
City of Minneapolis

and

Minneapolis Public Housing Authority

**MEMORANDUM OF UNDERSTANDING
(Approach to Public Housing Conversions)**

WHEREAS, this Memorandum of Understanding (“MOU”) is entered into this ___ day of _____, 2019, between the City of Minneapolis, a Minnesota municipal corporation (“City”) and the Minneapolis Public Housing Authority in and for the City of Minneapolis, a Minnesota public body corporate and politic (“MPHA”); and

WHEREAS, the City faces a shortage of all levels of affordable housing, especially those that are most affordable;

WHEREAS, MPHA is a governmental agency that provides federally subsidized housing to the lowest income households in the City;

WHEREAS, the parties recognize the federal government has for decades underfunded the capital needs of public housing;

WHEREAS, the federal government has recently created public housing conversion opportunities that may allow for increased federal subsidies necessary to repair and renovate public housing units;

WHEREAS, MPHA’s mission, as chartered in Chapter 420, Minneapolis Code of Ordinances, and articulated in MPHA’s mission statement, is to preserve and protect public housing for current and future very-low income households, specifically for those families with incomes at or below thirty percent of the Area Median Income (“AMI”);

WHEREAS, while MPHA’s federal income limits permit assistance for families up to eighty percent of AMI, MPHA is committed to conversions and related redevelopment actions that include rents affordable by families *with income at or below 30% of the AMI* (\$19,850 for single person and \$ 28,300 for family of four)¹;

¹ 2018 data

WHEREAS, providing units and subsidies to this lowest income tier as committed to by MPHA will require local and state support;

WHEREAS, the parties agree to work together in the exploration of MPHA funding and resource options to preserve MPHA's public housing stock and protect its residents, including but not limited to bonded indebtedness;

WHEREAS, the parties agree that certain principles relating to long term public ownership and resident consultation and protection should be central to the implementation of any public housing conversions undertaken by MPHA;

WHEREAS, the parties agree that any City financial support of MPHA with regard to its public housing conversion efforts would be conditioned upon certain MPHA assurances, including those described herein.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Public Ownership. In its effort to retain long-term public ownership and/or public control of converted public housing (including any new deeply subsidized units developed as part of any conversion action), MPHA commits to using one or a combination of the following options:
 - a. Affordability Restrictions – Any Rental Assistance Demonstration (RAD) use agreement, ground lease, other land use restriction Agreements (LURA), and mortgages (as described below) will include use restrictions that ensure that the property is reserved for low and very low-income households.
 - b. Long-term Ground Lease – To ensure that the public retains a permanent interest in the land and structures, MPHA will ground lease rather than convey land or buildings or both to the development entity for the maximum period allowable. The ground lease ensures that MPHA's mission and service to very low-income households is carried forward no matter the financial structure required by the ownership entity for the units that sit on the land.
 - c. Use of MPHA Owned and Controlled Non-profit Entity – MPHA owned and controlled non-profit(s) will serve as the recipients of any transferred public housing and, where applicable, will serve as the controlling entity in any tax credit or other financing structure and will be so defined in the development agreement and other controlling documents. "Owned and controlled non-profit entity" will be accomplished by having the same board members as the MPHA, with the addition of the Executive Director as a voting member.

- d. Use of Loans and Other Financial Instruments – MPHA may act to support the financial structure for the conversion and rehabilitation or construction of units by providing loans, in the form of a mortgage, or other financial assistance to the ownership entity. In such cases, the ownership entities will be bound by loan documents, the terms and conditions of which are controlled by MPHA.
 - e. Housing Assistance Payment (HAP) Contract – Where project-based subsidies are provided, MPHA will act through the HAP contract to control the terms of the subsidy and protect MPHA’s public interest in the property. In addition, the HAP contract will be written to be self-renewing providing for very long-term protections.
 - f. Developer Partners – Should MPHA undertake redevelopment of a property with a for-profit or nonprofit developer partner, MPHA shall retain an ownership interest in the property and use other means as described herein to retain public ownership or continued public control of the property.
 - g. Other Benefits Derived – MPHA shall require that any developer/partner make a clear and sustained contribution to MPHA’s mission including, where feasible, the provision of resident services, jobs, or educational opportunities.
- 2. Post-redevelopment Protections**
- a. Operating and Management Agreements – MPHA will include provisions in the operating and management agreements establishing that MPHA is ultimately responsible for management and maintenance of the property, with the exception of redevelopment requiring specialized expertise, for example, assisted living or supportive housing. If the redevelopment demands any deviation from MPHA management and maintenance, MPHA will notify resident organizations of the reasons therefor as part of the redevelopment planning process.
 - b. Right of First Refusal and Purchase Option Agreements – MPHA will require the execution of a general right of first refusal or related purchase option to ensure the property reverts to MPHA or its affiliated non-profit.
- 3. Resident Consultation and Resident Protection** – The following principles relating to resident consultation and resident protection shall govern the implementation of any public housing conversion transactions within the City:
- a. Public housing residents will receive notice if and when their building is under consideration for a financing conversion, including but not limited to RAD or Section 18 program conversions;
 - b. Residents will receive materials educating them as to program specifics;

- c. MPHA will consider retention of a third-party outreach advisor to guide and facilitate these meetings in instances where the resident population is reflective of cultural or language differences in the City;
- d. Residents will maintain their right to receive resident participation funding from MPHA in the manner prescribed by federal law;
- e. Residents will have the right to be represented by legitimate resident councils;
- f. Residents will receive the contact information of MPHA staff available to assist with conversion program questions or concerns; during the relocation process, if any, residents will receive the contact information of the relocation coordinator;
- g. MPHA will establish and communicate grievance and lease termination procedures to be in effect following conversion;
- h. MPHA will recognize legitimate resident organizations and consult with the same throughout the planning and implementation process;
- i. MPHA will not rescreen current households upon conversion of their housing or return to their housing;
- j. Residents with pets that are registered with MPHA prior to conversion will be allowed to stay following conversion;
- k. MPHA will adhere to its Limited English Proficiency Plan in all communications with affected residents;
- l. In instances where the conversion results in resident relocation, MPHA will provide residents with a written relocation plan and inform them of their right to return and reimbursement for relocation costs;
- m. Where relocation is implicated by the conversion, the relocation plan and/or relocation rights contract will be developed in consultation with the representative resident organization;
- n. In some instances, necessary capital work may require no displacement, other work may require short term relocation, and others long term. Where relocation is anticipated, relocation plans will be devised for each project that detail specific relocation rights and obligations. While relocation options are dependent upon site specific considerations, MPHA will typically use the following order to consider short- and long-term term relocation options:
 - i. First choice – units available in the same or an adjacent building;
 - ii. Second choice – nearest MPHA building with a vacant unit;
 - iii. Third choice – any suitable MPHA unit;
 - iv. Fourth choice – Housing Choice Voucher with support from MPHA in the search and leasing of a suitable unit;

- o. MPHA will consider the issuance of transportation vouchers, not to exceed a monthly amount as established in the site-specific relocation plan negotiated with the resident council at the property, when a resident must be relocated to a location deemed inaccessible to frequented services such as support centers, medical facilities, and schools, *each as provided for in the relocation plan*;
 - p. For families who have established a need for an accessible unit, MPHA will offer an accessible unit as so established;
 - q. If a housing choice voucher is provided to or requested by a family, such a voucher is not a permanent relocation choice. The resident has the right to return to the property (unless election not to return is made by the family after MPHA has offered the option to return to the property);
 - r. MPHA will track every resident of a public housing unit subject to conversion. MPHA will advise the City on the methodology for tracking residents. MPHA will track if any resident transfers, where they temporarily choose to relocate, and the date of their return to the property. If they do not return to the property, the file will reflect why they did not return and that the failure to return was voluntary on the resident's part. Periodically, MPHA will provide the City with information in the aggregate relating to the residents who temporarily relocate during renovations. Post-conversion, MPHA will report to the City as to the number of affected households returning, the number that did not, and the reasons why.
4. The parties agree to meet as needed to review the progress and process associated with public housing conversions within the City.
 5. The parties agree that the terms and conditions of this Memorandum are meant to supplement and not conflict with federal law or regulatory requirements governing the work of MPHA. To the extent terms or conditions of this MOU conflict with federal or other program specific requirements, the federal regulatory and program specific terms and conditions control.

CITY OF MINNEAPOLIS

MINNEAPOLIS PUBLIC HOUSING AUTHORITY

By: _____

By: _____

Title: _____

Title: _____

Department head responsible for
monitoring contract:

Director of Housing Policy &
Development, CPED

Approved as to form:

Assistant City Attorney