Agenda

Minneapolis City Council Study Session

Renters' Opportunity to Purchase Housing

Friday, September 20, 2019 – 10:00 A.M. – 12:00 P.M.
City Hall Room 319

- Welcome
  Council President Bender
- Goals and Grounding
  Council Member Steve Fletcher
- Policy Context
  Angie Skildum – Residential Finance Manager, Department of Community Planning & Economic Development
- Washington, DC Tenant Opportunity to Purchase
  - Danilo Pelletiere and Terrance Laney – Senior Advisor and Rental Conversion & Sale Administrator, Washington, DC Department of Housing & Community Development
  - Michael Diamond – Professor of Law, Georgetown University Law Center
  - Dominic Moulden – Resource Organizer, ONE DC
- Q&A and Discussion

Minneapolis
City of Lakes

CITY OF MINNEAPOLIS

City Housing Preservation & Resident Stabilization Strategies that Support Tenant Ownership

Minneapolis City Council
Study Session

Minneapolis
City of Lakes

September 20, 2019

City Housing Strategy

- Increase housing supply, diversity and affordability in all neighborhoods
- Affordable housing production and preservation
- **Preservation of Naturally Occurring Affordable Housing**
- **Support renters**
- Prevent and end homelessness
- **Improve and sustain access to affordable homeownership and reduce racial disparities in homeownership**

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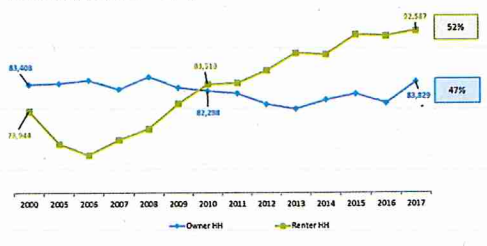
Renters in Minneapolis

Tenure (Owner/Renter Status) for Minneapolis, 2000-2017



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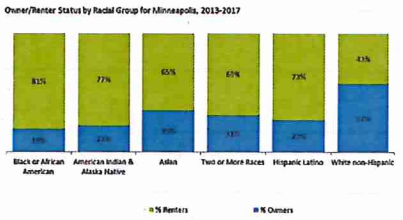
Renters in Minneapolis



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Existing Policy & Program Infrastructure

1. NOAH Preservation Strategies
   - Small and Medium Multifamily Pilot
2. Advance Notice of Sale and Post-Sale Tenant Protections
3. Resident Stabilization Strategies
   - Emergency Stabilization Pilot

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NOAH Preservation Strategies

- NOAH Preservation Fund
  - Acquisition program to assist nonprofit preservation buyers in purchasing larger properties or portfolios
- Small and Medium Multifamily Loan Program (SMMF)
  - Acquisition program to facilitate tenant purchase, community ownership strategy, and/or nonprofit preservation buyers in purchasing smaller properties or portfolios
- 4d Affordable Housing Incentive Program
  - Property tax incentive for existing owners in exchange for 10 year affordability commitment
- Advance Notice of Sale/Post-Sale Tenant Protections

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SMMF Pilot

- City partnership with Land Bank Twin Cities and Local Initiatives Support Corporation (LISC)
  - City contributes $1.9 funding (annually)
  - LISC provides loan capital
  - Land Bank contributes equity and acquires and holds properties
- City funds: 0% interest deferred loan up to $50,000/unit
- Best suited to time sensitive and opportunity-specific acquisitions of 10-20 unit buildings
- Disposition in 1-3 years to nonprofits or other buyers approved by City Council, who can assume deferred debt
  - Disposition could be to tenant-formed organizations, community based organizations, or other entities

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SMMF example pro forma

Uses	Per Unit	Total Amount
Acquisition	95,000	7,220,000
Rehab	20,000	1,520,000
Soft Costs	14,480	1,100,480
Total Uses	129,480	9,840,480

Sources	Per Unit	Total Amount
LISC	72,140	5,482,640
City of Minneapolis	50,000	3,800,000
Developer Equity (Land Bank)	7,340	557,840
Total Sources	129,480	9,840,480

Underwriting Assumptions

- 76 Units (max City Participation)
- Rents $800-$950
- 4D Property Tax Deduction
- Operating Expenses $4,500/ unit
- Interim Debt Service is Interest-Only
- 25% of Surplus Cashflow (after debt service) deposited into a sinking fund for unexpected operating/ capital costs. Any unused balance will go to end-buyer for re-fi.

LISC Presentation - July 8

Advance Notice of Sale and Post-Sale Tenant Protections

- Notice of Proposed Sale: **prospective sellers** of properties w/affordable rents required to give notice to the City (CPED Director) 60 days prior to making the property available for sale
- Notice of Sale: **new owners** required to give notice to all tenants and the City
  - Notice required within 30 days of sale
  - Tenant protection rules apply to affordable units

Affordable Rents, 2019	
Efficiency	$1,050
1 BR	$1,125
2 BR	$1,350
3 BR	$1,560
4 BR	$1,740

- **Post-sale tenant protections**: For 90 days after the notice of sale is given, renters are eligible for relocation assistance (3 months' rent) if a lease is terminated without cause, if rents increase, or if the renter is re-screened

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Resident Stabilization

- Emergency Stabilization Pilot
  - 5-year Pilot to provide ten units of City-owned rental housing to households facing imminent displacement
- City of Lakes Community Land Trust Initiative
  - CLCLT assisting five families to become homeowners by purchasing their single family rentals via long-term affordable 99 year ground lease and utilizing City funds to rehabilitate the properties
- Housing Stabilization Pilot
  - City funds available to support resident stabilization in 1-4 unit rental properties
- Owner Occupied Rehabilitation Program
  - Anti-displacement strategy via suite of five home improvement loan products to support homeowners in making needed repairs/improvements

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Questions?

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Building a Local Housing Preservation Ecosystem: Tenant Opportunity to Purchase (TOPA) and Local Policy

September 20, 2019

Danilo Pelletiere, Senior Policy Advisor
Terrance Laney, Rental Conversion and Sale Administrator

GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

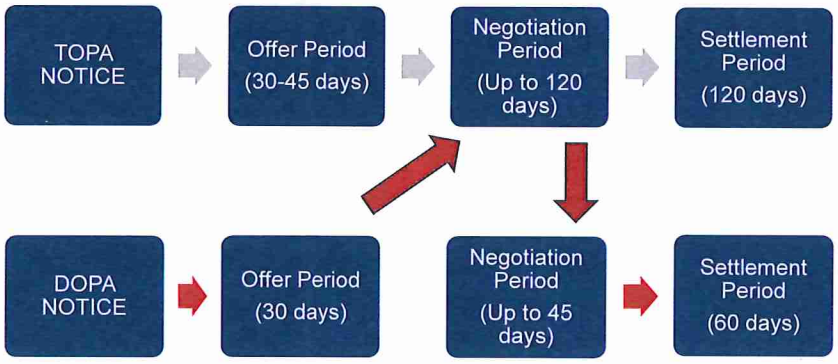
The Context DHCD's TOPA/DOPA Involvement

- DC is a federal district with home rule
  - Practically, DC is a city, a county, and a state
- DHCD funds affordable housing, neighborhood based services grants, and administers portions of the rent stabilization and condominium/coop conversion process including TOPA.
  - DC also has a separate housing authority and housing finance agency
- Along with LIHTC, CDBG, HOME, etc. DC has many local programs
  - DC Housing Production Trust Fund $100 million a year
  - DC Preservation Fund ~$116 million revolving loan fund
  - Local Rent Supplement Program funds over 3,000 households

TOPA – DC's Other Special Sauce?

- The Rental Housing Conversion and Sale Act of 1980, as amended (D.C. Law 3-86) (the Conversion Act).
  - The "Tenant Opportunity to Purchase Act (TOPA)" regulates the conversion of use, sale, and transfer of rental housing. Tenants:
    - Have the opportunity to invoke their rights to purchase
    - Have first rights of refusal
    - Receive offer of sale notices
    - Receive notices of the transfer and the conversion of property to cooperatives or condominiums
- The District Opportunity to Purchase Act (DOPA).
  - This act empowers the Mayor with the right to purchase buildings with five or more rental units of which 25 percent are deemed as "affordable" *subordinate to TOPA*

TOPA & DOPA Timelines
(Intended to Run Concurrently)



*The Negotiation Period for DOPA does not occur if TOPA is executed in the Negotiation Period.

TOPA - The Number of Recent TOPA Filings

Year	2 – 4 Unit	5+ Unit
2015	293	96
2016	332	108
2017	347	106
2018	334	116
YTD 2019	268	154

Possible Outcome Under TOPA

- Tenants (Tenants Association) purchases the building
- Tenants (Tenants Association) assign their rights to a third party to purchase the building on their behalf and redevelop/operate it with a development agreement.
- Tenants assign their rights typically for some consideration – often vacate the property
- Tenants do not organize or assign their rights and the property is sold to the original purchaser

Multifamily Ownership Structures under TOPA

- Cooperative/Limited Equity Cooperative
- Condominium
- Tenant Association forms joint venture with developer and holds a percentage ownership interest
- New owner operates the property under a development agreement with the tenants

Successes – Tenant Empowerment

- Tenants have a say in deciding what happens when their building is slated to be sold or demolished
- TOPA enables tenants to form cooperatives and condo associations that provide ongoing ownership and potential equity and wealth
- TOPA can serve to create mixed income, diverse communities in changing neighborhoods
- Can provide households with stability and mitigate the pressures from rent increases and eviction.

Successes - Turning a Right into Affordable Housing

TOPA can become an affordable housing tool at scale with policy and programs to support it:

- Technical assistance and help in organizing tenants.
  - DHCD assists ~ 10 nonprofits with CDBG funds and a number explicitly work on TOPA.
- Facilitate financing that can accommodate TOPA timelines and low-income rent levels.
  - DHCD Development Finance Division and other sources

Successes – Turning a Right into Affordable Housing

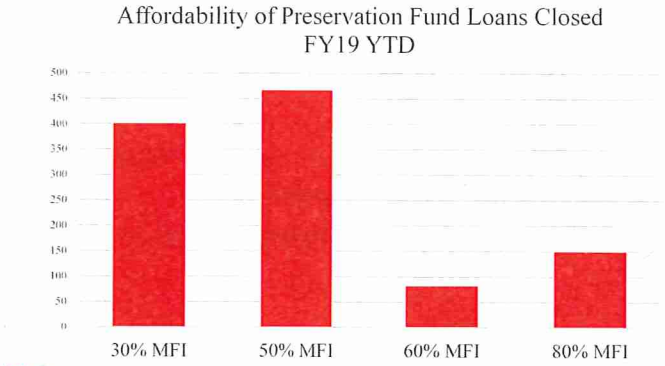
- Mayor Bowser's Housing Preservation Strike Force found DC government was too reactive and made 6 recommendations
  - Establish a Preservation Unit in DHCD
  - Create a Public-Private Preservation Fund
  - Create a Small Properties Preservation and Affordability Program
  - Implement the DOPA
  - Advance preservation under TOPA
  - Allow low income senior renters to age in place.

Successes – Turning a Right into Affordable Housing

- Over 1,400 units purchased through DHCD Development Finance Divsion TOPA Acquisition funding since 2015
  - In 27 projects
    - 11 Limited Equity Cooperatives – 269 units
    - 16 projects where tenants assigned their rights – 1,172 units

Successes – Turning a Right into Affordable Housing

- Twelve DC Preservation Fund loans have closed a total of 1185 units of which 1148 units (97%) are affordable at or below 80% MFI and nine TOPA projects.



Challenges – Timing, Governance

- TOPA Timeframe-
  - Shorter timelines limit opportunities to exercise TOPA rights
  - Longer timelines affect property rights and raise opposition.
- Governance
  - Need technical assistance on front end
    - Residents must understand pros/cons of each option and make an informed decision
  - Likely to need long-term property maintenance and governance assistance as residents turnover and circumstances change
    - Mixed income properties need special consideration to address power imbalances and competing housing objectives

Challenges – Rehabilitation Strategy

- Need predevelopment funding
  - Resources to simply apply for financing (appraisal, environmental report, etc.)

- Most properties have substantial rehabilitation needs
  - Many projects turn to DHCD through the competitive RFP for additional funding, but funds are limited
    - What is the plan if the project's rehab is not funded by the District?
  - How will affordability mix agreed to at acquisition impact rehab and ongoing maintenance?

- Need a sophisticated developer partner or development consultant to plan rehabilitation strategy

Challenges – Long-Term Financial Feasibility

- Affordability mix agreed to at acquisition impacts rehabilitation and ongoing maintenance

  - Residents unwillingness to "raise their own rent" must be addressed

  - Rents/Condo fees must cover improvements and long-term maintenance

  - Developer's affordability commitments to Tenant Association must be realistic

Challenges – Small Buildings, Assignment of Rights

- Difficult to assist small buildings
  - Lack of economies of scale
    - Increased costs per unit
    - Less interest from private sector
  - Government programs also tend not to serve well for some of the same reasons

- Is the program for "tenant purchase" only or are other outcomes OK?
  - Concerns when tenants assign their rights to a developer.
  - Concerns when tenants vacate for some consideration?

Summary - Critical Program Elements

- Resources to support tenant capacity
  - Technical assistance and training, and not only prior to purchase
    - Asset management, property maintenance and compliance
    - Governance for coops and condos.

- Consider purchase timeframes carefully –
  - Balance property owner rights with objective of tenant rights and preserving affordability

- Affordable funding source for acquisition and rehabilitation
  - Prioritize properties at risk of affordability loss

Backstop to TOPA? DOPA Assignment of Rights in 7 Steps

Tivoli Gardens, a TOPA project in Ward 5, is an example of the type of project that also can benefit from DOPA.

1. DOPA Notification Form Received
2. Property Eligibility Determined
3. Statement of Interest Sent
4. RFP Sent to Pre-Qualified Developers
5. Wait for Tenants to Decide on their TOPA rights
6. Property Awarded through Assignment of Rights and Affordability Covenant
7. Compliance and Follow Up

ONE DC

What Is A Cooperative?

(For entire Coop body)

This session focuses on the cooperative legal structure. The topics covered include: the laws governing the cooperative's formation, the legal documents governing its operations, and the relationship between the shareholders, the board, and the manager.

Why Am I the Only Active Coop Member Interested in Participating?

(For Coop leadership)

This session focuses on practical ways to increase and maintain resident participation. The topics covered include: why people participate, why people stay active in volunteer organizations and why they don't, using committees as a tool for building participation, and the 6 "R"s of participation—role, respect, reward, recognition, results, relationships.

Roles and Responsibilities

(For Coop leadership)

This session focuses on the roles and responsibilities of the different actors involved in the governance and management of the cooperative. The topics covered include: roles and responsibilities of the owners, renters (if any), the board of directors, officers, committees, and the manager.

Using Your Governing Documents

(For entire Coop body)

This session concentrates on using the building's governing documents as tools for effective management and reviews the cooperative's governing documents.

Developing Policies

(For Coop leadership)

This session will explore different policy issues in a cooperative and how to develop effective policies to address them. The topics covered include: resale, subletting, and house rules.

ONE DC

Expenses—Where the Money Goes

(For Coop leadership)

This session focuses on how to record and track expenses so that a manager/owner has an accurate assessment of its financial standing. The topics covered include: making payments and tracking expense disbursements.

Why budget?

(For Coop leadership)

This financial management session emphasizes the importance of budgeting for the short- and long-term health of the cooperative. The session includes: the purpose of budgeting, making budget projections, and preparing and monitoring the annual budget.

Now That You Have Real Assets, How Do You Preserve and Increase Them

(For Coop leadership)

This is the final session on financial management and the second one concentrating on the cooperative's financial planning. The topics covered in include: replacement verses repairs, resale of shares, asset management, and how to safeguard the cooperative's funds.

Holding Effective Meetings

(For Coop leadership)

This session focuses on the different components that go into effective meetings. The topics covered include: the purpose of meetings, planning for meetings, outreach, agendas, running meetings, taking minutes, and meeting follow-up.

Interactions with Property Managers

(For entire Coop body)

This session discusses both useful and useless interactions between tenants and property managers. The chain of authority and responsibility is explained. Because the most important formal interaction with the management company will probably be monthly, or bi-monthly, meetings, methods for using these meetings in the most productive ways are

explored. How to strike a balance between building-wide problems and annoying minor issues is discussed, and the tendency of tenants to focus on minor irritations while missing the bigger picture is also discussed.

Reading Management Reports

(For Coop leadership)

This session focuses on how the Coop can effectively monitor a management company. The content of a management report is examined. The topics covered include: bank statements, the balance sheet, the rent roll, income statements, expense statements, and categorizing expenses. This session also serves as a general introduction and overview to a building's financial management.

You are warmly invited to the

Duncan Co-op Ribbon Cutting Celebration

Saturday, October 30, 2010, 11:00 am - Noon
4625 13th Street N.W., front courtyard

The Duncan Cooperative is proud to announce it is finishing a 5-year tenant-purchase process, with the completion of a renovation program this month.

The co-op members organized to purchase from their landlord in 2006, with financing from the Dept. of Housing and Community Development, and now have successfully run their development as a limited equity co-op for 4 years. After funding for renovation was not available from DHCD, the co-op obtained a loan from PNC Bank to undertake a moderate rehab this year.

Through persistent leadership and action by the resident association, and with technical assistance from ONE DC, this cooperative has been firmly established to provide and preserve high-quality housing in Petworth for at least the next 40 years serving teachers, taxi drivers, hospital, hotel and other services employees, as well as retirees.

Come out to celebrate this success! Contact Gloria Robinson, 202-232-2915 or grobinson@onedconline.org, for more information.

The Duncan Cooperative Inc.

ONE DC
ORGANIZING NEIGHBORHOOD EQUITY
FORMERLY MANNA CDC