

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING INFORMATIONAL REPORT
Rental Assistance Demonstration (RAD)
And Asset Preservation and Homeownership
Initiative (APHI)

DATE February 28, 2018

This report summarizes staff's preparation for the RAD conversions and the steps being taken to explore resident homeownership opportunities for the scattered sites. These activities are components of the "Asset Preservation and Homeownership Initiative" (APHI) first proposed in a June 28, 2017 staff report to the Board.

On August 23, 2017 the Board granted approval to begin the process of converting 3,852 public housing units from HUD's Low Income Public Housing program to HUD's project-based Section 8 program through the Rental Assistance Demonstration (RAD). Staff submitted eight RAD applications on August 29, 2017; and those applications are currently near the top of HUD's RAD conversion waitlist. As shown on the attached RAD waitlist dated January 31, 2018, only two housing authorities are ahead of the PHA, with applications totaling 3,628 units.

HUD will review the PHA's RAD applications as soon as they reach the top of the waiting list, either when some housing authorities currently involved in RAD conversions drop out of the process, or when the cap on the number of RAD units is raised or eliminated completely. After accepting an application HUD will issue a "Commitment to Enter into a Housing Assistance Payments Contract" (CHAP), after which the PHA will have 180 days to submit a Financing Plan for that project (Asset Management Project/AMP 1, 2, 3, etc.).

In preparation for receiving the CHAPs, staff is meeting with stakeholders including HUD's Minneapolis Multifamily Asset Management Division, Minnesota Housing (Finance Agency;

MHFA), and housing agency directors who have gone through the RAD conversion process. To begin developing the required Financing Plan for the RAD conversions, in October 2017 staff contracted with EMG Corporation to begin working on Capital Needs and Environmental Assessments. EMG has now inspected all of the properties included in the RAD applications and staff is reviewing EMG's initial reports to staff. Staff will continue to follow the attached Project Plan for RAD conversion, seeking assistance from consultants Jaime Bordenave and Rod Solomon as needed, and provide progress updates to the Board.

The Administration's budget proposal eliminates the public housing Capital Fund and slashes the Operating Fund to approximately 44% of its current level. Even smaller funding reductions would further jeopardize the PHA's capacity to manage and maintain the existing scattered site portfolio. Staff is continuing to explore asset preservation strategies including the Section 32 homeownership program, voluntary conversion, other disposition (sales) options, and RAD conversion. Proceeds from the sales of any scattered site properties would be used to rehabilitate and maintain the retained scattered site homes. Staff will only consider strategies that result in no net loss of affordable housing opportunities, whether through Tenant Protection Vouchers or the right to develop replacement public housing units in the future.

To cover the costs of RAD conversion and other activities under the Asset Preservations and Homeownership Initiative, staff anticipates recommending an amount of \$250,000 from the FY19 Capital Fund "Management Improvements" budget at the March 28, 2018 Board meeting.

JTL/FAH

Attachments: Project Plan
January 31, 2018 RAD Waitlist