



HENNEPIN COUNTY

Hotel/Motel Acquisition Initiative

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DESCRIPTION OF THE PROGRAM

Hennepin County is the largest County in Minnesota, and includes the city of Minneapolis. Approximately 3,000 people experience homelessness in Hennepin County according to the 2020 Point-in-Time count, and the County operates under a right-to-shelter policy for families with children.

Pre-Pandemic Hotel Partnerships

On December 26, 2019, the people of Hennepin County suffered a terrible loss when 200 people with low incomes who were living at the Drake Hotel lost their shelter — and in some cases their long-term homes — to a devastating fire. County staff immediately began working with hospitality providers in Minneapolis to find space in hotels and elsewhere for those displaced by the fire. Ironically, the relationships that were established as a result of the fire proved invaluable when the COVID-19 pandemic hit just two months later.

Pandemic Response

On March 17, 2020, just days after the COVID-19 disaster declaration, County staff had a proposal before the County board to approve \$3 million in County funds to lease hotel rooms as a COVID-19 response. These funds would allow County staff to lease hundreds of hotel rooms to move elders and people with pre-existing medical conditions out of congregate shelters. This vital

move allowed Hennepin County to avoid the catastrophic shelter outbreaks that other cities experienced. In addition, it allowed congregate shelters to decrease their populations and increase safety for remaining guests.

Shortly after the enactment of the Federal CARES Act, which assured funding for these leased rooms in the near term, County staff recognized that the on-going cost of leasing hotel rooms would be very high. Staff began developing a plan for identifying and acquiring hotels and other spaces to provide non-congregate shelter to replace some of these leased spaces, with the hope of being able to ultimately transition the acquired properties to permanent housing. This early start allowed them to identify that the characteristics of properties they wished to acquire for ultimate use as permanent housing would be somewhat different from those of properties only used for shelter during the emergency.

Property Acquisition Plans

As the initial CARES Act spending deadline approached, Hennepin County made the decision to acquire several properties, initially using Coronavirus Relief Funds, to provide living spaces for older adults experiencing homelessness and people with pre-existing medical conditions. In total, the County spent \$25 million to purchase and rehabilitate 165 units in four buildings.

Project Timeline (actual and projected)

Hennepin County board approves acquisition program	June 6, 2021
County staff conducts acquisition process	June - November 2020
County acquires properties	November - December 2020
First occupancy as non-congregate shelter	December 2020
First occupancy as permanent housing	January 2021
Complete conversion of all properties to permanent	June 2022 (projected)

These initial purchases supported a longer-term proposal of the County to create 1,500 units of affordable single-room occupancy (SRO) units over the next 10 years. Under this proposal, units would provide affordable, stable housing for individuals who are low-wage working adults and persons living on fixed incomes, typically without providing rental subsidies.

KEY PROGRAM FACTS

Program service area and population

Hennepin County has a population of 1.27 million, with 425,400 people living in the City of Minneapolis. The property acquisition program considered properties throughout the County, but all of the properties acquired are located in the City of Minneapolis.

The County has a higher percentage of renters than the Midwest in general, at 38%. Nearly one-third of County households are housing-cost burdened.

Number of units produced

The program acquired 165 new units in four separate properties. For the duration of the pandemic, these properties are being used to shelter homeless older adults and people with pre-existing medical conditions. To date, 31 of those units have been converted to permanent SRO housing, with the remainder scheduled for conversion to permanent SRO housing by mid-year 2022.

Amounts and sources of funding

The County allocated \$25.1 million in funds available to it for these purposes to acquire and provide initial modifications to the four properties, for an average per unit cost of \$152,000. The program intentionally selected smaller properties, ranging in size from 31 units to 55 units, to fit the intended model for permanent SRO housing.

Administrative/operational approach

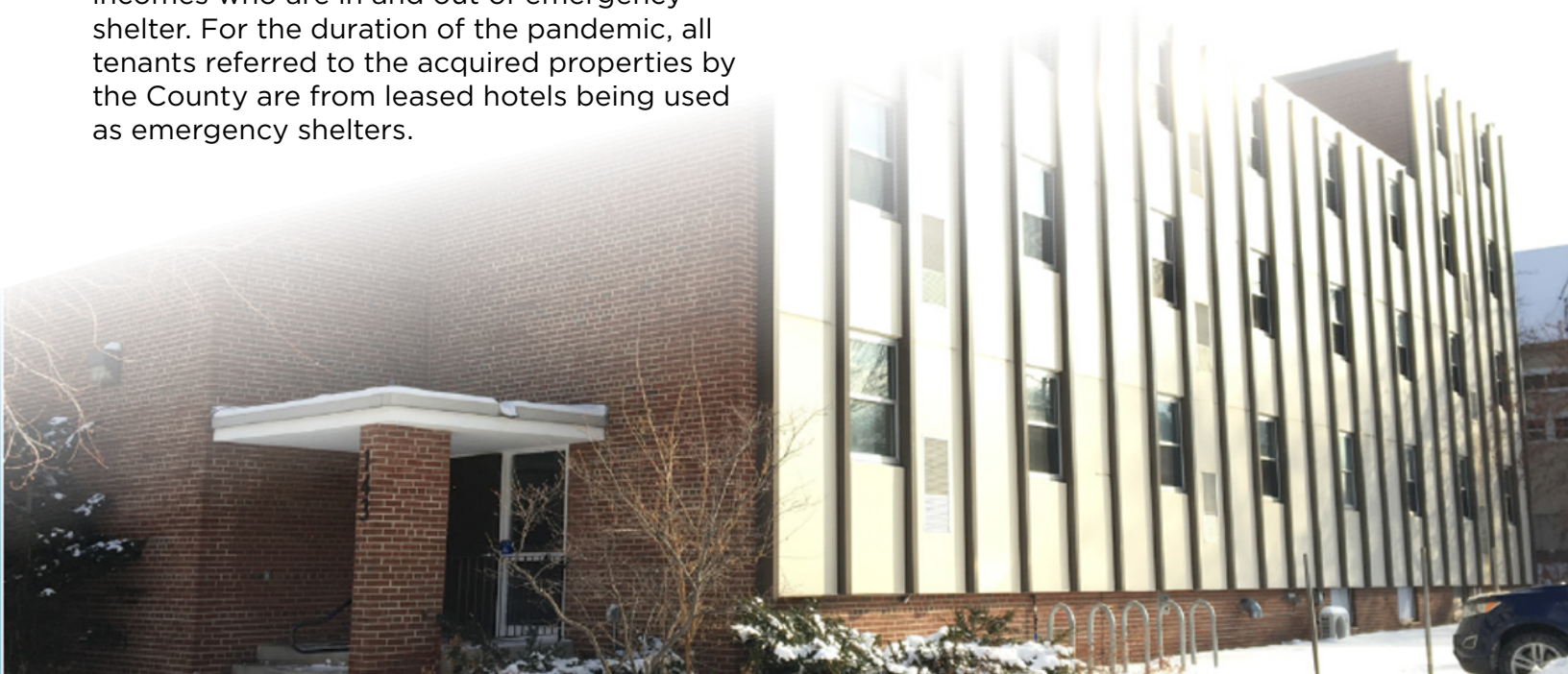
As a local unit of government with significant responsibility for providing support for people and families who are homeless or at risk of homelessness, Hennepin County works with its Continuum of Care partnership, Heading Home Hennepin. The plans to acquire and convert hotel properties into permanent SRO housing are just one small part of a broader initiative to find permanent housing for people staying in leased hotels during the pandemic.

The major focus of the County's acquisition program is to ultimately support the creation of permanent SRO housing units with rents affordable to low-wage working adults, persons on fixed incomes, and those with minimal incomes who are in and out of emergency shelter. For the duration of the pandemic, all tenants referred to the acquired properties by the County are from leased hotels being used as emergency shelters.

ACQUISITION PROCESS

In this program model, the County's Housing and Redevelopment Authority (HRA) is the owner of the properties, and it will enter into facility leases and management agreements with operators that will have the legal responsibilities of a landlord. The target rents for the properties are expected to range from \$375 per month for properties with shared kitchens and baths to \$550 per month for units with their own baths and kitchenettes.

With this program model, the County determined that it would undertake a process to directly acquire the properties, and did not invite applications from housing developers. As a large and administratively robust government entity, the County had access to the powers of a housing and redevelopment authority, as well as staff that is experienced in property acquisition and management to assist with identifying, underwriting, and acquiring the properties for the program. These staff worked with County staff responsible for housing and homelessness programs to administer the program.



KEY PLAYERS AND THEIR ROLES

Hennepin County

Hennepin County is the primary administrator of the program, working closely with staff from many County departments, the Continuum of Care partners, and the City of Minneapolis. As owner of the properties, the County will negotiate leases and management agreements with operators to serve as landlords and manage the properties.

Property Managers

This new model of permanent SRO housing will require partnerships with organizations that have the experience and ability to manage properties with operating models that are different and more flexible than affordable housing or supportive housing models.

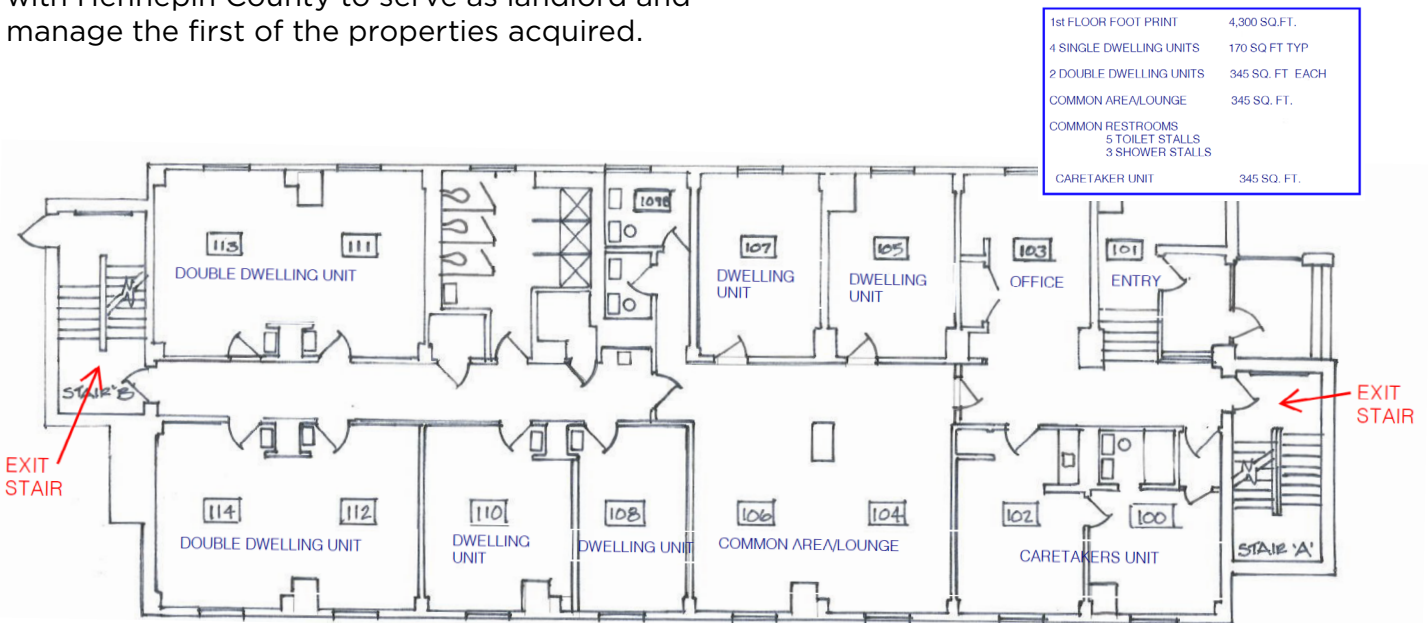
One such partner is Alliance Housing, a 30-year old non-profit organization that owns four multifamily properties and numerous multiplexes. Alliance Housing has contracted with Hennepin County to serve as landlord and manage the first of the properties acquired.

PROJECT SELECTION AND DEVELOPMENT PROCESS

Properties in this program were acquired directly by the County under County administrative provisions. Staff followed procurement processes but were allowed certain waivers as to timing. All purchases were subject to final review and approval by the County board.

The criteria used by County staff for identification and acquisition specified properties that:

- were located in Minneapolis or a first-tier suburb;
- had fewer than 130 rooms, with a priority for fewer than 100 rooms;
- had good access to public transit; and
- were near other residential areas, with access to shopping for groceries and basic needs.



FLOOR PLAN FOR A PROPERTY IN HENNEPIN COUNTY

KEY SUCCESS FACTORS

- The County had established relationships with the hospitality industry prior to the pandemic, which facilitated fast action in leasing hotel rooms to house people needing non-congregate shelter.
- Years of work through Heading Home Hennepin had already established a collaborative, multi-pronged approach to preventing and ending homelessness, which allowed for the rapid development of forward-looking recommendations.
- Early action by the County board to support the use of hotels for shelter during the pandemic laid the groundwork for the staff to propose an acquisition program soon after Coronavirus Relief Funds became available.
- Existing capabilities within the County to own and manage property laid the groundwork for ownership of the acquired properties directly by the County Housing and Redevelopment Authority.
- Flexibility in guidelines for the use of federal dollars and tight timelines for expenditure allowed for the rapid acquisition of properties.

BARRIERS AND LESSONS LEARNED

- When it became publicly known that the County would acquire hotel properties, the County was flooded with offers to sell properties, most of which were not viable. This led to a more proactive approach to identifying and acquiring properties on the part of the County.
- It has been challenging to attract organizations that are willing and able to manage properties for low-wage working adults and persons on fixed incomes that are purposely not structured to be supported by traditional rental assistance or supportive services. The County is now engaging in conversations with potential property landlords and managers that are accustomed to managing properties without rental assistance and supportive services.
- The City of Minneapolis has prohibited the licensing of new rooming houses for decades. With the identification of this style of housing as “missing” within the continuum of housing, and the projected need for 1,500 units of this type of housing over the next ten years, the City is entertaining a new SRO licensing option in the summer of 2021.

Contact Information and Website Links

<https://www.hennepin.us/your-government/projects-initiatives/heading-home-hennepin> for information on the multiple approaches to preventing and ending homelessness in Hennepin County

<http://www.alliancehousinginc.org/sometimes-things-just-fall-in-place/> for a description of the Stevens Square project and a link to the Alliance Housing website

AWARDED PROJECTS

Project Name	Number of Units	Cost (Acquisition & Rehab)	Target Conversion Date
Metro	34	\$3.4 million	Summer, 2022
LuMinn	55	\$12 million	Fall, 2021
University Inn	45	\$8.5 million	Summer, 2022
Stevens Square	31	\$1.2 million	February, 2021