MOVING TO WORK DEMONSTRATION AGREEMENT

This Agreement is entered into by and between the United States of America through the Department of Housing and Urban Development ("HUD") and the Minneapolis Public Housing Authority (the "Agency"). The term of this Agreement shall begin on the Date of Execution by HUD.

WHEREAS, Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. 104-134) (the "1996 Appropriations Act") establishes the Public Housing/Section 8 Moving to Work Demonstration program ("MTW"); and

WHEREAS, Section 204(a) of the 1996 Appropriations Act provides that public housing agencies ("PHAs") and the Secretary of the Department of Housing and Urban Development (the "Secretary") shall: have the flexibility to design and test various approaches for providing and administering housing assistance that reduce cost and achieve greater cost effectiveness in Federal expenditures; give incentives to families with children whose heads of household are either working, seeking work, or are participating in job training, educational or other programs that assist in obtaining employment and becoming economically self-sufficient; and increase housing choices for low-income families; and

WHEREAS, HUD may permit agencies to combine funds from several HUD programs, and may exempt agencies from existing public and Indian housing and Section 8 certificate and voucher rules under Moving to Work demonstration authority; and

WHEREAS, the Secretary has the authority to select up to thirty (30) agencies that administer the public housing and Section 8 programs to participate in the Moving to Work demonstration program; and

WHEREAS, the Secretary has determined that the Agency satisfies the Secretary's selection criteria as set forth in the Notice of Moving to Work Demonstration program and invitation to apply, published December 18, 1996 (61 Fed. Reg. 66856); and

WHEREAS, the parties have previously entered into one or more annual contributions contracts ("the ACCs") setting forth the terms and conditions under which the

Minneapolis Public Housing Authority Moving to Work Agreement—Page 1
Agency participates in the public housing and/or Section 8 certificate and voucher programs administered by HUD; and

WHEREAS, the parties desire to state the terms and conditions under which HUD will permit the Agency to participate in the Moving to Work Demonstration program as set forth in the Agency's HUD-approved Moving to Work Plan (the "MTW Plan"), attached hereto as Appendix A. The Agency's MTW Plan is hereby incorporated into this Agreement;

NOW, THEREFORE, in reliance upon and in consideration of the mutual representations and obligations hereunder, the parties do agree as follows:

ARTICLE I. HUD Program Requirements and Other Federal Requirements.

The Agency agrees to comply with the following requirements for which HUD has enforcement authority. There may be other Federal laws applicable to the use of funds for which HUD does not have enforcement authority.

A. This Agreement supersedes the terms and conditions of the ACCs and the provisions of the United States Housing Act of 1937 (the "1937 Act") and HUD requirements to the extent necessary for the Agency to implement its MTW Plan, as approved by HUD. Except as necessary to implement the Agency's activities described in the MTW Plan, the Agency is subject to the requirements of the ACCs, the 1937 Act, and other HUD requirements. Notwithstanding anything in this Agreement, the following provisions of the 1937 Act, as otherwise applicable, shall continue to apply to the Agency and/or assistance received pursuant the 1937 Act:

1. The terms "low-income families" and "very low-income families" shall continue to be defined by reference to Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2));

2. Section 18 of the 1937 Act (42 U.S.C. 1437p, as amended by Section 1002(d) of Public Law 104-19, Section 201(b)(1) of Public Law 104-134, and Section 201(b) of Public Law 104-202), governing demolition and disposition, shall continue to apply to public housing notwithstanding any use of the housing under MTW; and

3. Section 12 of the 1937 Act (42 U.S.C. 1437j), governing wage rates, shall apply to housing assisted under MTW unless tenant-based assistance is the only assistance
received by participating families and the housing in which they reside receives no other assistance.

B. To the extent described in the Agency's MTW Plan, as applicable and as approved by HUD, the Agency may combine operating subsidies provided under Section 9 of the 1937 Act (42 U.S.C. 1437g), modernization funding provided under Section 14 of the 1937 Act (42 U.S.C. 1437l) and assistance provided under Section 8 of the 1937 Act for the certificate and voucher programs (42 U.S.C. 1437f) to fund HUD approved MTW activities.

C. This Agreement does not apply to Section 8 assistance that is required: (a) to meet existing contractual obligations of the Agency to a third party (such as Housing Assistance Payment contracts with owners under the Agency's Section 8 certificate and voucher program); (b) for payments to other PHAs under Section 8 portability billing procedures; or (c) to meet particular purposes for which HUD has expressly committed the assistance to the Agency. Such Section 8 assistance may not be used for Agency activities under the MTW plan.

D. The Agency agrees to comply with HUD requirements governing the MTW program. Such HUD requirements include, but are not limited to management, financial, accounting, or other requirements designed to adequately track and monitor the Agency's use of HUD assistance. The Agency agrees to cooperate fully with HUD and its contractors in the monitoring and evaluation of the MTW demonstration, to keep records and to submit reports to HUD as required of PHAs participating in the MTW program. The Agency agrees to submit to the Secretary a report, or series of reports, in a form and at a time specified by the Secretary. Each report shall document the use of assistance under the demonstration; provide data as the Secretary may request to assist the Secretary in assessing the demonstration; and describe and analyze the effect of assisted activities in addressing the objectives of the demonstration.

E. Pursuant to the 1996 Appropriations Act, the amount of assistance that the Agency receives for public housing operating subsidies, public housing modernization grants, and Section 8 assistance for certificates and vouchers will not be diminished by the Agency's participation in the MTW program.

F. Any HUD assistance that the Agency is authorized to use in the MTW demonstration must be used in accordance with the Agency's HUD-approved MTW Plan (Appendix A). The Agency hereby certifies that the MTW Plan has been approved by the Agency's governing board.
G. The Agency agrees that at least seventy-five percent (75%) of the families assisted by the Agency under the MTW demonstration program will be very low-income families. The Agency agrees to continue to assist substantially the same number of eligible low-income families under MTW, and to maintain a comparable mix of families by family size, as would have been served or assisted if HUD funding sources had not been used under the MTW demonstration. The Agency agrees to establish and maintain a reasonable family rent policy, as approved by HUD, that is designed to encourage employment and self-sufficiency on the part of participating families. The Agency agrees that housing assisted under MTW will meet housing quality standards established or approved by HUD.

H. The Agency agrees to comply with the following Federal requirements: (1) the nondiscrimination and equal opportunity requirements, the disclosure requirements governing funding competitions, the prohibitions regarding debarred, suspended or ineligible contractors, and the Drug-Free Workplace requirements as set forth at 24 CFR section 5.105; and (2) the Americans with Disabilities Act of 1990.

I. If applicable to activities under the MTW Plan, the Agency agrees to provide HUD with any documentation that HUD needs to carry out its review under the National Environmental Policy Act (NEPA) and other related authorities and otherwise will assist HUD in complying with 24 CFR Part 50 environmental review procedures. The Agency further agrees (a) to carry out mitigating measures required by HUD or select an alternate eligible property, if permitted by HUD, and (b) not to acquire, rehabilitate, convert, lease, repair or construct property, or commit HUD or local funds to program activities involving eligible property without HUD’s approval under 24 CFR Part 50.

ARTICLE II. Revision and Termination of Agency MTW Program

A. With HUD approval, the MTW Plan may be revised during the course of the demonstration. The Agency shall request approval of a revision by written notification to HUD (delivered to the Office of Policy, Program, and Legislative Initiatives, or its successor, in the Office of Public and Indian Housing). Any revision to the MTW plan must be approved in advance by HUD.

B. The Agency shall fully cooperate with HUD in developing and implementing a transition plan for terminating the Agency’s MTW demonstration program and providing for the continued administration of the public housing and Section 8 programs, as applicable.
C. At any time HUD may terminate this Agreement, and the Agency MTW demonstration, for Agency default or other good cause as determined by HUD.

ARTICLE III. Default.

A. Definition of Default. Use of funds subject to this Agreement for a purpose other than as authorized by this Agreement: noncompliance with legislative, regulatory, or other requirements applicable to this Agreement; other material breach of this Agreement; material misrepresentation in the MTW Plan submission by the Agency shall be a default under this Agreement.

B. HUD's Determination of Default. If HUD determines that the Agency is in default, HUD will give the Agency written notice of the default and of the corrective or remedial action required or ordered by HUD.

C. Corrective or remedial actions HUD may require or order under this Agreement include, but are not limited to the following:

1. Requiring the Agency to prepare and follow a HUD approved schedule of actions and/or a management plan for properly completing the activities approved under this Agreement;

2. Canceling or revising the affected activities, revising the budget for activities as necessary, and substituting other eligible activities;

3. Discontinuing draws under the Line of Credit Control System-Voice Response System and prohibiting payment or reimbursement for any MTW demonstration activities or for those activities affected by the default; and

4. Requiring reimbursement by the Agency to HUD for amounts used improperly.

D. HUD's Remedies for Agency Default. HUD may exercise any available remedies for Agency default under this Agreement, which include, but are not limited to:

1. Terminating this Agreement;

2. Changing the method of payment to the agency;
3. Suspending the Agency's authority to make draws or receive or use funds for affected activities;

4. Reducing the Agency's funding in the amount affected by the default;

5. Terminating the Agency's funding as to further activities under the MTW demonstration;

6. Taking action against the Agency under 24 CFR Part 24 and Executive Order 12549 with respect to future HUD or Federal grant awards;

7. Requiring reimbursement by the Agency to HUD for amounts used improperly;

8. Taking any other remedial action legally available; and

9. Taking action, as applicable, pursuant to the Section 8 and/or public housing Annual Contributions Contract.

MINNEAPOLIS PUBLIC HOUSING AUTHORITY

By [Signature]

Its Executive Director

Date of Execution by Agency 8-11-98

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By [Signature]

Its General Deputy Asst. Sec.

Date of Execution by HUD 8-27-98
APPENDIX A

MOVING TO WORK DEMONSTRATION AGREEMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND
MINNEAPOLIS PUBLIC HOUSING AUTHORITY

MOVING TO WORK PLAN

I. MTW ACTIVITIES AND TERM OF AGREEMENT

A. This Moving to Work Plan ("MTW Plan") describes the activities that the Minneapolis Public Housing Authority ("MPHA") may carry out under the Moving to Work Demonstration program, subject to the terms and conditions of the Moving to Work Demonstration Agreement ("MTW Agreement") between MPHA and the U.S. Department of Housing and Urban Development ("HUD").

B. MPHA is authorized to design and carry out a demonstration of the use of Section 8 tenant-based assistance for eligible families in accordance with the MTW Agreement and MTW Plan. This demonstration will provide assistance for up to fifty (50) families, who will receive assistance from available funding under the Consolidated Annual Contributions Contract for the MPHA’s Section 8 certificate and voucher program ("CACC").

C. The term of the MTW Agreement and of MPHA’s demonstration program is nine (9) years, commencing on the Date of Execution of the MTW Agreement by HUD. However, the MTW Agreement does not affect or extend the Annual Contributions Contract term of any funding increment under the CACC.

D. “Homeowner” means the member or members of the assisted family who own the home.

II. PURPOSE OF ASSISTANCE

A. Under this demonstration, MPHA is authorized to make housing assistance payments to or on behalf of a homeowner for a period of up to five years. However, in hardship situations, MPHA may grant an extension of up to one year.

B. Assistance shall only be used for payment of P.I.T.I. “P.I.T.I.” means:

1. Principal and interest owing to the mortgage lender for amounts borrowed to purchase the home, and
2. Real estate taxes and insurance for the home.

C. Assistance shall only be paid:

1. For a family that is eligible for tenant-based assistance under the Section 8 program;

2. As long as the family resides in the home, and the home is used as the family’s sole residence;

3. As long as the mortgage loan is outstanding.

D. MPHA shall determine qualifications of families who participate in the demonstration program and shall select the participants.

E. A member or members of each family assisted under this demonstration shall take title to the home within three years from the Date of Execution of the MTW Agreement by HUD.

III. AMOUNT OF ASSISTANCE

A. The amount of each monthly housing assistance payment on behalf of the family shall not exceed the lower of:

1. The amount determined by subtracting 30 percent of the family’s adjusted income (as determined in accordance with HUD requirements) from the applicable Payment Standard, or

2. P.I.T.I.

B. Payment Standard means the Fair Market Rent (FMR)/exception rent limit (as determined in accordance with HUD requirements) or other HUD-required payment standard.

C. The Payment Standard for a family is the lower of:

1. The Payment Standard for the family unit size; or

2. The Payment Standard for the unit size owned and occupied by the family with assistance under the MPHA demonstration homeownership program.

D. The family shall be responsible for paying all homeownership expenses in excess of amounts covered by the monthly housing assistance payment. In determining qualifications of participant families for admission to assistance under the demonstration, the MPHA may establish standards for determining whether the family can afford to pay such uncovered homeownership expenses.
E. The HA shall terminate assistance for a family if the HA determines, in accordance with HUD requirements, that available program funding is not sufficient to support continued assistance for families in its Section 8 program.

IV. LENDER FUNCTIONS AND ESCROW FOR REPAIR & REPLACEMENT

A. MPHA shall require each assisted family to make an additional monthly payment, in an amount determined by the MPHA, into an escrow account administered by the mortgage lender or another servicing agency. As long as the family is assisted, funds from the escrow account shall only be released with approval of the MPHA, and shall be used to pay costs of necessary repairs and replacement for the home.

B. Monthly Housing Assistance Payments may be paid by MPHA directly to mortgage lenders on behalf of participating families.

C. The mortgage lender must agree to notify MPHA prior to foreclosure or full repayment of the loan.

V. OCCUPANCY

A. To be selected for MTW, an applicant family:

1. Must be a participant in MPHA’s Section 8 tenant-based rental assistance and Family Self-Sufficiency (FSS) programs;

2. Must have a history of making rental payments on time;

3. Must have one or more adult members employed on a full-time basis for at least one year prior to application for the demonstration program;

4. Must be a family where no member has owned a primary residence during the past three years;

5. Must have an Annual Income (as determined in accordance with HUD requirements) of at least $16,000 (With HUD approval, MPHA may adjust this amount during the term of the demonstration.);

6. Must qualify for and obtain a mortgage loan from a lender participating in the demonstration.

B. For continued participation in MTW, the family must:

1. Continue participation in the FSS program;

2. Attend ongoing counseling as required by MPHA;
3. Comply with the terms of the loan and mortgage;

4. Comply with obligations of a participant under the regulations for the Section 8 tenant-based programs;

5. Maintain the home and premises in accordance with the Section 8 housing quality standards;

6. Pay mortgage, utility, and insurance bills on time; and

7. Occupy the home as their only place of residence.

C. When the family takes title to the home under MPHA’s MTW demonstration, the family will no longer be a participant in the MPHA’s Section 8 tenant-based rental assistance programs. However, in the event of a mortgage loan default or impending mortgage loan default, a participating family may request readmission to the MPHA certificate or voucher program. The MPHA may approve a request for readmission only if MPHA determines that all of the following conditions are satisfied:

1. The default occurred or would occur as a result of an unforeseen hardship (e.g., medical reasons, termination of employment, divorce or other hardship situation as determined by the MPHA);

2. The family works with counselors to avoid foreclosure;

3. The family has a history of making mortgage payments on time;

4. The family vacated the house in accordance with the lender’s terms and in good condition;

5. The family agrees in writing to reimburse the FSS Escrow Account for the amount drawn for repairs, closing costs and downpayment; and

6. The family is eligible for admission to the Section 8 tenant-based program.

VI. SECTION 8 PROGRAM REQUIREMENTS

1. Except as provided in the MTW Plan, Section 8 assistance under the MTW Plan is subject to regulations and requirements applicable to a regular tenancy under the Section 8 certificate program.

2. Section 8 assistance for a homeowner under the MTW Plan is not subject to Section 8 regulations concerning

   a) Rent to owner
b) Tenant rent

c) Total tenant payment

d) Required and prohibited lease provisions

e) Term of assisted tenancy

f) Owner termination of tenancy

g) Housing Assistance Payments Contract

VII. ADMINISTRATIVE FEES

A. For the purposes of calculating ongoing Section 8 administrative fees to the MPHA for units assisted under the demonstration, monthly ongoing fees per unit per month shall be calculated in the same manner as for Section 8 tenant-based rental assistance units administered by the MPHA. A monthly ongoing administrative fee shall be paid for each unit assisted under the demonstration at the beginning of each month.

VIII. HUD AUTHORITY

A. HUD shall have the authority to determine all issues concerning the construction of the MTW Agreement and MTW Plan, and applicability of HUD requirements to Agency activities under the MTW plan.

B. HUD must grant written approval for any changes in the Agreement or Plan.

IX. FAMILY SELF SUFFICIENCY PROGRAM

A. All provisions of the FSS program, as of the date of this agreement, will apply to participants in the MPHA homeownership program.

B. The following requirements also apply to assistance under the MPHA’s Moving to Work demonstration:

1. Family participation in the FSS program may exceed the current FSS five-year limitation, to the extent necessary to complete the terms of the homeownership program.

2. Interim withdrawals from the FSS escrow account will be permitted with MPHA approval. Permissible uses include:

   a) Down payment and closing costs, in an amount not to exceed 50% of account balance;
b) Major repairs and replacements in homeowner unit; or

c) The family’s share of the monthly mortgage payment in a hardship or default situation.

3. In the event of a default, the homeowner’s FSS escrow will be used to make the homeowner’s share of the mortgage payment and the homeowner will be counseled as to foreclosure prevention or sale of the home.

4. If a mortgage foreclosure on the homeowner unit occurs, the family must agree to reimburse withdrawals from the FSS escrow account. Reimbursement may be in the form of a reduction in the amount of subsequent Section 8 assistance to the family.

5. If the home is sold in years 1 through 5 (which begins from the date the homeowner acquires title to the home), the entire amount of MPHA assistance (including funds from the FSS Escrow Account disbursed for downpayment, closing costs, repairs to the property and the homeowner’s portion of the monthly mortgage payment) shall be recaptured from net proceeds from the sale.

   a) If the home is sold in year 6, 80% of MPHA assistance shall be recaptured.

   b) If the home is sold in year 7, 60% of MPHA assistance shall be recaptured.

   c) If the home is sold in year 8, 40% of MPHA assistance shall be recaptured.

   d) If the home is sold in year 9, 20% of MPHA assistance shall be recaptured.

   e) If the home is sold in year 10 or later, there is no recapture.

6. No recapture occurs if the family sells the property and uses the proceeds toward the purchase of another sole residence in which the family resides.

7. MPHA will enter into an agreement with participating families that will specify the terms regarding the use and recapture of all FSS and repair escrow payments.