

**WRITTEN STATEMENT OF CORA A. MCCORVEY**

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**Hearing before the Subcommittee on Housing and Community  
Opportunity**

**Committee on Financial Services**

**United States House of Representatives**



**“The Impact of the Foreclosure Crisis on Public and Affordable Housing  
in the Twin Cities”**

**January 23, 2010**



## Subcommittee on Housing and Community Opportunity

### Cora McCorvey Testimony

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#### I. Please discuss the programs managed and operated by the Minneapolis Public Housing Authority (MPHA).

##### MPHA Programs and Services:

##### ▶ Low Rent / Public Housing Program:

Minneapolis Public Housing Authority (MPHA) has 6,207 public housing units comprised of 753 scattered site units, 184 family units in its Glendale family development, 4,958 units in its 41 highrise facilities and 312 public housing units that are part of various mixed financed developments throughout the City of Minneapolis and various neighboring metropolitan jurisdictions.

##### ▶ Public Housing Wait List information:

- Public Housing Waitlist: 4,801 highrise and family applicants on wait list.
  - 2,081 on highrise wait list (this list is limited to one-bedroom applicants). Wait list currently open only to persons 50+ and disabled.
  - 2,720 currently on family waitlist (Family waitlist has been closed since June, 2007)

##### ▶ Section 8 / Housing Choice Voucher Program:

MPHA has 4,444 Housing Choice Vouchers under lease, including 685 project-based vouchers

- MPHA intends to increase to 4,534 vouchers in 2010 plus ten additional homeownership vouchers for a total of 4,544.
- MPHA has 105 Veterans Affairs Supportive Housing (VASH) Vouchers
- 280 Moderate Rehabilitation Vouchers

- MPHA has 91 Preservation/Enhanced Vouchers

▶ **Section 8 Waitlist Information:**

- Over 15,000 families requested applications when the waitlist was last opened for two days in June 2008 and was immediately closed. Section 8 currently has 12,125 families on its waitlist.

▶ **Assisted Living & Housing with Services Programs (HWS):**

- The MPHA has Assisted Living and Housing with Services (HWS) programs in nine of its senior buildings. Through a partnership between MPHA, Hennepin County and the assisted living providers, program participants receive on site staffing two to three shifts per day, nursing services, medication monitoring, at least two meals a day seven days per week, housekeeping and laundry services, assistance with bathing, social and recreational activities, emotional and personal supports, social work services and other supportive activities as needed.
- MPHA developed a 'Slot Based Assisted Living' strategy for delivering services. This strategy provides assisted living services to residents in selected buildings without requiring the participant to move from their apartment to an assisted living unit. Instead the up to 40 assisted living slots are assigned to a specific building and residents aging in place or in need of assisted living can receive the services while remaining in their units. This 'first in the nation' strategy won a NAHRO Award of Excellence.
- In addition, MPHA developed the first 'culturally focused' assisted living public housing program in the nation to bring services to an elderly Korean population. The Agency successfully initiated a legislative appropriation for start-up funding for this project.
- MPHA's assisted living and HWS programs increase housing choices. Without these programs, frail elderly residents and applicants would not have public housing as a housing option. It also reduces costs and achieves greater cost effectiveness. Assisted living clients avoid nursing home placements, remain in units longer, receive supportive services and enjoy independent living.

- Eighty percent of assisted living clients remain in the program for at least six months, 64% remain for at least one year. This saves the State of Minnesota about \$3,000 to \$6,000 per month per assisted living client depending on the needs of the client.
  
- **Other assisted living benefits include:**
  - Fewer and delayed nursing home placements
  - Reduced turnover of units
  - Opportunity to market public housing
  - Enhances the quality of life for participants
  - Accessibility to assisted living services by other residents
  - Enhanced security and reduced need for additional security with the second and third shift assisted living and HWS staff

▶ **Publically Owned Transitional Housing (POTH)**

- MPHA, as a unit of local government, can utilize its status to serve as a ‘pass through’ recipient of funds and an ownership entity for collaborative efforts to address specialized needs in the community. MPHA has served in this capacity on at least four occasions.
  
- The State of Minnesota awards funds for target programs, but requires that the entity receiving the funds be a local unit of government and must be the owner if real property is involved. Through these initiatives, MPHA has supported the creation of two women’s shelters, a transitional housing facility, an emergency housing center for homeless youth and a program that offers transitional housing for chemically dependent women.
  
- These POTH programs do not require MPHA to make Housing Choice Vouchers available or contribute other scarce resources. Participation does require a considerable amount of time and in-kind contributions from the Agency as these various POTH agreements are negotiated and the properties developed. Once the programs are developed and in place, MPHA must still meet minimum requirements for reporting and ensuring compliance by the partner organizations.

- However, the increase in shelter opportunities and the supportive services that can lead to self-sufficiency are compatible with MPHA's mission and have prompted the Agency on occasion to take on this responsibility as a POTH program owner.

### ▶ **Self Sufficiency**

- MPHA has two Self Sufficiency programs:
  - One related to its Section 8 Housing Choice Voucher program that complies with the HUD Self Sufficiency program requirements. Under this program, Section 8 Housing Choice Voucher participants establish a five-year goal including to become welfare free and full time employed. These participants receive an Escrow equaling the difference between their base rent and any increase in earned income for the up to 5 years they can be on the program. If they successfully meet their goals, the participant will be able to receive the full escrow with interest. Many utilize this resource toward a down payment on a home or to return to school.
  - MPHA also has a low rent MTW based FSS program. This program is specifically targeted to MPHA residents who meet the requirements for participation in MPHA's Homeownership programs. Participants must have the goal of homeownership and show progress toward meeting this goal. In addition to the Escrow support, the participants may utilize MPHA's down payment assistance program or a Section 8 voucher to assist with a mortgage payment for the up to 10 years.

## **II. Please discuss MPHA's progress in implementing the awards made available under the American Recovery and Reinvestment Act of 2009.**

### ▶ **HUD Capital Fund Formula ARRA Award:**

- In March 2009, MPHA received a HUD Capital Formula ARRA Grant totaling \$18.2 million and to date has obligated 96% of these funds on 'Shovel Ready' projects identified in our Capital Plan. As of November 2009, MPHA's ARRA

funding has resulted in over 58 new jobs and helped preserve many others. HUD Secretary Donovan accepted MPHA's invitation to attend a 'Shovel Ready' event on July 10, 2009 and helped MPHA successfully launch its ARRA initiatives.

- In addition, MPHA purchased 20 foreclosed townhomes in a newly created mixed income community. MPHA utilized ARRA Funds to purchase this development and is exercising its Moving To Work authority to create a 'Rent to Own' project that will enable 20 families who meet public housing requirements to become first time homebuyers. This action helped stabilize a community threatened by the foreclosure crisis and positions MPHA families to be able to buy a home.

▶ **HUD Capital Fund Recovery Competition Awards:**

- **"Green" Senior Housing/Memory Care Development**

MPHA received funds to develop a 48-unit "green" memory care facility that will focus on providing housing and supportive services to frail elderly low-income residents who experience memory loss. MPHA has established a partnership with Hennepin County that will provide services to meet the needs of low-income elderly with memory loss. This development will utilize various energy efficiency methods and green technologies, including solar and geothermal. In addition, the structure will be built with "green" materials and designed to reduce the development's carbon footprint.

Grant Award: \$9.7 million ARRA funds and \$5.1 million in additional leveraged funds for a total project investment of \$14.8 million. Based upon a study by the Econsult Corporation, a private research group, the ARRA grant award should result in over 65 new jobs. The study identified that for each \$150,000 in capital funds expended, one full-time housing related job will be created.

- **Senior Center – North Minneapolis**

MPHA has proposed to design and build a state-of-the-art senior center in Heritage Park in North Minneapolis. MPHA has established

partnerships with Northpoint Health and Wellness Center, Minneapolis 'Y', Augustana Services, Hennepin County, the City of Minneapolis and others to provide an array of services to elderly residents living in North Minneapolis. These services include medical care, adult daycare and social and recreational opportunities.

Grant Award: \$10.5 million ARRA funds and \$3.8 million in additional leveraged funds for a total project investment of \$14.3 million. Based upon a study by the Econsult Corporation, a private research group, the ARRA grant award should result in over 70 new jobs.

- **Scattered Site "Green" Initiative**

MPHA is proposing to make significant energy improvements in over 733 scattered housing sites. These improvements will replace outdated systems and reduce energy and water consumption. In addition, these strategies will enhance operational efficiencies, result in significant energy saving costs, add to the long-term preservation of our housing resources and reduce the agency's carbon footprint and consumption of energy. This initiative will benefit MPHA, its residents, and taxpayers.

Grant Award: \$11.6 million ARRA funds dollars and \$1.1million in additional leveraged funds for a total project investment of \$12.7million. Based upon a study by the Econsult Corporation, a private research group, the ARRA grant award should result in over 77 new jobs.

### **III. Please discuss any initiatives MPHA is undertaking related to Foreclosure Prevention.**

- ▶ **Saving Home:**

- MPHA has assisted over 185 families to become first time homeowners under its various homeownership programs.
- Under MTW, MPHA's homeownership initiatives, Home Ownership Made Easy (HOME) and Moving Home (Section 8 Homeownership Demonstration Program) was revised and combined with a new Foreclosure Prevention Initiative 'Saving Home' that is designed to assist

low-income families participating in MPHA's Homeownership Programs in avoiding foreclosure.

- MPHA entered into a partnership with Person to Person, a non-profit agency, to assist families with their mortgage readiness goals. MPHA also entered into an MOU with Twin Cities Habitat for Humanity who will select North Minneapolis Families for participation in "Saving Home", where MPHA will provide Section 8 Mortgage Assistance to families facing foreclosure. In addition, 'Saving Home' has specific provisions to provide up to an additional two years of mortgage assistance for any family who has purchased a home through any of MPHA's Homeownership programs and is at risk of foreclosure.

▶ **MPHA Rent To Own Program:**

- As noted above, MPHA purchased 20 townhome development units and intends to create a Rent-to-Own Initiative where qualified public housing residents and Section 8 participants, as well as MPHA and City of Minneapolis employees who qualify for public housing, will have an opportunity to initially rent and subsequently purchase these units.

▶ **MPHA and Project for Pride in Living (PPL) Foreclosure Stabilization Project:**

- HUD has just approved a demonstration program partnership between MPHA and Project for Pride In Living (PPL) recipient of a Neighborhood Stabilization Program (NSP) grant from the City of Minneapolis to purchase and rehab foreclosed rental properties in designated 'at risk' neighborhoods throughout the City and offer the units for rent to very low income families. This project would allocate up to 21 Housing Choice Vouchers to be project based at the selected properties in an effort to stabilize those properties and contribute to the well-being of the surrounding neighborhood.
- Through the MPHA / PPL Foreclosure Stabilization Project Based Voucher Demonstration Program, 21 foreclosed and 'at risk' properties will be renovated and receive operational support to preserve the NSP investment while at the same time 21 families will be provided a long



term affordable housing opportunity. This marriage of two federal resources to preserve 'at risk' properties will help distressed neighborhoods and provide a replicable strategy for neighborhood stabilization.

#### **IV. Is MPHA Seeing Increased Need for Housing Assistance Due to Foreclosure Crisis? Other Factors Driving Increased Need for Housing Assistance.**

##### **▶ Waiting Lists Closed**

- As noted, MPHA's Public Housing Waiting List for families has been closed since June 2007, and the number of families remaining on the list is over 2,700. MPHA closed its Highrise Waiting List to persons under 50 who are not disabled in November 2008. MPHA's Section 8 Waiting List was only open for 2 days in June 2008, with over 15,000 requests for applications. Given this reality, it is difficult for MPHA to assess the specific impact of foreclosures on the need for housing.

##### **▶ Resource Room Contacts**

- Through its VISTA Program, MPHA staffs a Housing Resource Room and provides housing referral information to those who contact the Agency at its 1001 Washington Avenue North administrative offices.
  - In 2009, MPHA has averaged over 950 contacts per month from persons seeking affordable housing opportunities. Of these contacts, over 300 per month experience language and cultural barriers.

##### **▶ Unemployment/Economy**

- Minnesota is faring better than the nation as a whole when it comes to unemployment but has recently reached a rate in excess of 7% with minority unemployment doubling this rate. This data does not include the underemployed or those who have given up seeking employment. These families are among those who comprise our waiting lists and who are crying out for assistance with their housing costs.

## **V. Please discuss the need for housing assistance in Minneapolis and MPHA's ability to meet the demand.**

### **▶ Need for Housing Assistance**

The need for affordable housing in our community is overwhelming. As noted previously, when MPHA opened its Section 8 Waiting List in June 2008, it received over 15,000 requests for applications. The volume of online requests was so heavy that the system crashed numerous times, making this avenue to application more difficult. Section 8 staff were available to ensure applicants who were unable to submit online be offered the alternate paper application. The Metropolitan Council, a suburban housing authority, opened its waiting list a year before MPHA has had similar overwhelming requests for assistance.

These two opening of waiting lists occurred before the economic crisis reached its peak in 2009, and before the significant increases in unemployment. MPHA's over 950 housing resource room contacts per month and other data by the City, County and other affordable housing groups highlight the lack of and the need for affordable housing.

- In the Minneapolis metropolitan area, there are over 125 homeless shelters and transitional housing programs with about 3400 bed per night. These programs provide emergency housing for individuals and families.
- In 2008, Wilder Research reports that over 13,000 people stayed in these programs.
- Wilder estimates that on any given night there are over 4,700 persons who are homeless in the metropolitan area with over 45% being children.

### **▶ MPHA's Ability to Meet Demand**

MPHA's public housing programs average about a 20% turnover per year, meaning that 1,100 units are available each year and in the Section 8 Housing Choice Voucher program about 35 vouchers turnover each month or 420 per year.

MPHA is also challenged in being able to meet the high demand for affordable family housing in Minneapolis. With the Hollman Consent Decree, we abolished 770 units of family housing and replaced them throughout the suburban community. This, however, resulted in fewer public housing family homes in Minneapolis. Since that time many large families, especially immigrant families, have moved into Minneapolis and do not have access to rental housing that can accommodate their needs.

At this rate of availability, MPHA is woefully unable to effectively respond to the demand for affordable housing. We are proud of the initiatives we have undertaken to help families become self-sufficient and how we utilize our resources to enhance the quality of housing we provide. However good our services and high the quality of the housing we provide, our resources and HUD limitations do not allow an increase in quantity. MPHA is ready and able to move to provide additional housing if HUD provides both the authority to increase its housing stock and the funding to operate it and there is local political support.

## **VI. Please discuss the greatest challenges faced by MPHA.**

### **▶ MPHA's greatest challenges in providing safe, decent and affordable housing in our community include:**

- The significant gap between our unmet Capital needs and our allocation of Capital funds: MPHA conducted a comprehensive needs assessment in 2006 and identified \$225 million in unmet capital needs. This needs assessment was updated in 2009 and the unmet needs increased to over \$245 million. Our Capital Fund allocation ranges from about \$11 to \$14 million per year. This difference between need and investment puts MPHA's portfolio at risk.
- Baby Boomers/Aging: The aging population poses significant challenges for MPHA. Each year, our elders grow more frail and vulnerable. MPHA does not have the resources to provide social services for the elderly in our highrises. State and Federal programs and funding are not available to address these needs, yet our seniors do not have access to alternatives, and thus risk their housing as they struggle to maintain their homes in compliance with their lease.

- The State of Minnesota is required to have a balanced budget. The economic crisis and increased unemployment impact the revenue to the state and in turn, the state is reducing funding for programs and services that in the past have assisted residents with their special needs.
  - For example, public housing families who are on TANF (MFIP in Minnesota) receive a reduction in their benefits if they live in public housing. This reduces income for a low-income family and reduces MPHA's income. The state has also cut medical and financial benefits to very low-income individuals and elderly. In 2010, the state is facing very large deficit and this will likely result in increased cuts to programs and services that assist our families.
- The loss of programs and services that support our residents, especially the elderly, increase the isolation and the desperation of our residents. They fear alerting MPHA to struggles or problems that may put them at risk of losing their homes, and so become less engaged with the agency and more vulnerable.

## **VII. Please discuss what other resources are needed from the Federal level.**

- MPHA believes with increased Annual Contribution Contract (ACC) authority it could partner with the City, County and State to acquire foreclosed homes, tax forfeiture properties or adopt other strategies that would increase the number of affordable housing units in the community and stabilize 'at risk' neighborhoods.
- In addition to operational dollars provided by increased ACC authority, MPHA needs development dollars and authority from HUD to create new affordable housing opportunities, including mixed financed developments, which would allow MPHA to restructure and integrate public housing more fully into neighborhoods and communities.