership program eligibility requirements.

- **Section 8 HCV Mobility Voucher program.** MPHA created a Mobility Voucher program to encourage low-income families to move to non-concentrated areas to find safe, decent, and affordable housing in an environment conducive to breaking the cycle of poverty. This initiative responds to HUD's goal of deconcentrating families who live in poverty.

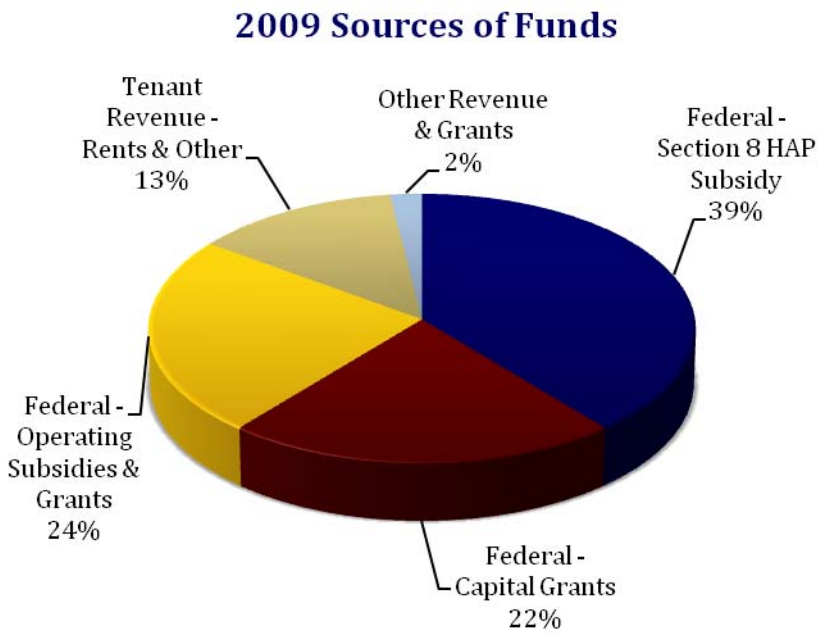
- **Working Family Incentive – Public Housing and Section 8 HCV program.** Under this initiative working families will receive a fifteen percent disregard of earned income when calculating rent. This will allow working families to have more money "in hand" to meet their daily needs.

- **Rent-To-Own initiative.** Twenty townhome condominiums purchased by MPHA in Heritage Park will be marketed and eventually sold to selected MPHA residents, Section 8 HCV participants, eligible MPHA staff, and City of Minneapolis employees who otherwise are eligible for public housing.

- **Project for Pride in Living - Project Base Initiative.** Through a partnership with Project for Pride in Living (PPL) MPHA will allocate up to 21 Housing Choice Vouchers, in partnership with the City's Neighborhood Stabilization Initiative, to purchase and rehab foreclosed apartments and make them available to low-income families seeking affordable housing.

Funding Sources and Uses

As in previous years, MPHA continues to be heavily financed by the federal government. In 2009, federal grants and subsidies made up 85 percent of the MPHA's funding sources. These funds were provided for general program operation, capital uses for both improvements to existing structures and new public housing development, and Section 8 housing assistance payments. Capital grants increased significantly from 2008 levels. The increase in capital grants primarily relates to ARRA funding.

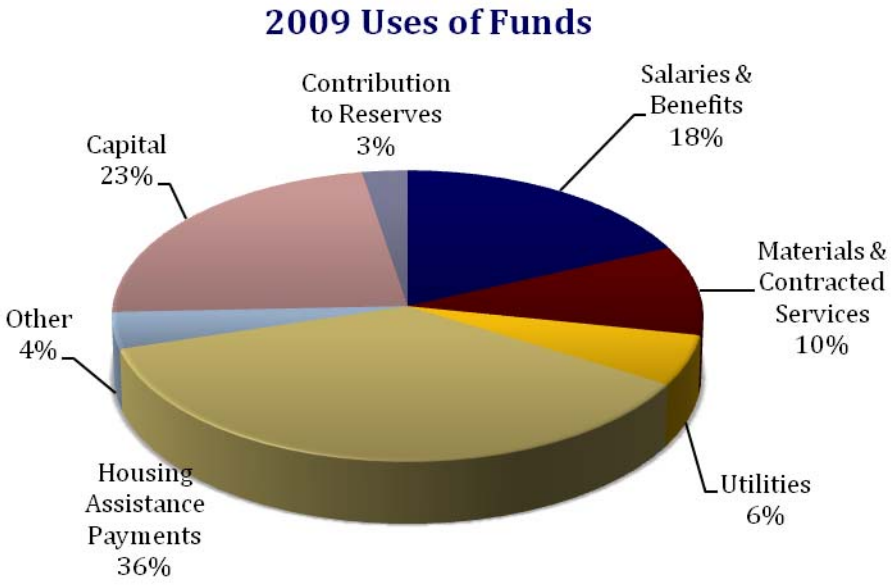


SOURCES OF FUNDS[1]

Tenant Revenue -Rents & Other	$18,258,242
Federal - Operating Subsidies & Grants	$32,308,201
Federal - Capital Grants	$29,784,717
Federal- Section 8 HAP Subsidy	$53,451,105
Other Revenues & Grants	$3,607,741
Total Sources	**$137,410,006**

[1] MPHA's 2009 fiscal period was extended to 15 months in order to convert from a September 30th fiscal year-end to a December 31st fiscal year-end.

As in previous years, the majority of these funds were used for housing assistance payments to Section 8 landlords. The most significant increase in uses of funds relates to capital spending. MPHA expended over $10 million in ARRA funds on public housing building improvements. In addition, due to spending flexibility provided under the Moving To Work Demonstration Program, MPHA accelerated its normal capital improvements spending and dedicated increased funding to keeping its public housing properties viable for the long-term.



USES OF FUNDS[2]

Salaries & Benefits	$25,009,197
Materials & Contracted Services	$13,717,671
Utilities	$7,703,803
Housing Assistance Payments	$50,165,266
Other	$5,572,563
Capital	$31,598,533
Contribution to Reserves	$3,642,973
Total Uses	**$137,410,006**

[2] MPHA's 2009 fiscal period was extended to 15 months in order to convert from a September 30th fiscal year-end to a December 31st fiscal year-end.

2011 Budget Request

Security Services		Citizen Participation		Total Budget Request	
Sources		**Sources**		**Sources**	
Tax Levy[1]	$1,395,520			Tax Levy[1]	**$1,395,520**
CDBG	$110,000	CDBG	$68,000	CDBG	**$178,000**
PILOT Reduction[2]	$439,304			PILOT Reduction[2]	**$439,304**
Uses		**Uses**		**Uses**	
Security Guards	$1,944,824			Security Guards	**$1,944,824**
		Citizen Participation	$68,000	Citizen Participation	**$68,000**

[1]Full Tax Levy amount is $1,424,000. Budget request assumes 98% of Tax Levy will be collected.

[2]By State Statute MPHA is exempt from real and personal property taxes, but through the Cooperative Agreement with the City, MPHA is required to make payment in lieu of taxes. The City has agreed to reduce MPHA's PILOT by 50% since the inception of the Highrise Security program. MPHA would use the savings to fund public housing costs.

$1,944,824 for Private Security Guard Services

Funds from the City of Minneapolis are critical to maintaining a comprehensive program of safety and security in each of our highrise residential buildings and the neighborhoods in which they are located. MPHA's comprehensive strategy has proven itself over the years to increase the safety and livability on public housing properties and in the surrounding neighborhoods.

Private security guards in MPHA's highrises are a service strongly supported by residents, resident organizations, the Minneapolis Police Department, and the neighborhoods where our buildings are located. Our highrises house a vulnerable population where 64% of the residents are disabled and 45% are elderly.

Maintaining an adequate level of safety and security in and around the agency's highrises, row houses, and scattered site properties remains a high priority. Operating in widely diverse neighborhoods and working with widely divergent resident and neighborhood populations presents unique safety and security challenges for the agency. The agency continues to respond to these challenges by employing a comprehensive security strategy:

- **Private Security Guard Services.** MPHA contracts with private security guard companies (currently Securitas Security Services, Inc.) to provide both fixed on-site and, in some cases, "roving" security presence in and around our highrises residential properties. These uniformed, unarmed security guards focus their attention primarily on building access and activity issues. Their close working relationship with the agency's property managers and with Minneapolis sworn officers has a stabilizing effect on the safety and security of our residents and our neighbors.

Other Complimentary Federally-Funded Security Programs

- **The Public Housing Police Team.** The agency has continued its long and productive relationship with the Minneapolis Police Department. Its six-member Public Housing Police Team provides important access to Minneapolis Police Department expertise and resources in order to keep our residential properties free of drugs and crime.

- **Project Lookout.** MPHA residents have taken personal ownership of their own security to the extent consistent with common sense and their own personal safety. Nearly all of the agency's highrise residential buildings have well-organized Project Lookout teams of volunteer residents who work to increase the safety and security of the buildings in which they live. This program has won national recognition and has been operating for over twenty years.

- **Security Hardware Improvements.** The agency continues to invest in security technology at each of its highrise properties. Security camera surveillance, controlled access systems, and related security technology have helped to provide a higher level of safety and security in our buildings.

MPHA's comprehensive program of safety and security in each of our 41 highrise properties not only ensures that we are providing safe and secure housing for our residents, but also the surrounding communities. Neighbors, neighborhood organizations, and elected officials often express the opinion that MPHA highrise properties are "islands of stability" in their neighborhoods. Our Public Housing Police Team offers a strong presence in these neighborhoods, keeping them free of illegal drug activity and crime, and our Security Guards carefully control and limit access to our buildings and grounds to those who have a legitimate purpose in visiting our properties.

$68,000 for Citizen Participation

100% of Citizen Participation funding goes directly to resident organizations and councils. The Minneapolis Highrise Representative Council (MHRC) and the Glendale Resident Organization (GRO) have received the majority of the CDBG Citizen Participation funding. Both organizations rely heavily on these funds for supporting highrise resident councils and other resident needs.

- MHRC is the city's largest public housing resident organization, and a strong leader for all resident councils. They are dedicated to providing community-wide activities and services that strengthen the communication and cooperation between management and tenants, among resident leadership, between building councils, and with the highrise population as a whole. MHRC also administers laundry services for all highrises, helps with the Resident Security Program, works to eliminate diversity issues, and organizes resident council training.

- MPHA and GRO have a partnership with the East Side Neighborhood Services Inc. (ESNS) to continue the operation of a community food shelf in the Glendale family townhome development.

MPHA uses Citizen Participation funding to support its continued commitment to encouraging resident involvement in its housing communities and surrounding neighborhoods.

MPHA Organizational Structure

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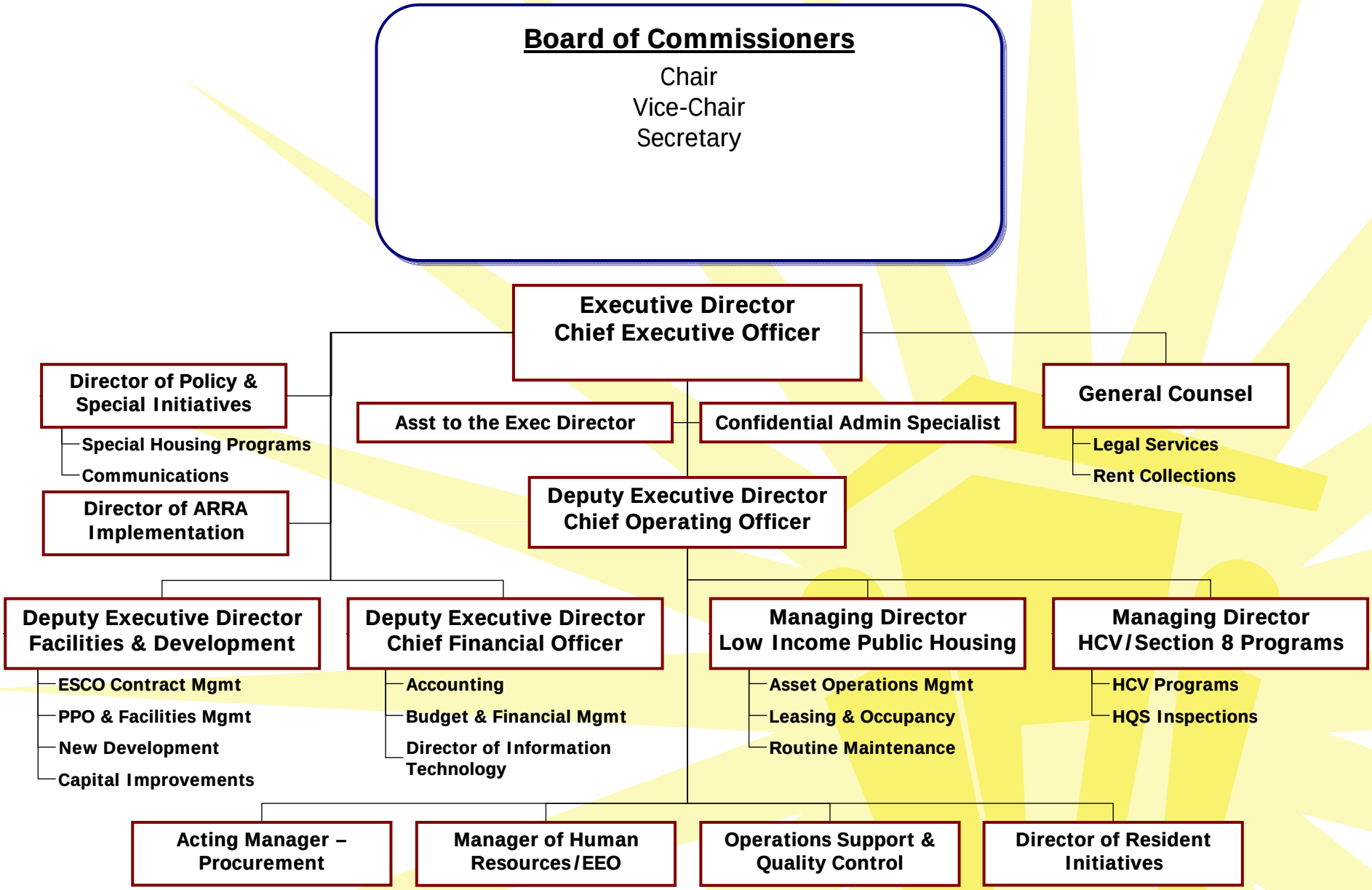

Updated 03/19/10