

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM JON M. GUTZMANN  
EXECUTIVE DIRECTOR

REGARDING INFORMATIONAL REPORT  
Status of Asset Preservation and  
Homeownership Initiative (APHI)

DATE November 22, 2017

The Executive Director and an interdepartmental staff team have been meeting weekly to further develop the Agency's strategies to preserve the affordable housing currently funded under the Public Housing program and to create homeownership opportunities for current residents of the scattered site homes and duplexes. The following is a summary of recent actions and current status in three areas:

- 1. Rental Assistance Demonstration (RAD):** On August 25, 2017 the PHA's RAD conversion applications were submitted to HUD, seeking approval to convert the public housing funding for the hi-rises and family housing developments to long-term project-based Section 8 subsidies under HUD's Rental Assistance Demonstration (RAD). On October 25, 2017 the Board approved staff's recommendation to select the "Project-Based Voucher" (PBV) form of subsidy rather than the "Project-Based Rental Assistance" (PBRA) form. The primary reason we are pursuing RAD is to secure the more stable Section 8 funding platform, locking in a previous year's level of public housing subsidies (Operating Fund and Capital Fund, combined into the Section 8 Housing Assistance Payment; HAP) with the expectation of annual increases for inflation. Additional RAD benefits include deregulation (no HUD-required PHAS inspections, no HUD-required smoking ban, etc.), flexibility to use the HUD rent subsidy (HAP) for both operating expenses and capital improvements, the ability to accumulate replacement reserves, and the ability to borrow for major capital improvements if needed.

This week we learned of a potential new complication, that our valuable Congregate Housing Services Program (CHSP) perhaps cannot be retained as a PHA program after a RAD

conversion to PBV. Oddly, CHSP could be retained under RAD PBRA. We are researching options with our RAD consultant, Jaime Bordenave, and HUD staff. Several remedies are being reviewed. We plan to make every effort to continue our CHSP program which has provided direct services that prevented premature institutionalization for thousands of frail elderly and disabled public housing residents over the past 35 years (as recognized at a celebration at Ravoux Hi-Rise on November 15, 2017).

- 2. Voluntary Conversion:** This often overlooked HUD program allows for removal of developments from Public Housing (and its Annual Contributions Contract with HUD), and converts the housing to a Section 8 funding platform/funding formula. With the assistance of our RAD and Voluntary Conversion outside counsel Rod Solomon, we are studying the possibility of applying for voluntary conversion for some family congregate developments that are presently included in the RAD application. Both the RAD application and Voluntary Conversion application can co-exist and a decision by the PHA on whether to choose RAD or Voluntary Conversion does not need to be made until 90 days after approval of the last application. A Voluntary Conversion would replace the public housing subsidies for those housing units with Housing Choice Vouchers (HCV) that would be used as Project-Based Vouchers (PBV) with significantly higher subsidies. (This form of PBV is distinct from the post-RAD conversion form of PBV, which initially provides no higher subsidy than the previous public housing subsidies.) HUD approval of Voluntary Conversion depends largely on the results of inserting PHA data into a specific HUD formula that compares future costs under public housing and HCV/PBV. HUD approval of Voluntary Conversion is only possible if we can demonstrate that operating HCV PBV at these sites is cheaper than the cost to HUD to fund these projects as Public Housing. Preliminary figures indicate that the formula supports HUD approval for Voluntary Conversion of three family housing sites, which would increase PHA annual net income compared with RAD rents. Although only 10 or fewer Voluntary Conversion applications have been approved nationwide, the PHA is studying recommending submitting an application if the PHA can realize higher subsidy amounts from some family sites under Voluntary Conversion as compared with RAD.
- 3. Scattered Sites:** With the Board's approval of the Agency Goals, we are ready to officially launch the effort to offer scattered site units for sale to PHA residents. This will be the first

phase of a four-phase homeownership/asset preservation strategy for the single family homes and duplexes on scattered sites around the City, a total of 418 housing units for families. Staff are polishing the letter inviting residents to consider purchasing the home they currently live in; and a draft will be presented for Board review at the January Board meeting. Other details of the PHA resident homeownership strategy will be presented for Board consideration at the January Board meeting as well. The second phase involves developing a detailed plan for offering scattered site units for sale to Habitat for Humanity and similar non-profit homeownership organizations. The third phase involves developing a detailed plan for offering scattered site units for sale to the general public. The fourth phase involves developing a detailed plan for retaining and re-capitalizing the remaining scattered site portfolio (most likely those units located in areas of opportunity in the City). Staff will seek Board consideration and approval of each step to ensure we are embarking on a transparent and appropriate plan. Numerous procedural steps (i.e., official resident notification, relocation plans, securing replacement vouchers, retaining homeownership counselors, budgeting, Agency Plan revision, etc.) are being mapped out to ensure precise adherence to all rules and regulations. An additional phase requiring more research may be to offer scattered sites for sale to non-profit organizations that could continue to operate them as affordable rental housing for very low income families.

JMG/LTS/FAH