Models for Mergers and Collaborations

among Minnesota's Regional Housing Organizations

About the Greater Minnesota Housing Fund (GMHF)

Greater Minnesota Housing Fund (GMHF) supports the creation of strong communities and affordable homes through making strategic investments and forming effective partnerships. GMHF's direct financing of more than $208 million over 18 years has leveraged in excess of $1 billion in additional capital investments, providing thousands of construction, property management, lending, real estate and other service jobs, and sustaining the local employers who create these jobs. GMHF is the largest affordable housing Community Development Financial Institution (CDFI) in Minnesota and is a member of the Federal Home Loan Bank of Des Moines. GMHF provides $20 million to $30 million annually in development loans for predevelopment, construction, bridge, and mini permanent financing for affordable housing and community facilities. GMHF was established in 1996 in a joint effort of The McKnight Foundation and Blandin Foundation to address the urgent need for safe, decent and affordable housing in Greater Minnesota, which includes the 80 counties outside of the Twin Cities metropolitan area.

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Preface

Let's face it. Mergers are hard. Many painful decisions have to be made along the way. While some organizations determine that a merger is the optimal next step for them, not every organization is ready to tackle the full set of challenges a merger poses.

Fortunately, the choice is not simply to merge or not to merge. There is a full spectrum of ways that nonprofits can cooperate, coordinate, and even integrate, from a loose collaboration, to a transfer of programs, to a joint venture, to a merger, as described within these pages.

This report carries with it a sense of urgency. Nonprofits and governmental agencies face enormous pressure to deliver more housing services with dwindling resources. In many cases the only way forward is to merge with another like-minded organization—to combine staff, leadership, expertise, program specializations, and geographies to better serve the people in their region. Going forward our society cannot support all of the housing entities that currently compete for the same resources. We must re-align. Where possible, we must merge.

As a provider of funding for affordable housing across Greater Minnesota, the Greater Minnesota Housing Fund (GMHF) is uniquely positioned to observe and reflect on mergers, collaborations, partnerships, and consortia arrangements among the various housing entities that serve the state. Our intent is to provide models of collaboration for housing agencies that are considering developing new partnerships by sharing reflections from leaders who have already faced similar challenges. Among the organizations profiled in this report are Community Action Programs (CAPs), Housing and Redevelopment Authorities (HRAs), and nonprofit housing organizations.

This report provides examples of all types of organizational realignments among Minnesota housing nonprofits and agencies from the past several decades. GMHF's interest is in encouraging Minnesota's housing organizations to be the most resilient, effective housing developers and providers they can possibly be, to better serve the needs of Minnesota's at-risk population.

For the purposes of this report, we are using MAP for Nonprofits' "Realignment Spectrum" as a means of organizing our case studies. St. Paul-based MAP provides facilitation of realignment services to nonprofit organizations across Minnesota, including to One Roof Community Housing, profiled in Case Study 16.

The housing mergers, partnerships and collaborations profiled in this report are by no means comprehensive. Rather than being exhaustive, we aim to highlight the range of collaborations pursued among housing organizations.

Here, applying MAP for Nonprofits' framework, GMHF puts forth a look at the realignment spectrum with an eye specifically towards housing organizations.

We hope you find this study useful and informative in your own work.

The pressure to merge in today's environment

Mergers and consolidations are a burgeoning trend in America. Reams of Minnesota entities have changed hands over the years in pursuit of survival, strength, and a better bottom line. Midwestern institutions like Northwest Airlines and Norwest Bank have long since been ensconced in national corporations like Delta and Wells Fargo.

Though not driven by shareholder profits, many nonprofits have followed a similar course. We've witnessed waves of hospital and health insurance mergers, reducing the number of independents to a dwindling number of conglomerates. Social service organizations, environmental organizations, and indeed housing organizations all feel the pressure to be as effective as possible, in many cases resulting in mergers, joint ventures, or other shades of realignment.

As part of the federal government's efforts to reduce spending, appropriations for all federal government agencies including the US Department of Housing and Urban Development (HUD) were cut significantly in 2013.

Most, if not all, local governments and nonprofit organizations in Minnesota are facing reduced budgets and pressure to improve efficiency and service delivery. For this reason alone, interest in collaboration is increasing across many types of organizations.

Some examples of innovative governmental collaborations in Minnesota include the following:

- In the Moorhead–Fargo Joint Powers Agreement, the two cities joined to provide transit, central dispatch, and staff development.
- The Virginia–Eveleth Economic Development Authority was formed by a Joint Powers Agreement to facilitate economic development in the two cities.
- The city of Aitkin provides firefighting services to 13 surrounding townships through a service agreement.
- The cities of Buhl and Kinney contract with St. Louis County for police services.

The common pressures to merge among housing organizations tend to come from two directions, either from:

1. Reduced support due to dwindling federal resources and intensely competitive foundation funding, or
2. The pressures of organizational growth and the need for strategic expansion.

This report includes realignment among housing nonprofits and agencies from both perspectives: reduced support and the need to grow.

Housing agencies face a daunting challenge: To provide more housing to an increasingly diverse population with a variety of housing needs, and at the same time, adapt to shrinking budgets and shifting housing priorities. Many housing nonprofits and agencies have chosen to realign with partners who once competed with them for the same dwindling resources.

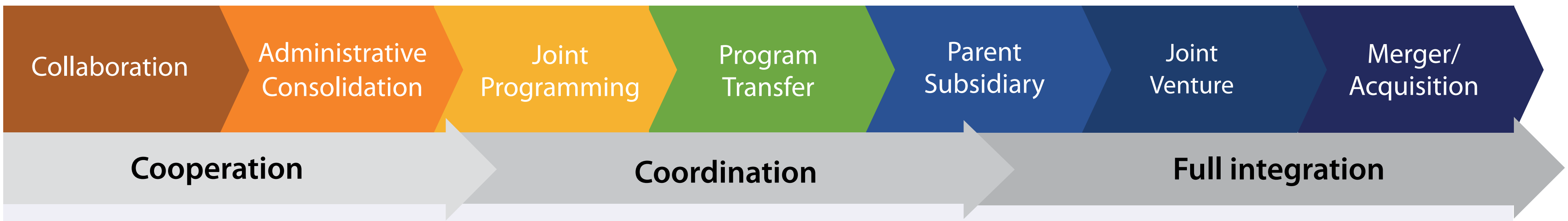
Some are already in the process of merging; others are in an exploratory phase, working with their staff and boards to develop strategies for creative ways to reduce budgets, strengthen existing programs, and develop new partnerships. In response to these challenges, many public and private agencies have merged, developed partnerships, or pursued other strategies to cut costs while maintaining or even expanding their activities.

Several recent reports about collaborative opportunities and the merger process by state government and nonprofit organizations highlight the increased interest in cooperation among public and nonprofit service providers.

MAP for Nonprofits' "Merge Minnesota: Nonprofit merger as an opportunity for survival and growth" (2009) and "Success Factors in Nonprofit Mergers: A Study of 41 Minnesota nonprofit mergers, 1999-2010" (2012) provide extensive research into the ways Minnesota's nonprofits have maneuvered in recent years to strategically align with one another in pursuit of stronger programs and more streamlined finances.

Due to MAP for Nonprofits' extensive research in this area, the Greater Minnesota Housing Fund is working within their Realignment Spectrum to present our case studies of realignment among housing organizations. This model is explained on the following page.

The Realignment Spectrum



There are many options along the realignment spectrum, from simple cooperation among organizations to a full-scale merger. These categories represent the realignment choices that are available to nonprofit organizations and governmental agencies. The case studies included in this report are organized along this spectrum.

Collaboration: Efforts by two or more organizations to create a durable, pervasive relationship that permits them to achieve mutually beneficial results. Use for continuity and consistency of information sharing, program coordination, and joint planning. For governmental agencies, this may come in the form of a Memorandum of Understanding (MoU).[1]

Administrative Consolidation: Sharing, exchanging, or contracting of administrative functions to increase the administrative efficiency of one or more of the organizations. Use for continuity, expense savings, professionalization of processes, and colocation.

Joint Programming: The joint launching and managing of one or more programs to further the mission of the participating organizations. Use to achieve complementarity, portable programming, and cross-sector initiatives. For governmental agencies, this may come in the form of a Joint Powers Agreement.[2]

Program Transfer: Occurs when one organization spins off or transfers administration of one of its programs to another organization. Use to address mission creep, post demonstration project, for a "lifeboat," or when host organization is going out of business.

Parent Subsidiary: Preserves the visibility and identity of the organizations while combining some of the partners' administrative functions and programmatic services. Use when identity is paramount as with culturally specific organizations. Use when there are organizational assets that can't be disassociated from the organization. US HUD is promoting the formation of consortia to allow local government agencies to partner when applying for federal funding. These consortia operate in a manner most akin to a parent subsidiary relationship.[3]

Joint Venture: Creation of a new organization to further a specific programmatic or administrative aim of two or more organizations. Use to share governance, leverage reduced costs, eliminate duplication, and achieve economies of scale.

Merger/Acquisition: Integration of all programmatic and administrative functions of multiple organizations. Use to achieve administrative efficiencies, preserve services or achieve program synergies, increase geographic reach, grow, or go to scale. Government agencies use the same terms and meanings for Mergers and Acquisitions.[4]

MAP
NAVIGATING FOR MISSION

Consider collaborating during the growth phase

The Realignment Spectrum on page 7 provides a concise way to describe how to consider forging a partnership, collaboration, or more formal restructuring with another entity. Before determining which legal form may work best for your organization, it is critical to do a self-assessment of where your organization is in its life cycle. As many experts on mergers and realignments will attest, there *are* better times to realign than others.

Various authors use different terms to describe the nonprofit life cycle, but there are strong commonalities across the life-cycle stages in the literature surveyed by GMHF for this report. The life-cycle stages fall into five basic phases of growth, with a sixth phase relating to decline or dissolution that at least one author asserts should be treated through a separate lens: "Decline and dissolution are not considered an inevitable stage of an organization's life cycle but rather one of the routes an organization can find itself taking… An organization can face dissolution at any stage."[5]

Though this life-cycle model is largely developed to reflect the growth stages of nonprofits, government agencies will also recognize where they fit in the life-cycle model as well, structured as they are upon staff members, a governing board, and a not-for-profit business model that relies upon grants and other public funding to support its work. Governmental agencies may find over time that they need to expand their mission to better meet their constituents' needs, expand geographically, or realign with one or more agencies to more efficiently conduct their work.

The life cycle of an organization can be described as follows:

1. **The Idea Phase.** This is the time to "imagine and inspire,"[6] when the organization is establishing a vision, is still "formless"[7] and exists only as an idea that is gaining momentum. Duration: 0-5 years.[8]

The idea phase is a time for clarifying the vision and purpose of the still-forming organization. Affiliations are unlikely in these early days.[9]

2. **The Startup Phase.** The organization is now officially established, with nonprofit incorporation, and the beginnings of programming, management, staffing and/or volunteer base, funding, operations and a viable board of directors.[10] The organization is building capacity and solving operational problems.[11] Duration: 1-2 years.[12]

Efforts in the startup phase are generally focused on building capacity and establishing general operations, not on seeking realignments with other organizations.[13]

3. **The Growth Phase.** The organization is establishing systems of accountability, with the need to grow on multiple fronts; staff and board are taking care of business while entertaining choices and challenges that come their way.[14] The driving question at this phase is "How can we build this to be viable?"[15] Challenges faced at this time may include competing visions, and situations where demand exceeds capacity.[16]
Duration: 2-5 years.[17]

Mergers tend to occur in this growth phase, when stronger organizations take over the weaker ones. Growth has its own demands but is an opportune time to consider alignments.[18]

4. **The Maturity Phase.** This phase is a time of balancing growth with stability.[19] The goal during this phase is to continue to produce while sustaining the organization's momentum.[20] At least one author would include an additional phase just before maturing called "Peaking," during which time the organization experiences great success in all aspects of its operations, internal and external.[21] The board's role during this time is to assure the resiliency of the organization and to build the bench for future leadership transitions.[22] Duration: 7-30 years.[23]

Maturing organizations have passed their peak and may be losing their strategic momentum. The services they offer can be found in other organizations; they may be perceived as unnecessary.[24]

5. **The Renewal Phase.** The phase of renewal, in which the mission and business model are thoroughly reconsidered and sometimes dramatically altered, is spurred on by stagnation[25] and the need for reinvention.[26] The organization may feel compelled to renew itself due to changing market forces, industry shifts, or changes in cultural values. These may require a response from the nonprofit to keep it current and relevant. Depending on how dramatic the changes are that the nonprofit makes to its mission, programming, or structure, the organization may cycle back to an earlier stage.[27] Duration: 2-5 years.[28]

Once past maturity, some nonprofits find they must reinvent themselves to survive. Some do; others fade gradually away or merge what is left of the services with a compatible group at an earlier stage of development.[29]

6. **The Decline Phase.**
   It is important to acknowledge that for some nonprofits, there will be a phase of decline and possible dissolution. The decline stage, not experienced by all nonprofits, is described here:

   If stagnation has occurred and is not accompanied by a successful renewal effort, decline and shut-down may take place.[30] The key question at this time is: "Should we close?"[31] The following factors are commonly occurring in organizations just prior to their closure: (a) loss of all or significant support; (b) "chasing dollars syndrome"; (c) sudden and dramatic expansion of services; (d) falling behind on financial obligations; (e) inability to meet service and financial projections; (f) departure of key board and staff.[32] Duration: 1-2 years.[33]

At this point the organization may be forced to pursue a "rescue" merger or workout in order to transfer assets and preserve existing housing units.[34]

Recognizing opportunities to collaborate

One of the authors cited above has devoted study to the combination of the life cycle of the nonprofit with the opportunities each phase presents for merging or aligning with another organization in some manner. Consider the opening line of *Nonprofit Mergers & Alliances*:

> *The best time to consider a merger or an alliance is **before it is necessary**, when coming together with another organization will mean combining strength with strength, and when the collective energies and the creativity of the two or more entities can be used proactively instead of being sapped by the demands of crisis management.*[35]

Mergers, joint ventures, program transfers—regardless of what specific legal form they take, realignments pose opportunities for nonprofits to join their strengths with a partner organization to pursue their missions more effectively. Together two organizations can tackle the same work from different angles, with differences in audience, or geography, or programmatic approaches.

Mergers are an opportunity to share the relative strengths of a partner organization, such as an outward-focused, media-savvy nonprofit teaming up with a nonprofit with a strong internal structure. Conducted when organizations are strong and well-fortified, they represent strategic alliances. Pursued in the late stages of decline, they are sometimes characterized as "rescue mergers,"[36] in which one organization's remaining assets are essentially transferred to another, and the declining organization ceases to exist.

When should nonprofits consider a merger or another realignment form as a promising tool in their kit of strategies so they don't just survive, but thrive?

There is no single ideal opportunity to consider a merger, but there are phases at which it makes more sense than others. Midway through their growth phase, but not yet in their maturity phase, nonprofits that are "peaking" have a great opportunity to pursue a merger.[37] During this phase, "Mergers occur for strategic purposes when strong players take over the few weak ones, which falter."[38]

Maturing nonprofits, meanwhile, are figuratively past their peak and are at risk of losing the strategic momentum they once had.[39] Competitors may have inundated the field, rendering their services less necessary.[40] As one author puts it, "No one can doubt their collective influence, but some are beginning to doubt their future."[41]

Past the point of maturity, organizations are entering a time of renewal and refocus. If they can ride the waves of change and reinvent themselves, shifting to an earlier life-cycle phase in the process, they have passed the test of time and shown themselves to be resilient and durable. If, however, they stagnate in the renewal phase, they may "fade gradually away or merge what is left of their services with compatible groups at an earlier stage of development."[42]

The point at which the organization is peaking in all areas, with committed funding support, well-run programs, strong relations with the community, and strong internal operations, does not necessarily signal to executive leadership that it's time to pursue a merger. The sense of urgency to merge is probably not present. So though a strategic merger may be opportune at that high-flying time, the mentality may be, why fix what's not broken? Why mess with success? We're on top of the world; why would we shift gears now?

Strategic leaders who anticipate contraction in their industry or intensely competitive funding amongst their peers in the years ahead will be thinking critically about their partner organizations and what alignments may be advantageous to both parties. In many cases, a merger may be considered but determined to be unnecessary at that time. In others, a strategic alliance may be a great next move.

As described above, mergers and collaborations with other organizations are not always the answer to the question, "How can we ensure sustainability?"[43]

Organizations merge for three basic reasons:

1. To better pursue a mission and deliver services more efficiently;
2. To improve skill sets and grow strategically; and
3. To improve their financial outlook and improve sustainability.[44]

Other reasons may include the pursuit of increased market power, enhanced community image, or a reduction in the competition for fundraising.[45] They may be responding to economic drivers, a recession, or the prospect of declining funding.[46] If an organization's reasons to merge can be boiled down to responding to a financial crisis, an extended leadership vacuum, or a loss of direction, the organization is likely past the point of making a strategic match.

There are ways to assess whether a merger has been successful. Signs of a successful merger include an improved image, reputation, or public support; improved, expanded, or preserved services; increased quality of operations; increased efficiency of operations; improved financial stability; and development of a positive organizational culture.[47] Any combination of these improvements provide stakeholders with validation that their efforts to improve the trajectory of their organization are bearing fruit.

And if the organization is in a stage of decline or at risk of failure, yet can still achieve a strong mission alignment and implement a plan to preserve the assets of the organization—such as preserving its units of affordable housing without disruption to those who call them home—that too is cause for celebration.

Mergers are of course only one legal form of alliance; the Realignment Spectrum shows that there are many ways to partner with other organizations to mutual benefit without going the full distance of a merger or acquisition. The following case studies demonstrate that Minnesota housing organizations have found utility in every possible type of alliance.

Merge if you can, or find your spot on the spectrum

Mergers are the pinnacle of realignment. They achieve the optimal degree of savings, reduction of redundancies, melding of programs and services, and integration of staff and board leadership. Mergers result in reducing the overall number of housing providers seeking support from the same few sources. Mergers reduce competition and improve outcomes for the clients of all of the organizations.

Mergers also come at a cost. There must be the will to pursue a full-fledged merger by the leadership of two or more organizations. Boards of directors need to lead—or quickly become cheerleaders of—the effort.

Not every nonprofit is poised to merge. There are optimal conditions to consider, such as the stage of growth of the organization, along with the health of the organization's finances and the will to merge. Even if the nonprofit determines it is not ready for a merger at this time, there are still many other ways to align, as described in this report. For those organizations that feel ready to merge, here is a compilation of the best practices from the literature on nonprofit mergers.

> ***"We cannot sustain a thousand flowers anymore. Instead, we need a few dozen oak trees."***
>
> —Dan McLaughlin, *Nonprofit Mergers and Alliances*

The Realignment Spectrum

Best practices for mergers and collaborations

Budget for it. Though a merger may sound simple, there are hidden costs that cannot be avoided. Mergers vary, but all are likely to include some measure of legal costs, document filings, consultant fees, audit fees, severance pay, relocation costs, branding and printing, website redesign, and loss of productivity by staff while working out the details of the merger.[48] Some foundations offer operating support to assist with realignment processes. Be proactive and seek the funding your organization needs.

It won't happen overnight. However long you project the merger to take probably isn't enough. Realizing that getting the job done right will take many months is a good start; reining in the process so it doesn't drag out and lose momentum is the other side of this challenge. Staff and board members will have to devote long hours to hashing through the details alongside hired consultants, advisors, or lawyers.

Use a consultant. You wouldn't fix a leaking sink yourself, would you? Or, if you have, perhaps you recall how that turned out and realize it's best to call in a plumber from the start. Consultants are the experts in this situation. Talk to your peers for recommendations. Find someone you trust who brings a current understanding of the nonprofit housing industry. They've seen your situation many times over and they know how to help you work through the kinks. Make sure you budget for the services of a consultant from the start and bring them into the conversation as soon as it's feasible. Executive director coaching is critical to working through issues related to name change, shifts in the board makeup, possible executive leadership change, and staffing issues.

There are many layers to merge. This is not just a matter of a name change. There are programs to integrate and funding streams to sort out. There are real human beings in real jobs attached to the organizations involved, and a merger may render one or more of their jobs redundant. There will be competing databases and publication schedules. The merger team will have to come up with a new leadership structure and board make-up. Don't forget to budget and plan for IT changes and relocation costs, and other related restructuring issues.

Communicate. Communicating frequently with all involved parties—from board members and staff leaders, of course, to the rest of the staff, volunteers, and others close to the organization—keeps messages consistent and accurate. Leaders in aligning organizations need a road map to follow, and they need to share it with the affected parties. Communication will continue even if it is not issued from those leading the merger; misunderstandings and rumors can damage the process and erode people's sense of trust in the process. Everyone needs transparency and straight talk to forge ahead together.

Understand organizational cultures. Organizational culture is an intangible that is hard to pin down, but you know it when you feel it. Past decisions made in the face of changing industry pressures shape each organization to function as it does, and every organization has evolved with a different culture.[49] Attempting to meld the two (or more) organizations without fully understanding the culture of each can lead to missteps. Acknowledge that realignment can be traumatic, but return to the core issues of what led the leadership to this decision.

Observations from the field

GMHF interviewed directors of eighteen Minnesota housing organizations that undertook some form of realignment in recent years. In the process of the interviews, some comments emerged as particularly salient to share with their peers.

The following is a sampling of the helpful and sometimes recurring observations made during our interviews.

Realignment takes time, effort, and money

- Mergers, transfers of assets and services, and the formation of consortia are costly. They require significant staff time, board leadership, and training to be successful.
- The larger the newly combined organization, the more complex the operational functions. Staff must be receptive to change and may need special technical assistance to refine policies, procedures, and general operations and may need to form new working relationships among key staff.
- Especially in small organizations, the savings that occur as a result of collaborative partnerships may be less dramatic because of relatively small budgets. It may take time to identify where savings can be achieved.

There are outside pressures to realign

- Small Public Housing Authorities (PHAs) and Housing and Redevelopment Authorities (HRAs) will have to work together on management, operational and financial matters for their own benefit and survival, and in response to direct pressures from HUD and other funders whose resources will be more limited.
- Some local housing leaders are reluctant to accept proposed reductions in funding by HUD and are reckoning with solutions including adjusting their models for delivering existing housing services.
- Smaller housing agencies that remain stand-alone are more vulnerable to key staff turnover (a comment made repeatedly).
- Each local community and each geographic region has certain unique ways of doing things that result from specific city and county policies, established organizational and institutional roles and capacities, local and regional political leadership, nonprofit and private sector leadership, and the involvement of advocates. The leadership for change may come from any segment of the community, and it is important to design a process that considers the unique factors at stake in any community.

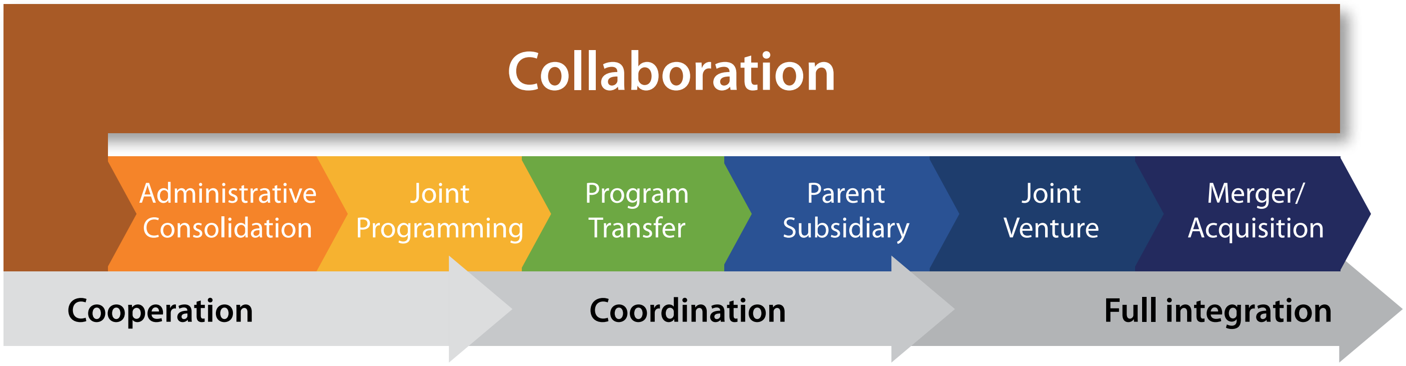
There are advantages to aligning

- A new model, advanced by HUD, known as the "Consortium" approach, suggests that certain regulatory rules and requirements will be relaxed by HUD for those who undertake joint operations and management initiatives. For example, reporting, compliance and audits normally required on separate properties may be conducted on a portfolio of properties, yielding cost savings. This offers the PHA or HRA the opportunity to "test drive" collaboration and savings. This federal encouragement is prompting interest in greater collaboration among PHAs and HRAs.
- There are certain functions that housing organizations operating in collaboration or partnership can do together that they can't do separately, such as plan and finance complex projects (new or preservation), improve management, compliance and reporting functions, and secure new technology for improved operations.
- Seek to identify all the possible pros and cons of joining or forming a partnership and ensure there is adequate buy-in from those involved to persevere through the inevitable operational, personnel, and leadership challenges.

Mergers vs. acquisitions

- Though mergers and acquisition are often lumped together as being virtually synonymous, some business leaders report that the distinction between the two can in fact be quite sharp.
- Mergers require lengthy negotiations that strive to achieve a sharing of power. They must answer questions such as which executive director will remain, and which one will step down or accept a different role in the organization. How can key staff members be retained while still achieving cost savings and efficiencies by merging? How will the new governing board be structured? What will the resulting organization be called? These are potentially sensitive questions and generally require an outside consultant to lead the process.
- Acquisitions are expedient and avoid extensive negotiations. However, they can be abrupt if they result in loss of staff positions or other cuts.

Case Studies



Case Studies of Collaboration:

1. **Arrowhead Economic Opportunity Agency** (AEOA)
AEOA and KOOTASCA share certain staff functions through a Memorandum of Understanding.

2. **Jackson and Windom HRAs**
Jackson and Windom HRAs share an executive director.

3. **Northwest Minnesota Multi-County Housing and Redevelopment Authority** (NWMMHRA)
NWMMHRA is an early example of a multi-regional HRA.

4. **Southwest Minnesota Housing Partnership** (SWMHP)
SWMHP was capitalized as a collaborative effort by four entities.

Characteristics of Collaborations:

- Creates durable, pervasive relationships
- Results in continuity and consistency
- Includes information sharing, program coordination, and joint planning
- May come in the form of Memorandum of Understanding (MoU) (for governmental entities)

1 Arrowhead Economic Opportunity Agency

Arrowhead EOA Building

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Year Founded: 1965

What makes this a Collaboration

The Arrowhead Economic Opportunity Agency (AEOA) and KOOTASCA developed a Memorandum of Understanding in 2012 to share several staff positions and programs.

Organizational Profile

AEOA was founded as a Community Action Program in 1965 as part of the War on Poverty and expanded its services by adding housing programs in 1976. Like many Community Action Programs, AEOA added housing to its anti-poverty programs in response to the need for affordable housing in Northwest and North Central Minnesota. Part of AEOA's success is due to its large and politically active board and its stable leadership; AEOA has had only two directors since its founding in 1965.

Catalyst for Collaboration

The collaboration began with the Homeownership Program. In 2012 AEOA's Homeownership Coordinator resigned and AEOA was left with a difficult position to fill. The Homeownership Coordinator position requires a specific skill set yet the program had been reduced to a point where the position could only be funded part time. KOOTASCA was facing a similar issue with the reduced funding as well. A conversation began and in the end resulted in a Memorandum of Understanding between the two agencies to combine the two part-time positions into one full-time position. This process has since expanded to include the Weatherization and Rehabilitation Programs, the Executive Director position and also Fiscal Services. As future needs arise the two agencies are committed to seeking one solution for both agencies.

AEOA
Arrowhead Economic Opportunity Agency, Inc.

Challenges

AEOA has the largest service area of all Community Action Agencies in Minnesota. The CAP counties—Saint Louis, Lake, and Cook—cover 13,191 square miles. Adding in the extended service area of Aitkin, Carlton, Itasca, and Koochiching counties brings it to an area of over 22,000 square miles. This total represents 25% of the state of Minnesota. Given this large geographic area, AEOA faces challenges providing service delivery across the entire region. This is especially true for smaller programs with limited resources.

Opportunities

AEOA also provides both Executive Director and Fiscal Services to KOOTASCA Community Action. This streamlining of services has been very beneficial to both agencies and has reduced administrative costs for both agencies. AEOA has a contractual relationship as "Co-Developers" with Three Rivers Community Action to increase the agency's capacity to deliver multifamily housing development in rural Northeast Minnesota.

Looking Forward

As AEOA builds resources and capacity, the agency is continuing to develop its capacity to deliver multifamily housing projects and explore other potential partnerships across the Community Action Network in the state. Developing a broader funding base means AEOA can weather economic downturns with more stable funding. Also, as AEOA builds resources and capacity, the agency is considering adding market-rate housing and economic development activities.

Lessons Learned

1. **Begin planning early for mergers and other significant changes:** Don't wait to be forced to make strategic organizational changes.
2. **Develop a consistent communication plan:** Keep local leaders informed about activities and the decision-making process about project development.
3. **Be creative:** Yesterday's answers to today's problems are probably not the best way to go.
4. **Expand the capacity of each agency:** In today's environment, each agency is looking to preserve their capacity; take it one step further and expand it.

2 Jackson and Windom HRAs


Jackson HRA River Valley Homes high-rise

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What makes this a Collaboration

The Jackson and Windom HRAs have shared an executive director since 2012, based on a management agreement the two HRAs put in place at the time. Either agency can step away from the agreement with a 60-day notice. With three staff at each HRA, the executive director works at the macro level, ensuring staff training, reporting to the boards, and meeting with residents, but not getting involved in the day-to-day work. In addition, the Fairmont HRA signed a six-month contract in 2014 to share the same executive director.

Catalyst for Collaboration

The Windom HRA had two administrative staff leave within days of one another, prompting an opportunity to reassess the staffing needs of the organization. The two HRAs administer Public Housing in the cities of Jackson and Windom.

JACKSON
Housing & Redevelopment Authority

Windom
Housing and Redevelopment Authority

Opportunities

Hillside Manor in Windom

In early 2012 three cities (the Jackson, Windom, and Mountain Lake HRAs) attempted to form the first HUD-approved consortium of HRAs in Minnesota, with the additional intent of sharing an Executive Director. This did not come to pass for several reasons. The timing was not right for the Mountain Lake HRA director to step down, so only Jackson and Windom decided to share the Executive Director. In hopes of reducing reporting, the cities pursued establishing an HRA Consortium, but it was never approved by HUD. Correspondence was sent back and forth in which HUD requested organizational changes and the HRAs made efforts to meet the requirements; the HRAs determined that the benefits anticipated did not merit the effort required to set up the consortium.

Lessons Learned

1. **Realignment efforts can be as big or as little as the partners want them to be:** It makes a lot of sense to begin to work cooperatively in small ways to pave the way for future, more ambitious, efforts at collaborating. A management contract to share an executive director, for instance, can be less intimidating than a consolidation. Even small steps can result in less work for both entities, and both agencies benefit.

2. **Work together for better results:** Rural housing agencies can get better bids by jointly putting out Requests for Proposals (RFPs) for consultant work. As an example, the Jackson and Windom HRAs along with 12 other southwest Minnesota housing agencies put out an RFP for General Purpose & Administration services and found that working together resulted in less work for the housing agencies as well as better pricing from the bidding consultants. The southwest agencies have since shared their RFP with northeast as well as northwest Minnesota housing agencies looking to do the same.

3 Northwest Minnesota Multi-County Housing and Redevelopment Authority (NWMNHRA)

NWMNHRA home

Lee Meier, *Executive Director*

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Year Founded: 1972

What makes this a Collaboration

An early example of a multi-jurisdictional HRA, Northwest Minnesota Multi-County Housing and Redevelopment Authority (NWMNHRA) has been successful in developing housing in its member counties and continues to work with HRAs in Crookston and East Grand Forks on housing development.

Organizational Profile

NWMNHRA was established to develop affordable housing in small communities in Northwestern Minnesota and began by administering the Federal Section 8 and Public Housing programs. NWMNHRA later added homeowner education, down payment assistance, and multi-family housing development and management. NWMNHRA serves Kittson, Lake of the Woods, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties.

Catalyst for Collaboration

NWMNHRA was founded by a "mission-driven" local leader who worked with county commissioners and local leaders from each county to lay the groundwork for establishing the HRA.

Northwest Minnesota Multi-County HOUSING & REDEVELOPMENT AUTHORITY

Challenges

Local communities are sometimes resistant to building housing for low-income people. Some counties may not be supportive of granting NWMNHRA levy authority.

Needs vary greatly between small and large communities.

Because HUD and MHFA regulations can be burdensome, it may be preferable for the private sector to take over housing development to avoid over-regulation when feasible.

Opportunities

Awareness and growing support continues to develop among local leaders that something positive in one county can benefit the whole region.

County Commissioners are more willing to work together in recent years, resulting in increased cooperation.

Agriculture and manufacturing are the driving economic forces in the area and support from these industries is important.

Lessons Learned

1. **Growing independence:** Move into market-rate housing and rely less on state and federal funding.
2. **Plan for collaboration:** Continue discussion with HRAs in Crookston and East Grand Forks about consolidating and collaborate with Northwest CAP on program marketing to public housing residents.
3. **Expand activities:** Develop the capacity in-house to do general maintenance of properties, develop lead removal certification training and inspection programs and explore development of market-rate housing.

4 Southwest Minnesota Housing Partnership (SWMHP)

Viking Terrace Apartments in Worthington, MN

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Year Founded: 1992

What makes this a Collaboration

The Southwest Minnesota Housing Partnership (SWMHP) was capitalized as a collaborative effort by four private, public, and nonprofit organizations to respond to the need for workforce housing in the area: Southwest Regional Development Commission, Western Community Action, Southwestern Minnesota Opportunity Council, and Prairie 5 Community Action Council. These organizations retain the right to refer two candidates to the SWMHP Board of Directors.

Organizational Profile

SWMHP is the largest nonprofit development organization in Greater Minnesota, owning and managing over 1,400 rental units. Additionally, they provide land development, redevelopment, and for-sale and rental housing development services for other organizations. SWMHP serves 30 counties in Southwestern, South-Central and West-Central Minnesota.

Like other large multi-jurisdictional housing organizations, SWMHP faces issues of service overlap and limited resources, sometimes causing competition with other housing providers in the region. SWMHP provides community planning services, foreclosure prevention, homeowner education, down payment assistance, and multi-family and owner-occupied rehab.

SWMHP has been successful in developing and maintaining strong partnerships with numerous local cities and county agencies to address local and regional housing problems. SWMHP contracts with local government agencies to develop, manage, and/or provide other housing services on a fee-for-service basis.

Southwest Minnesota
Housing Partnership

Catalyst for Collaboration

Because of increased economic activity in the region and a lack of affordable housing, there was local pressure from businesses, civic leaders, and funders to create workforce housing. Before the formation of SWMHP, there were no housing organizations developing affordable housing or accessing federal and state resources for preservation activities.

SWMHP meeting

Challenges facing the Collaboration

Turf issues have arisen with one partner organization due to their desire to expand into other housing development opportunities. There is a perception that SWMHP is a barrier to the desired outcome.

The persistent reduction of resources available for development activities at both the state and federal level poses a major threat to the partnership. As resources decline, funders are focusing resources on the prominent economic growth centers in the state, resulting in less support and fewer opportunities for more rural communities.

Opportunities

SWMHP receives requests for services statewide, offering an opportunity to expand and develop new partnerships across a broader geographic area. The potential expansion of the collaboration's service area would provide an opportunity to both teach and learn.

Looking Forward

SWMHP tracks shifts in the current economic climate to develop strategic alternatives moving forward.

Lessons Learned

1. **Rural areas can be a challenge to serve:** Rural areas experience all the housing needs of their more densely populated urban counterparts, but at a much smaller scale. Small cities and nonprofit agencies working in a small target area cannot afford to have on staff all the expertise required to improve and expand the housing stock.
2. **Know your market:** Be aware of trends in the current housing market. Conduct building and cost analyses and be aware of risks.

About HRA Consortia

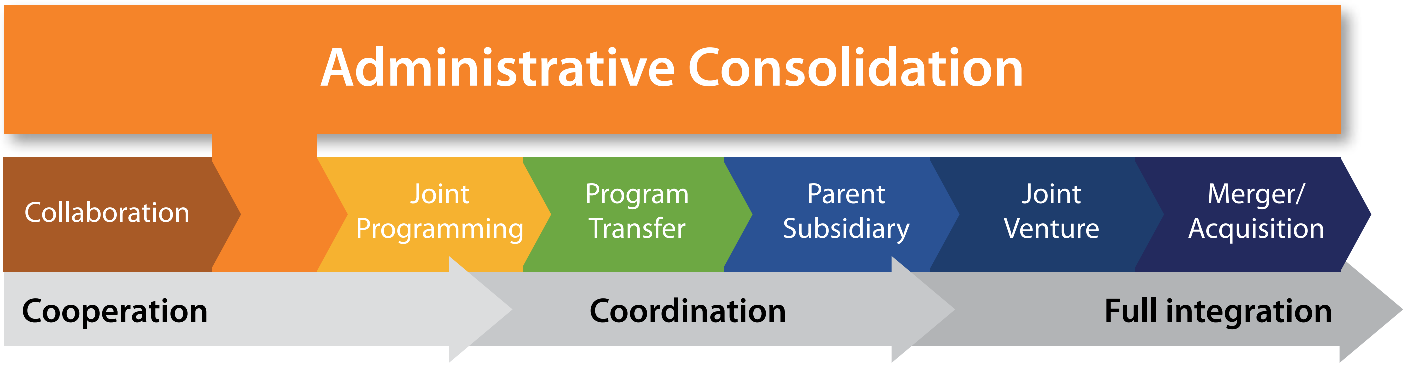
In recent years US HUD has promoted the formation of consortia to allow local government agencies to partner when applying for federal funding. Consortia are a kind of collaboration that is on the continuum between a joint powers agreement and a full merger. A consortium is an agreement between HRAs that allows each HRA to maintain control over its own budget and governance (boards of commissioners) while working together to control costs and eliminate redundancies. HUD has encouraged the formation of consortia as a way for local governments to take a more regional, collaborative approach to meeting their affordable housing needs.

There are a number of benefits to forming consortia. Among these is the ability to reduce reporting time as HUD allows consortia to share experience and knowledge among members and submit one combined annual report, allowing one person to specialize in completing HUD reporting requirements. A consortium also offers HRAs and PHAs the opportunity to "test drive" a collaboration that is not permanently binding, as the consortium agreement is renewed annually and members may choose to withdraw. Consortia allow each HRA to levy and keep levy funds in their communities, making the formation of consortia more acceptable to communities and local officials than consolidation or a full merger (in which one or more members would permanently cease to operate).

There is also significant flexibility in how consortia are managed. Each member may retain a full-time executive director or choose to reduce hours or eliminate the director position entirely, as long as one director reports to HUD. In addition, there are more funding opportunities for larger organizations than for smaller ones and a consortium can be viewed as a whole for some applications rather than as a group of separate entities.

Consortia also promote staff specialization by allowing each employee to perform one function for all participating organizations. Materials and services can often be purchased at lower rates cooperatively, reducing costs for each consortia member.

A number of HRAs around the state are currently discussing partnership options with boards, staff, and community leaders; GMHF identified about 10 such HRA consortia explorations underway. Early or emerging discussions may be initiated by a wide variety of stakeholders. In some cases board leadership initiates the dialogue; in others it is staff leadership. The common themes among organizations currently discussing mergers are the lack of resources and the need to be more efficient. The path to an actual merger outcome is often unclear, which begs for the use of expert consultants and successful models to follow. Housing organizations that anticipate greater collaboration or actual mergers may also benefit from peer-to-peer consulting and talking directly to the other organizations that have recently gone through a merger.



Case Studies of Administrative Consolidation:

5 **Community Land Trust, LLC**
Washington County HRA and Two Rivers Community Land Trust established this partnership to counteract reduced funding and prevent the loss of more than 50 affordable housing units.

6 **Mankato EDA and Blue Earth County EDA**
The two EDAs have an inter-jurisdictional agreement and share staff.

Characteristics of Administrative Consolidations:

- Sharing, exchanging, or contracting of administrative functions
- Increase the administrative efficiency of 1+ organizations
- Use for continuity, expense savings, professionalization, and sometimes colocation

5

Community Land Trust, LLC

A Partnership between Washington County HRA and Two Rivers Community Land Trust

Two Rivers Red Oak Preserve

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Connie Sagstetter, Executive Director
Two Rivers Community Land Trust
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Year Founded: 2013

Services Agreement

The Community Land Trust, LLC emerged as a means of establishing a partnership between the Washington County Housing and Redevelopment Authority and Two Rivers Community Land Trust. The HRA created the Community Land Trust, LLC in March 2013 and is the sole member of the LLC. The HRA's Board of Commissioners constitutes the LLC's Board of Governors; the HRA's Executive Director is the LLC's Chief Manager. The Two Rivers CLT Board also has two Community Land Trust, LLC appointed members whose consent is required for major decisions.

Two Rivers CLT has a three-year services agreement with the Community Land Trust, LLC for housing development and homeowner stewardship. All Two Rivers CLT properties, assets, contracts, and programs remain in the name of Two Rivers. Two Rivers' Executive Director provides leadership for the organization and conducts the administrative, fundraising, and financial management duties. In this way, Two Rivers retains its 501(c)(3) nonprofit status and maintains relationships with funders and contractors.

CLT, LLC

Organizational Profile

Two Rivers Community Land Trust secured public and private investment to launch their first housing development program in 2003. Two Rivers CLT has grown to include a total of fifty-two single-family residential properties located primarily in Washington County, Minnesota. Two Rivers CLT serves individuals and families at or below 80% AMI and provides affordable homeownership opportunities through the community land trust model. Buyers purchase the home, while Two Rivers retains ownership of the land.

Catalysts for Administrative Consolidation

The decline of federal funding programs (Community Development Block Grant and HOME Investment Partnership funding) threatened Two Rivers' business model. Dissolution of the nonprofit would have meant the loss of more than 50 affordable homeownership units. Removing the properties from the land trust would have required each home's subsidy funds be unwound and repaid with non-federal dollars. Homeowners would be forced to purchase the land under their home which they had previously leased, cost-prohibitive for most Two Rivers' homeowners.

Using a technical assistance grant, Two Rivers Community Land Trust retained an expert community land trust consultant in 2012 and issued a call to partnership. Having worked with the agency on several projects in the past, Two Rivers approached the HRA to arrange a formal collaboration in 2013.

A services agreement through a separate LLC had advantages for both agencies. Contracting with the Community Land Trust, LLC preserved Two Rivers CLT's nonprofit status and existing funder relationships while providing flexibility for the future. For the HRA, the services agreement would ensure the preservation and growth of affordable homeownership opportunities while protecting the HRA from liability.

Challenges

Due to Two Rivers CLT staff turnover, little institutional memory remains. Collaboration between the two organizations means reconciling two divergent business models—nonprofit and governmental. The involvement of three separate governing boards does slow down the decision-making process but it ensures a deliberate and thorough analysis.

Opportunities

The partnership brought new people, ideas, and perspectives to Two Rivers, as well as new capacity and resources. As a result of the partnership, Two Rivers has been able to resume and advance its housing development activities while working towards organizational sustainability. The partnership has led to stronger relationships with private funders and agencies like Minnesota Housing and the expansion of affordable homeownership opportunities in a county with some of the highest home values and housing cost burdens in the state.

Looking Forward

The current services agreement runs through 2016. Upon expiration of the services agreement, both parties will re-evaluate their options.

Lessons Learned

1. **Expertise may be needed:** Additional independent expertise was needed to establish the partnership. The evaluation and insight provided by an expert CLT consultant was critical.
2. **Partnership documents need to be transparent:** Spell out roles, organizational structure, and mechanisms for reaching consensus.
3. **Agency alignment:** The partnership works because the mission, values, and services of the two agencies are aligned, thereby creating a more efficient and sustainable organization.

6 Mankato EDA and Blue Earth County EDA

Breckenridge Townhomes in Eagle Lake

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What makes this an Administrative Consolidation

Along with a management contract, Mankato EDA and Blue Earth County EDAs have an inter-jurisdictional agreement that allows voucher holders to lease in both jurisdictions. The EDAs fund four full-time maintenance staff available 24 hours a day county-wide, a level of support that would not be possible without the collaboration.

Organizational Profile

The Mankato and Blue Earth County EDAs own and manage 265 Public Housing and tax credit units and over 520 Housing Choice Vouchers. Along with operating Public Housing throughout Blue Earth County, the EDAs administer Veterans Administration Housing Vouchers (VASH), Shelter plus Care Vouchers, Bridges assistance, Home Stretch homebuyer education, Family Self-Sufficiency, and the Voucher Homeownership programs.

Catalyst for Administrative Consolidation

Both the Mankato (established in the late 1960's) and Blue Earth County (established in the 1970's) Economic Development Authorities (EDAs) were originally Housing and Redevelopment Authorities (HRAs). Because EDAs are able to conduct a broader variety of economic development activities, both HRAs eventually became EDAs. When the Blue Earth County HRA developed Public Housing units in the early 1980's, its Board entered into a Management Contract with the Mankato HRA to administer their housing programs. Significant planning was involved in moving from an HRA to an EDA organization; the transition was smooth and allowed both EDAs to maintain existing services and add new programs. Since the city had the staff and the experience, it was determined that they would manage the county's programs, though each would maintain their own Board.

City of MANKATO Leading the way...

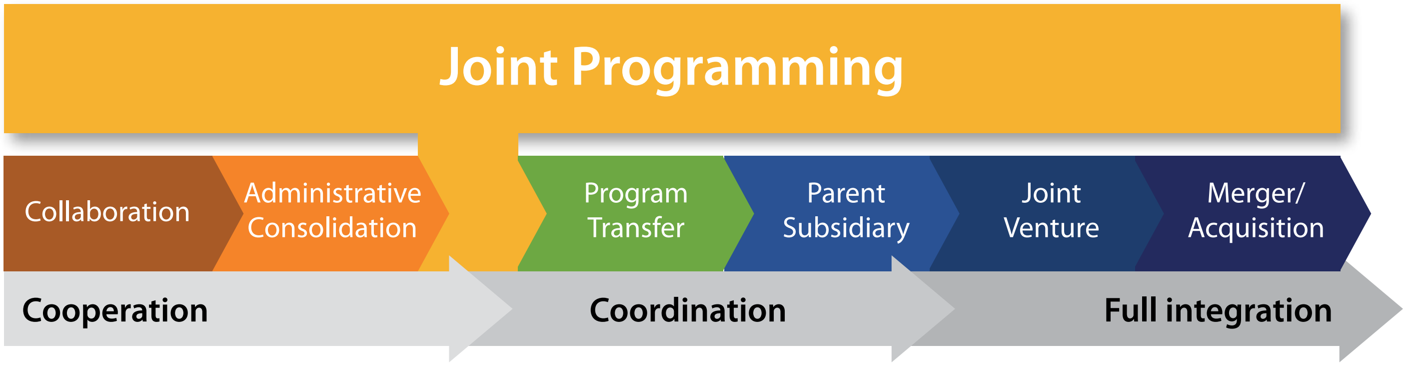
BLUE EARTH COUNTY

Patti Ziegler, Housing Coordinator for the City of Mankato, had explored the possibility of having the Mankato and Blue Earth County EDAs recognized formally as a HUD-approved consortium in 2012, but determined that the effort would not save much work for the EDAs.

Lessons Learned

1. **Combining forces results in expanded programming:** Because the Mankato EDA had more staffing, resources, and units, they were in a better position to offer the Blue Earth County EDA more programming. In particular the city was able to offer Shelter Plus Care to all of the county.

2. **Sharing role as entitlement community:** As an entitlement community, Mankato has the ability to provide first-time homebuyer assistance that the county couldn't do. The larger agency is better able to offer the resources than the smaller county housing agency.



Case Studies of Joint Programming:

7 **Three Rivers Community Action, Inc.**
Three Rivers spun off an HRA, became a Community Housing Development Organization (CHDO), and expanded to serve 20 counties.

8 **Semcac and Bluff Country HRA**
Semcac formed Bluff Country HRA and the two organizations share staff and board members.

9 **Southeast Minnesota Multi-County Housing and Redevelopment Authority** (SEMMCHRA)
SEMMCHRA was formed by two counties to apply for federal funds.

Characteristics of Joint Programming:

- Joint launching and managing of 1+ programs to further the mission of the organizations
- Use to achieve complementarity, portable programming, and cross-sector initiatives
- May come in the form of a Joint Powers Agreement for governmental agencies

7 Three Rivers Community Action, Inc.

Spring Creek in Northfield, a Three Rivers development.

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Year Founded: 1966

What makes this Joint Programming

Three Rivers Community Action, Inc. was formed to meet the needs of low-income people in Southeast and South-Central Minnesota and was initially established to serve Goodhue, Rice and Wabasha counties. Housing development activities were expanded in the 1990s when the organization became a Community Housing Development Organization (CHDO) and the organization grew to serve a larger 20-county area: Blue Earth, Brown, Dodge, Faribault, Freeborn, Filmore, Houston, Goodhue, Le Sueur, Mower, Nicollet, Olmsted, Sibley, Steele, Rice, Winona, Wabasha, and Watonwan.

Organizational Profile

Three Rivers CAP has strong support in the community for both its housing programs and other programs that serve low-income households, including weatherization, energy assistance, transitional housing, technical assistance, housing development, and gap financing.

Three Rivers CAP has a track record of developing innovative housing solutions. They founded the housing authority that was spun off as Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA) and provided guidance for the creation of First Homes, another regional housing organization. Three Rivers CAP successfully partners with other local and regional housing agencies and the Rochester Area Foundation to administer housing programs and develop new projects. This collaborative arrangement allows Three Rivers to avoid competing for limited funds.

ThreeRivers
COMMUNITY ACTION
People-focused, community-driven

Challenges

With multiple housing organizations working in the area, residents may be confused about which organization provides the services they need.

The strong local markets of communities like Rochester and Faribault attract developers from other parts of the state and beyond. These developers often propose housing development with limited knowledge of the area and no links to local communities, resulting in a drain on scarce local resources or in projects that do not meet the local needs.

Three Rivers acknowledges scarce resources in the form of lack of time, staff, and funding to meet the housing needs of the region.

Opportunities

Good working relationships and successful public partnerships with multiple communities can make Three Rivers the 'go-to housing developer' for southeastern Minnesota communities.

Diversified funding sources and program activities help create a more sustainable organization able to shift quickly and responsively to changing housing needs and priorities.

Three Rivers has built lasting partnerships. Three Rivers helped establish First Homes, the largest community land trust in the state, and has worked with the Rochester Area Foundation on housing development. Three Rivers also has strong working relationships with the many cities, counties, and school districts it serves.

Looking Forward

Three Rivers will continue to communicate with other regional partners to avoid competing for limited funds of developing projects.

Three Rivers recognizes that project selection is critical and will maximize and prioritize project impact by coordinating regional development based on demographics, local support and dramatic housing gaps.

Three Rivers began piloting a one-stop shop in Northfield in 2012 for home energy conservation including audits, weatherization, and loan products to help homeowners who don't qualify for other funds. If successful, Three Rivers could expand profitable program activities and energy conservation to other areas.

Lessons Learned

1. **Locally representative board:** As a CAP, a diversified board includes low-income people, local elected officials and private-sector representatives; all are critical for success and local community support.
2. **Foster strong relationships:** It is important to have established relationships with local agencies and communities prior to needing support for a project.
3. **Be responsive to local needs and priorities:** Understand and communicate the comprehensive needs of a community which will, in turn, attract resources appropriate to meeting various housing needs.

8 Semcac and Bluff Country HRA

Rush Creek Townhomes, located in Rushford. This new 6-unit, multifamily structure was built after an area housing complex was lost in a 2007 flood.

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Year Founded: 1966

What makes this Joint Programming

In 1991, Semcac formed the Bluff Country Housing and Redevelopment Authority to administer Section 8 programs in Fillmore and Houston counties. Semcac Community Development Department staff provide the administration for the Bluff Country HRA. Both counties' commissioners appoint two residents to serve on the governing board of the Bluff Country HRA.

Organizational Profile

Founded in 1966 as the South East Minnesota Citizens Action Council, the organization legally changed its name to Semcac in 1995. Semcac is one of 28 Community Action Programs in Minnesota. Semcac currently provides Head Start, transportation, outreach and emergency services, health services, senior services, and community development. Their service area consists of Southeastern Minnesota.

Semcac's Community Development Department partners with Three Rivers CAP and SEMMCHRA on housing developments in Southeastern Minnesota. They also partner with other housing providers, such as area HRAs, depending on the scope of the project. Semcac's Community Development Department provides energy assistance, weatherization and housing rehab. They partner with local governments and HRAs to administer the Small Cities Development Program in Dodge, Fillmore, Freeborn, Mower, Winona, Houston and Steele counties, and provide staff to the Bluff Country HRA, as noted above.

Semcac
Community Action Agency
People Are Our Business

Leadership

Community Action Programs were originally chartered by legislation enacted in 1964 as part of the War on Poverty. The legislation requires that board membership of Community Action Agencies be made up of equal numbers of residents, county commissioners, and business leaders, creating a unique collaboration of community members.

Vesterheim Manor Apartments in Preston, a Rural Development aquisition/rehab project by Semcac and Bluff Country HRA.

Challenges

Because Semcac's service area overlaps that of SEMMCHRA, Three Rivers CAP, and a number of small HRAs, there is sometimes confusion among people searching for programs and services to meet their needs. And because of the number of housing organizations in the region, there is strong competition for funding.

Opportunities

Although Semcac's and Three River's service areas overlap, the two agencies complement each other by focusing on the strengths of each organization through cooperation.

Local HRAs are tapping new interest to begin to explore developing partnerships or collaborations to increase efficiency and reduce costs.

Looking Forward

Semcac has the organizational capacity to expand its role as a housing provider in the region and can lead efforts to consolidate local housing organizations, if called upon to do so.

Lessons Learned

1. **Dismantle the borders:** It is important to recognize that the region is so large that one organization cannot serve everyone.
2. **Share the toolbox:** Collaboration is an opportunity to strengthen networks and learn from other housing organizations.

9 Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA)

Greenview Townhomes, 16 units of senior housing by SEMMCHRA

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Year Founded: 1981

What makes this Joint Programming

The Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA) was formed by Wabasha and Goodhue counties to apply for federal funds to create affordable housing in rural communities in Southeastern Minnesota. Winona and Dodge counties later joined the HRA.

Organizational Profile

SEMMCHRA provides rental assistance, rental and single-family property rehabilitation, first-time homebuyer loans, down payment assistance, and housing development in Wabasha, Winona, Dodge, and Goodhue counties. SEMMCHRA also provides market rate elderly housing, especially in Lake City, to enable seniors to age in place.

Catalyst for Joint Programming

The organization was formed because affordable housing needs in small rural communities in Southeastern Minnesota were not being addressed.

Three Rivers Community Action Program founded SEMMCHRA in 1979 to apply for these funds because Community Action agencies were not eligible to apply for Housing Choice Vouchers or Public Housing Program funds.

Challenges

SEMMCHRA does not have consistent county support. Counties can reduce the annual levy amount they contribute to SEMMCHRA for housing development, making it difficult to plan for future projects.

SEMMCHRA

Some counties and communities are reluctant to relinquish control over housing program funds to a multi-county entity due to a preference for local control.

Federal funds for the administration of Section 8 housing and other federal housing programs have been cut significantly.

Hayfield/Fuller Estates, a SEMMCHRA development

Opportunities

More communications and dialogue among local HRAs and regional housing organizations in Southeastern Minnesota will enhance collaborative opportunities. SEMMCHRA is exploring the possibility of working with other nonprofit or for-profit housing developers in the area.

Looking Forward

Because economic development is closely linked to housing development, discussions are emerging on the formation of a regional community development agency.

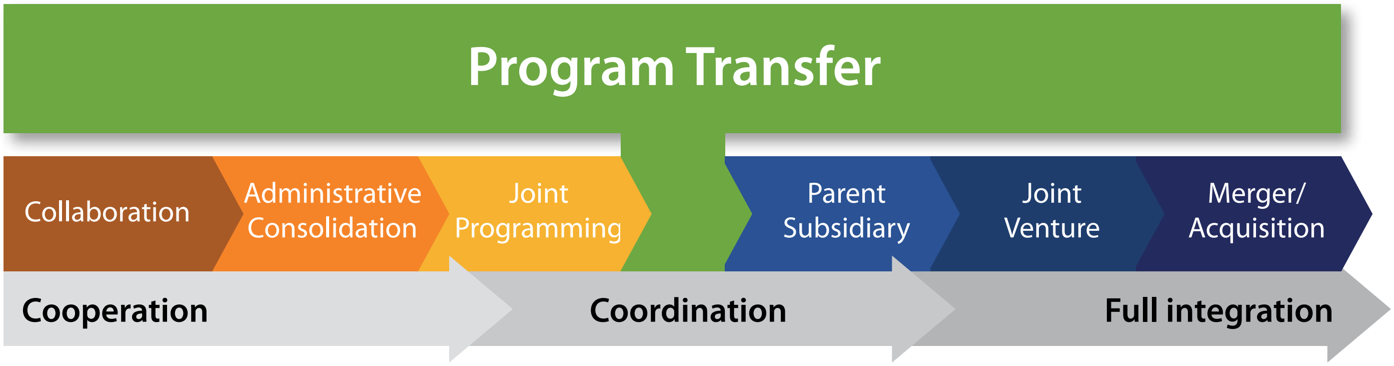
Lessons Learned

1. **County leadership:** County board and staff support is critical to SEMMCHRA's survival because of their significant role as a source of funding.

2. **Incentives for collaboration:** Regional collaboration should be encouraged with "carrots" rather than "sticks"; housing organizations, especially HRAs, should get technical assistance to support new collaborative partnerships.

3. **Raising the agency's profile:** Smaller entities often find it hard to have successful applications to US HUD for capital funding. Working together with another entity can improve their odds at receiving funds; it takes "pizzazz" to get noticed and funded.

4. **Unmistakable benefits:** All parties have experienced the benefit of having a multi-county agency. Staffing can be difficult in small county agencies, where they can have the feel of "ma and pa shops," while having a multi-county reach means better trained staff and more expertise on hand, key to the operation of a successful agency.



Case Studies of Program Transfers:

10 **Center City Housing Corporation** (CCHC) **and Women's Community Development Organization** (WCDO)
At risk of closing, WCDO transferred its housing assets to CCHC.

11 **Fergus Falls HRA and Otter Tail County HRA**
Upon a leader's resignation, the County asked Fergus Falls to take over its assets.

12 **Mahube–Otwa Community Action Partnership**
Two organizations combined their programs and share staff and board; one dissolved, but the new entity did not assume all assets and liabilities.

Characteristics of Program Transfers:

- Occurs when one organizations spins off or transfers administration of one of its programs to another organization
- Use to address mission creep or following a demonstration project
- May occur as a "lifeboat" or when one organization is going out of business

10 Center City Housing Corporation (CCHC) and Women's Community Development Organization (WCDO)

CCHC and WCDO affordable housing

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What makes this a Program Transfer

The Women's Community Development Organization (WCDO) faced significant financial and management barriers to its continued operation. Rather than simply closing its doors, WCDO went through a thoughtful and extensive workout process to transfer its assets and services to an organization with a complementary mission (CCHC). Due to the timing of the transfer, WCDO had few other options, resulting in the wholesale transfer of all of its housing units to another housing organization with a similar mission and geographic base. (Note: GMHF has published a more extensive case study detailing the Workout Process used to preserve the WCDO assets called "So Much at Stake." It can be downloaded at www.gmhf.com).

Organizational Profile

Women's Community Development Organization (WCDO) was established in 1986 to provide affordable housing and supportive services for homeless and at-risk women and children. By 2010 WCDO owned 10 developments with 91 units in Duluth, but as a result of financial and asset management difficulties, the organization faced negative cash flow in all but one development, and most housing units needed extensive work. Center City Housing Corp. is a Duluth-based regional provider of affordable rental housing that responded to WCDO's search for a compatible organization to receive and maintain its housing and supportive service assets.

Center City Housing Corp.

Aware that the loss of these housing units would cause tremendous hardship for its residents, WCDO chose a proactive cooperative approach and was transparent about the serious difficulties it faced. WCDO appealed to stakeholders in the community for assistance in finding a "mission match," an organization whose mission aligned with WCDO's mission to provide stable housing and support services to women escaping homelessness, prostitution, and domestic violence.

Working with the City of Duluth, the Duluth HRA, and other key stakeholders, the Workout Team used a clearly defined process and selected Center City Housing Corporation, a Duluth-based nonprofit community development organization, to receive its assets and continue to provide housing and services to its residents.

WCDO's assets transferred to CCHC included transitional and permanent supportive housing for women experiencing homelessness, those leaving abusive relationships, and families at risk of both. The funding partners provided technical and financial assistance to conduct due diligence, assess building conditions, secure added staff, deal with deferred maintenance, continue support services, and establish adequate reserves.

Catalyst for Program Transfer

WCDO's Board of Directors anticipated financial difficulties and developed a process to find an organization to assume its assets and liabilities. WCDO's board created an interagency 'work-out' team to implement the transition that included state and local government, funders, and community leaders.

Challenges

WCDO knew it had to make all information available and transparent. The workout period is a time to air all of the organizations 'dirty laundry,' something organizations experiencing financial crises are sometimes reluctant to do. This makes it difficult for outside organizations to assess the situation and get the help that is needed.

The transfer of assets and services was a lengthier and more complex process than anticipated and required strong leadership and perseverance to be successful.

Workouts are high-stress situations and it is common to hear blame and judgments among the multiple stakeholders involved, which is counterproductive to the process. To create an environment that supports transparency, the seller organization must not feel judged by the organizations helping with the workout process. Conversely, the seller organization must not blame funders, staff members, or other stakeholders. WCDO and its workout team were able to avoid this pitfall by remaining grounded and focused on the larger goal of the workout process—to preserve housing for the families they served.

Opportunities

A total of 87 of 91 units were preserved in this merger and affordability restrictions were kept in place (four units were sold to help finance the workout). Most were extended out 30 or more years, ensuring that these units would continue to be available for vulnerable women and families in the Duluth area.

All developments received necessary rehab, reducing vacancies. Additional operating subsidies and project-based Housing Choice Voucher rental assistance led to positive cash flow for all properties.

Lessons Learned

1. **Takes more time than you think:** One of the consultants involved with Center City suggested they should be able to do the deal in 30 days. It took a full 18 months.
2. **Principals must ask for help:** One of the reasons the WCDO workout was successful is that the organization asked for help and sought out resources in time for stakeholders to provide meaningful help. And in response, key funders stepped up to make it work, seeing that resources were needed to smooth the process.
3. **Convene all stakeholders:** WCDO brought together a group of stakeholders who all had mission, funding, program, policy, and political interests in WCDO. These stakeholders valued the preservation of the housing and programs WCDO had developed.
4. **Keep moving forward:** Time is of the essence in the workout process. The project team established benchmarks and a timeline to keep everyone on task. Most benchmarks were completed on or before their deadline. When complications arose, the team could adjust the deadlines, while still making progress on other decisions and tasks.

11 Fergus Falls HRA and Otter Tail County HRA

Riverview Heights, a senior highrise in Fergus Falls

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Year Founded: 1982

What makes this a Program Transfer

The Fergus Falls HRA and the Otter Tail County HRA effectively merged in 1982 when the Otter Tail County Board of Commissioners approached the Fergus Falls HRA and asked the HRA to take over operation of their housing programs after the County HRA's director resigned.

Catalyst for the Program Transfer

Otter Tail had experienced management concerns, prompting their need to transfer programs. Because Fergus Falls HRA's programs mirrored those of the County, Fergus Falls agreed to take over the management of the County's operations with one executive director running both.

Organizational Profile

The Fergus Falls HRA serves Otter Tail County and provides multi-family and owner-occupied rehabilitation loans, senior and student housing, Public Housing, Housing Choice Vouchers, and economic development activities including loans for commercial renovation and signage. Only the Fergus Falls HRA has staff and an office open to the public, but the two HRAs have retained their own separate governing Boards (the City Council and the County Board of Commissioners), levy separately, and have separate budgets. Because of the difficulty in combining assets and transferring debt obligations, the Fergus Falls City Council and the Otter Tail County Board of Commissioners chose to manage two budgets, two audits, and meet separately as independent boards rather than pursue a legal merger. This arrangement has worked well for over 20 years and there are no plans to legally merge the two HRAs.

Lesson Learned

A win-win situation: The City and County have always had a strong working relationship; a collaboration between them would have made sense even without a catalyst.

12 Mahube–Otwa Community Action Partnership

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Year Founded: 1965

What makes this a Program Transfer

The Mahube–Otwa Community Action Partnership was created in April 2012 when two Community Action programs, Mahube Community Action Council and Otter Tail-Wadena Community Action Council, combined their programs and service areas, merging the service area of two counties into their own. The smaller of the two organizations, Otter Tail-Wadena Community Action Council, was dissolved and a new board of directors was formed that includes members of the two original boards.

In November 2011, the boards of directors of Mahube Community Action Council and Otter Tail–Wadena Community Action Council began discussing the merger process. Working with an attorney and a consultant recommended by the Minnesota Department of Human Services, a committee made of board members and staff from both organizations met regularly and developed a plan to guide the process. Combining the two organizations was made easier by the fact that they operated the same programs and services. As a nonprofit the Mahube–Otwa Community Action Partnership could not assume the liabilities or assets of the Otter Tail–Wadena Community Action Council, but in every other aspect this was a merger.

Organizational Profile

Mahube–Otwa Community Action Partnership serves Hubbard, Becker, Mahnomen, Otter Tail, and Wadena counties and provides emergency and transitional housing, homelessness prevention, energy assistance, weatherization, homeownership education, and foreclosure counseling. The combined organization has offices in Detroit Lakes, Fergus Falls, Park Rapids, Mahnomen, and Wadena County.

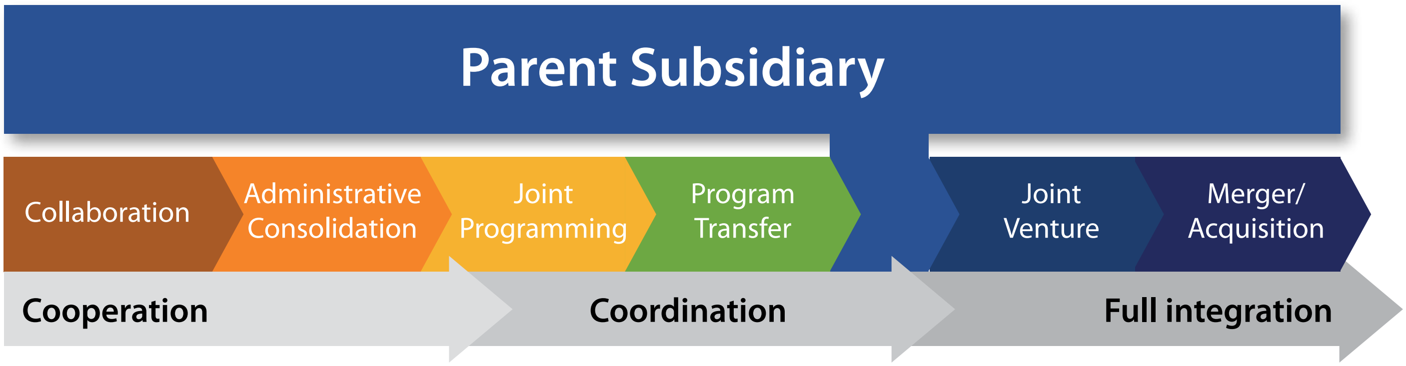
M MAHUBE-OTWA
COMMUNITY ACTION PARTNERSHIP

Catalyst for the Program Transfer

The catalyst for the transfer was the fact that Otter Tail-Wadena did not have the funding levels in any programs to maintain the capacity to operate effectively or efficiently. For example the agency did not have: 1) A technology director or specific technology plan, infrastructure, or systems. 2) An HR department. 3) A physical presence in Wadena County. 4) Reasonable salary rates. These issues made it difficult for the agency to compete in areas that required high-tech equipment and savvy, well-qualified staff.

Lessons Learned

1. **Prepare for a lengthy process:** The process of merging the two organizations was much more complicated, time consuming, and expensive than anticipated. Organizations should have solid reasons for merging or combining programs and should "expect the unexpected." Having a consultant guide the process smoothed the transition.
2. **Board commitment is essential:** Without the early support of both boards, the merger could not have been accomplished. Board education aided the transition process.
3. **Communicate with staff:** Consistent communication with staff through an internal website about the transition kept staff informed throughout the merger process. Staff members were able to ask questions on the website and the executive directors of both organizations worked together to address questions and concerns as they arose.
4. **Staff perception cannot be halted:** Even though staff communication is essential and was done on a daily/weekly basis in writing, staff perception cannot always be anticipated or halted. Organizational culture was one of the greatest hurdles to overcome with staff. Sometimes it is necessary to accept that organizational behavior will not change for some staff and the transition may be too difficult to allow for successful employment in a new agency.



Case Study of Parent Subsidiaries:

13 **Headwaters Housing Development Corporation (HHDC) & Headwaters Regional Development Corporation (HRDC)**
HRDC created HHDC as a nonprofit subsidiary to pursue housing.

Characteristics of Parent Subsidiaries:

- Preserves visibility and identity of organizations while combining some administration and programs
- Use when identity is paramount to culturally specific groups or when assets can't be disassociated from the organization
- May include HUD consortia for housing agencies

13 Headwaters Housing Development Corporation and the Headwaters Regional Development Corporation

Headwaters Housing Development Corporation construction

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Year Founded: 1971

What makes this a Parent Subsidiary

The Headwaters Regional Development Commission (HRDC), one of nine active regional development commissions in Minnesota, was formed in 1971 under the authorization of the Regional Development Act of 1969. The Headwaters Housing Development Corporation (HHDC), a nonprofit subsidiary of the HRDC, was created in 1998.

Organizational Overview

A task force made up of community stakeholders collectively made the decision to form HHDC because regional development commissions do not have legislative authority to own or purchase housing. This task force went through a collaborative process to ensure that the newly-formed Housing Development Corporation would not compete with other organizations engaged in housing development in the region.

HRDC provides staff to HHDC under contract. HRDC also contracts to provide staff support to the Beltrami County HRA and the Hubbard County HRA. HRDC provides home ownership education and counseling services and administers several housing rehabilitation programs in the region. HHDC undertakes single family housing development, purchase-rehabilitation projects, and developed a supportive housing project in Bemidji.

Catalyst for formation of the Parent Subsidiary

Housing has historically been an important issue for the HRDC, and the organization has responded in a variety of ways including planning, accessing affordable mortgage financing,

HEADWATERS Regional Development Commission

HEADWATERS Housing Development Corporation implementing down payment assistance and housing rehabilitation, and helping other housing organizations increase their success. An inadequate supply of workforce housing throughout the region in the mid-1990s caused problems for local and regional businesses. HRDC was unable to respond to the need for affordable housing development as the organization does not have the statutory authority to own property for development. The HRDC was granted legislative approval to create a nonprofit subsidiary corporation which provided an opportunity to begin development of affordable housing in the Headwaters Region.

Challenges and Opportunities

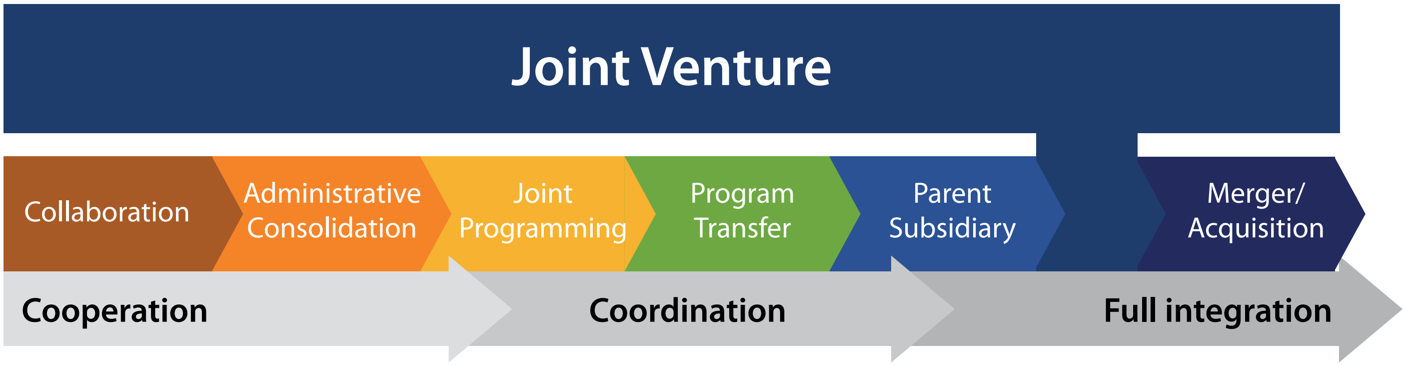
Reduced federal and state funding, along with broader resource scarcity, make it difficult to fund construction and gap financing. Funders prefer strong markets like Bemidji, making it difficult to access resources for smaller markets in Mahnomen, Clearwater, and Lake of the Woods counties. The priority is to ensure that services are available in the entire service area, rather than which agency meets customers' needs. By broadening activities, the organizations can find new ways to respond to housing needs without purchasing or building new housing.

Looking Forward

Because HHDC's service area is so large, local partners such as HRAs or private management companies may be better able to provide property management and other services. HRDC will increase its role and emphasis on homebuyer education, homebuyer counseling, and housing rehabilitation services.

Lessons Learned

1. **Collaborative process:** A board task force was formed with representatives from each county to make decisions collectively and determine the best organizational structure for the new organization.
2. **Community Housing Development Organization (CHDO) designation:** HHDC was formed as a closely held subsidiary corporation and did not meet the criteria needed to qualify was a CHDO. CHDO designation may have been useful to help the organization access resources needed to help effectively serve the entire region and meet housing needs of lower-income households.
3. **Organizational capacity:** Tap the organizational capacity that exists within the region.
4. **Unique needs:** Acknowledge the unique needs of the areas being served.



Case Study of Joint Venture:

14 **Northwest Minnesota Housing Cooperative**

Two organizations launched a joint venture to bring housing contractors together and reach more communities across Northwest Minnesota.

Characteristics of Joint Ventures:

- Creates a new organization to further a specific programmatic or administrative goal of 2+ organizations
- May be used to share governance, leverage reduced costs, or eliminate duplication
- Achieves economies of scale

14 Northwest Minnesota Housing Cooperative

A Joint Venture of the Midwest Minnesota Community Development Corporation and USDA—Rural Development

Construction by Northwest Minnesota Housing Cooperative

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Year Founded: 1998

What makes this a Joint Venture

The Northwest Minnesota Housing Cooperative (NMHC) was created through a joint effort between the Midwest Minnesota Community Development Corporation (MMCDC) and USDA—Rural Development. Each entity provided startup funds toward the joint venture, though USDA remains hands-off while MMCDC continues to be hands-on to this day. NMHC was created to replicate successful affordable housing projects throughout Northwest Minnesota with the ultimate goal that this template can be used throughout the United States.

Legally MMCDC and NMHC remain two entities with separate boards of directors; an MMCDC staff member reports to both boards. The cooperative leverages reduced costs by constructing more houses per year than any single contractor could on its own, reducing costs by purchasing larger quantities than individual contractors could. MMCDC and NMHC share clerical duties such as secretarial and accounting tasks, and the organizations also share design concepts. They achieve economies of scale by enabling contractors to spend more time working at the building sites and less time engaged in paperwork and bidding.

Organizational Profile

NMHC is a construction company owned by 66 local contractors and material suppliers of northwestern Minnesota communities (such as carpenters, plumbers and electricians). NMHC's goals are to: Build quality homes; bring affordable housing to the area; provide year-round work for local cooperative members; and support the housing industry by giving savings back to local members. NMHC began with a focus on five communities in Northwest Minnesota: Bagley, Crookston, Detroit Lakes, Fosston, and Thief River Falls, but has worked throughout the region.

NorthwestMinnesota Housing Cooperative

The CDC, being the developer, buys land, develops the site, installs roads and secures external funding help; the Housing Cooperative follows with skilled trades to build the homes and create a simple path to homeownership. Most homes are built in new development areas in order to maintain a high market value on constructed houses and to pass on the investment savings to the homeowner. Since 1998, 196 homes have been built by the NMHC, with 86 being purchased by first-time homebuyers. Overall, $31.8 million has been invested in Northwest Minnesota.

Catalyst for the Joint Venture

Geography was an important factor in launching the joint venture. The MMCDC had a good model in Detroit Lakes and wanted to replicate it 100 miles away; creating the joint venture was a way to achieve the geographic reach they sought.

Challenges

One of the challenges NMHC has faced is knowing when to expand. The co-op is driven by the housing market and when the housing bubble burst, the co-op was affected like all industry peers.

Opportunities

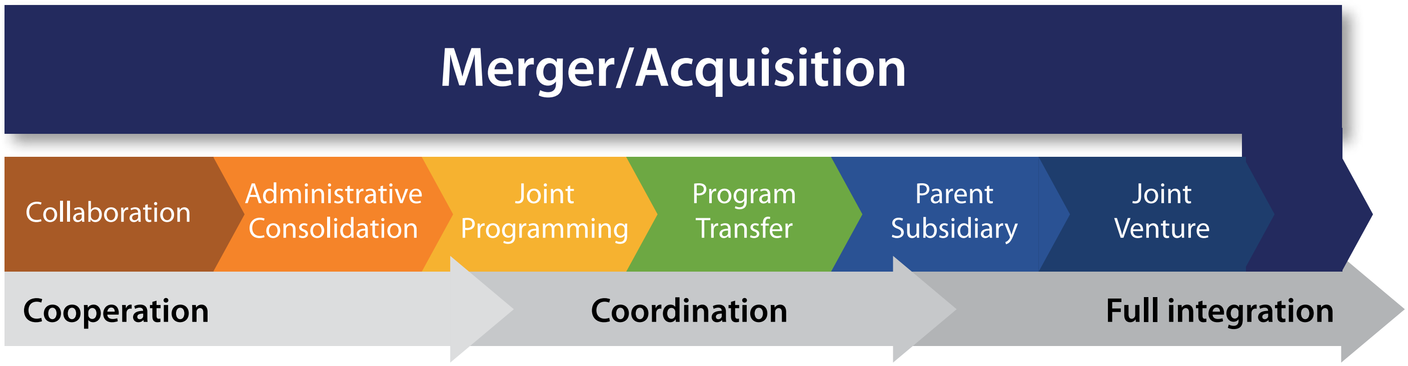
The NMHC has seen the success and power that two companies can bring, drawing the best assets from two companies and delegating tasks to whichever can best accomplish them. It effectively doubles their staff without doubling their costs.

Looking Forward

The housing cooperative is a unique model that has potential in other parts of the state of Minnesota and across the U.S. The model is successful and could be replicated elsewhere to offer consumers a product that wasn't previously available, at a low price point.

Lessons Learned

1. **Competitors collaborate:** A housing cooperative model takes former competitors and brings them together to achieve the same goals: construct quality affordable housing.
2. **Good energy:** The model fosters community and creates excitement in small towns.
3. **More time on the job:** Contractors are able to spend more time on sites, doing the jobs they're trained to do, becoming more proficient at their trades, and spending less time doing paperwork and other office work that the cooperative handles on their behalf.



Case Studies of Mergers/Acquisitions:

15 **Kandiyohi County HRA and Willmar HRA**
A retirement prompted this city and county's HRAs to share an executive director and eventually determine that a full merger of all programs and housing made the most sense.

16 **One Roof Community Housing**
Two organizations merged to form a new entity to serve a broader area and be more effective.

17 **Rochester HRA and Olmsted County HRA**
Two organizations merged to serve a broader region; Rochester HRA's assets were transferred to the County HRA and ceased to exist.

18 **Three Rivers and Olmsted County Community Action**
The only public CAP in the state faced dwindling federal and state support and merged with a stable, private nonprofit.

Characteristics of Mergers/Acquisitions:

- Integration of all programmatic and administrative functions of multiple organizations
- Use to achieve administrative efficiencies, preserve services, or achieve program synergies
- May increase geographic reach or allow 1+ organizations to grow or go to scale

15 Kandiyohi County HRA and Willmar HRA


Lakeview Highrise, 127 units of public housing, was transferred from the Willmar HRA to the Kandiyohi County HRA as part of the merger.

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Year merged: 2014

What makes this a Merger

The Kandiyohi County HRA and Willmar HRA decided to enter into a collaborative partnership to share an Executive Director after the September 2010 resignation of the Willmar HRA Executive Director. At that time, the two HRAs had been sharing office space for seven years, had collaborated on several projects, and had shared some staff functions. By August 2011 the agencies had a contract in place to share the executive director; the contract was renewed for another year. In January 2013 the boards passed a resolution to explore a merger, which was then approved for implementation in June 2013. All staff and programs were transferred from the Willmar HRA to the Kandiyohi County HRA as of January 1, 2014. Kandiyohi County HRA worked with HUD in January 2014 to transfer all of Willmar HRA's 174 housing units to the County HRA, completed by June 2014.

Organizational Profile

Kandiyohi County HRA serves Willmar and Kandiyohi County and offers multi-family and owner-occupied rehabilitation loans, Public Housing, and Housing Choice Vouchers.

Catalysts for the Merger

The decision-making process to share the Executive Director took about nine months. The Executive Director serves two separate boards: the Willmar HRA Board and the Kandiyohi County HRA Board. A renewable one-year contract is set up between the two HRAs.

Kandiyohi County Where The Lakes Begin

The Kandiyohi County HRA and Willmar HRA have “bare bones” staffing levels and the two HRAs rely largely on tax levies, which have not been increased for several years. Struggling to maintain the same level of service with limited staff and budgets could impede the collaborative process. As federal and state funding for administrative support continues to decrease, service cuts are anticipated.

Lessons Learned

1. **Consider geography and authority of end organization:** Kandiyohi County HRA and Willmar HRA merged into Kandiyohi County HRA. If the county had instead become the city HRA, they could no longer have levied. The county scope of the geography made sense for these organizations.
2. **Get to know the merging organization:** Even if you already share the same office space, don’t assume you know the full scope of work and operations of the other entity. Take the time to ask questions and gain a clear idea of what you’re getting into, including issues relating to staffing, training, and policies.
3. **Extra staff can smooth the process:** These organizations recognize in hindsight that it would have been helpful for them to bring in extra staff to help with administrative duties during and following the merger process to ensure consistent contact with constituents so existing staff doesn’t get spread too thin.
4. **Expect the unexpected:** These merging entities first had two fiscal managers, one more than they needed, but by chance both left within months of one another. Suddenly the two agencies had no fiscal staff, something they couldn’t have foreseen.

16 One Roof Community Housing

Example of One Roof housing rehabilitation

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Year Founded: 2012

What makes this a Merger/Acquisition

One Roof Community Housing is the result of a merger between Duluth Neighborhood Housing Services (NHS) and Northern Communities Land Trust (NCLT). The two organizations had slightly different housing-related missions, but both were exploring more regionalized activities so aligning their resources made sense. The merger was a gradual process over 14 months and the new agency has combined board, staff, budgets, and activities.

This is an example of a unique merger of two nonprofits, facilitated by an expert consultant with experience in organizational consolidation. Both organizations informed funders and stakeholders of their plans and process early and often. While it was an unexpectedly challenging experience that involved staff and board changes, strong leadership provided a clear goal and path to success.

Organizational Profile

One Roof Community Housing provides homebuyer education and counseling, down payment and closing cost assistance, post-purchase homeowner education, single and multifamily rehabilitation lending, single-family development and sales through the community land trust program, multifamily housing development, and neighborhood revitalization to the broader Duluth area.

1 ROOF COMMUNITY HOUSING

Catalysts for the Merger

Steve O'Neil Apartments in Duluth

Both organizations saw an opportunity to combine their programs to make their services more convenient and accessible, and to leverage their resources more effectively. Both Duluth NHS and NCLT viewed the merger as a way to make two strong organizations even stronger in terms of the impact their programs have on the community, and the merger offered improved efficiencies and impacts. NHS and NCLT boards and staff have strong housing experience. Both organizations received significant support, in terms of encouragement and funding, in the exploration and implementation of the merger.

Leadership of NHS and NCLT believed that by merging it would be possible that the resulting organization could do more for the community than the two organizations could do separately. When discussing the future and the rationale for merging, it was often stated that there was a belief that in this instance 1 plus 1 would be greater than 2.

Challenges

Change can be stressful for both staff and boards of directors. The two original organizations had very different management structures, making it difficult to combine the two. It was painful but necessary to eliminate some staff during the merger process.

Expansion of housing services to the larger region may cause friction with other area service providers, and the creation of a larger housing organization with significantly more capacity also changes dynamics with other local housing organizations and funders.

Opportunities

One Roof is able to take a stronger leadership position in the community as a result of the merger because the organization has significantly more bench strength in terms of staffing and administration capacity. Also, the merger allows One Roof to provide more resources in a central location to better serve the community and to serve as the hub for the Housing Resources Connection which provides a one-stop shop for One Roof, weatherization, and energy efficiency services (at www.housingresourceconnection.org).

Looking Forward

Historic differences between the two agencies have diminished as their boards have become more aligned and blended. One Roof is in the process of forging business-like relationships with funders to change the dynamic of raising support. One Roof is considering expansion to Douglas County in Wisconsin, which will raise new challenges.

Lessons Learned

1. **Begin discussing changes early:** Discuss the new organization's mission statement, name, and location at the beginning of the merger process.
2. **Maintain momentum:** If the process is too long, the momentum for change can disappear.
3. **Role of consultant:** Using a consultant as a coach or neutral party can guide the process and keep it on schedule.
4. **Be proactive:** It is better to pursue collaboration/partnership/merger from a position of strength rather than be forced into it because of weakness.
5. **Customers' role:** Listen to homeowners. Their perspective is important.

17 Rochester HRA and Olmsted County HRA

Transitional Living Center, Rochester

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What makes this a Merger/Acquisition

In the early 1980s the Rochester Housing and Redevelopment Authority (HRA) saw the need for housing programs in smaller cities in Olmsted County that the Olmsted County HRA, established primarily to raise funds through bond sales, was not able to address. The two organizations merged in order to expand services throughout the county while continuing to serve the city of Rochester. In January 1995, the assets and liabilities of the Rochester HRA were transferred to the Olmsted County HRA and the Rochester HRA ceased to operate.

Organizational Profile

The Olmsted County HRA serves Olmsted County and operates public housing, Housing Choice Voucher programs, and rehab assistance for homeowners and rental properties. The Olmsted County HRA is governed by a seven-member board of commissioners, with four members appointed by the city of Rochester and three by the county.

Catalyst for the Merger

The City of Rochester and Olmsted County agreed to have the terms of the merger approved by the State Legislature. Representative Dave Bishop authored special legislation that specified county and city representation on the Olmsted County HRA's governing board and matters pertaining to budget and levy.

OLMSTED COUNTY OCHRA Housing & Redevelopment Authority

Challenges

Though the Rochester City Council and the County Board agreed on the concept, the process, and the operation of a merged HRA, special legislation was required to enable the merger to succeed.

The organizations have different priorities: The Olmsted County HRA receives financial support from the County through the general levy; the city of Rochester does not provide operating support for the HRA.

The Francis, supportive housing in Rochester

Looking Forward

OCHRA is involved in new housing and projects being considered for Rochester and other areas over the next two to five years.

18 Three Rivers and Olmsted County Community Action


Success following the Achieve Homeownership program.

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Year Merged: 2013

What makes this a Merger

Olmsted County Community Action Program, the only public CAP agency in the state, formally merged with Three Rivers Community Action, Inc. in July 2013. Federal and state support of Olmsted County's housing programs had been cut drastically in recent years, with a 50 percent cut anticipated in 2013. Staff at Olmsted County CAP had already been reduced from 6 to 2 and services were limited as a result. This led to a need for the county to find a natural partner to ensure continuation of its housing services to residents of Olmsted County. Olmsted County retains three seats on the Three Rivers board.

Organizational Profile

Three Rivers Community Action, Inc. was formed in 1966 to meet the needs of low-income people in Southeast and South-Central Minnesota and was initially established to serve Goodhue, Rice, and Wabasha counties. The merger with Olmsted County CAP adds Olmsted County to this core set of counties served. *(Three Rivers Community Action is also included as an earlier case study example of Joint Programming due to its spinoff of a regional HRA and expansion of housing development activities in the 1990s, as well as a geographic expansion to 20 counties, each of which occurred decades after its founding).* Three Rivers took on the Olmsted County's Energy Assistance Program in a later stage of the transition.

Olmsted County CAP was founded in 1983 as a public program, drawing funding from the federal Community Services Block Grant and state aid from the Minnesota Community Action Grant. The CAP provided homeless prevention aid as well as housing information and referral services.

ThreeRivers
COMMUNITY ACTION
People-focused, community-driven

Three Rivers CAP has strong support in the community for both its housing programs and other programs that serve low-income households, including weatherization, energy assistance, transitional housing, technical assistance, housing development, and gap financing.

Three Rivers expanded its housing development activities in the 1990s to serve a larger 20-county area: Blue Earth, Brown, Dodge, Faribault, Freeborn, Filmore, Houston, Goodhue, Le Sueur, Mower, Nicollet, Olmsted, Sibley, Steele, Rice, Winona, Wabasha, and Watonwan.

Three Rivers CAP has a track record of developing innovative housing solutions. They founded the housing authority that was spun off as Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA) and provided guidance into the creation of First Homes, another regional housing organization.

Opportunities

Three Rivers can do more place-based programming since the merger. Their Achieve Homeownership program is now housed in their Rochester office, making it convenient to reach new immigrant partners, the target market for the programming, which includes homebuyer education, counseling, loan programs, and home maintenance seminars.

Three Rivers is better positioned to help smaller communities pursue the programs they'd like to offer their residents but can't provide on their own, such as energy assistance. Cities support Three Rivers, and Three Rivers in turn helps those cities meet their goals by providing staff and expertise to their residents.

Three Rivers was able to apply for a Minnesota state grant of $20,000 to assist in the transition process as a result of this merger. Other funders of nonprofit collaborations include the United Way, the Sea Change-Lodestar Fund for Nonprofit Collaboration, and capacity-building grant programs within local foundations.

Lessons Learned

1. **Communication required between the two boards:** Three Rivers worked closely to reconstitute the board as part of the merger, adding dedicated seats for Olmsted County representatives and reprioritizing its work to reflect both entities.
2. **Solicit community involvement:** Three Rivers gleaned valuable information by meeting with partner organizations that serve the same populations, helping them to identify gaps and see where it made most sense for them to add new and expand existing programming.
3. **Name recognition takes time after merger:** Conduct research and work closely with the merging partner to ensure that clients are clear about who now provides the services they once sought elsewhere. It takes extensive outreach to get the word out about the change.

Endnotes

1. Memorandums of Understanding – for Governmental agencies: A memorandum of understanding (MoU) is a document describing an agreement between two or more parties. It is often used in cases where parties either do not imply a legal commitment or in situations where the parties cannot create a legally enforceable agreement. The document should include the names of the parties entering into the agreement, a clear description of the roles and responsibilities of each party, requirements for modification or termination of the agreement and the effective dates of the agreement.
2. Joint Powers Agreements: Under the Joint Powers Act, Minnesota cities and counties can enter into a Joint Powers Agreement to "cooperatively exercise powers common to all parties." Each governing body (such as a city council) must formally approve the Joint Powers Agreement. This agreement must include its formal purpose, what powers are to be exercised jointly and the methods each entity will use to accomplish the goals and exercise the powers outlined in the agreement. The agreement must also describe how funds will be disbursed, a method for accounting for all funds, and a fixed term for the agreement and/or the conditions under which the agreement may be ended. Source: The Office of the Revisor of Statutes, Minnesota, online at https://www.revisor.mn.gov/statutes/?id=471.59.
3. HUD has recently promoted the formation of consortia to allow local government agencies to partner when applying for federal funding. Consortia are a kind of collaboration that is on the continuum between a Joint Powers Agreement and a full merger. A consortium is an agreement between HRAs that allows each HRA to maintain control over its own budget and governance (boards of commissioners) while working together to control costs and eliminate redundancies. HUD has encouraged the formation of consortia as a way for local governments to take a more regional, collaborative approach to meeting their affordable housing needs.
4. Mergers and Acquisitions: Mergers or acquisitions of public agencies usually require the approval of local government and are typically implemented when two agencies have overlapping responsibilities. A merger implies that two (or more) agencies combine all aspects of their operations (staff, budgets, etc.) and create a new entity. Acquisitions occur primarily in the private sector when a larger company purchases a smaller one and absorbs all of its operations. The smaller company ceases to exist.
5. Judy Sharken Simon. "Nonprofit Life Stages: Knowing What's Normal and What's Next." Fieldstone Alliance. 2007.
6. Ibid.
7. McLaughlin, Thomas A. Nonprofit Mergers & Alliance. (Hoboken, NJ: John Wiley & Sons, Inc., 2010), 12.
8. "Nonprofit Organizational Life Cycle." Speakman Management Consulting. Adapted from "The 5 Life Stages of Nonprofits," Judith Sharken Simon, 2002, and The Conservation Company, 1997, 5. Sharken Simon provides facilitation and consulting services to nonprofits considering realignment at MAP for Nonprofits.
9. McLaughlin, 12.
10. Ibid., 1-4.
11. McLaughlin, 12.
12. Speakman, 5.
13. McLaughlin, 12.
14. Ibid., 2.
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