

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING INFORMATIONAL REPORT
RAD Closing Extended to October 2019

DATE August 14, 2019

The tentative closing date for the Rental Assistance Demonstration (RAD) conversions to Project-Based Rental Assistance (PBRA) has been extended to early October 2019, instead of the earlier target date of September 4, 2019. During a July 31, 2019 phone call with the HUD staff who are overseeing the closing, they stated that the PHA's timeline was "extremely aggressive" for closing on all eight conversions. They expressed doubt as to whether they (HUD staff) had the capacity to fully review eight separate RAD closing packets, including unique legal descriptions and title history for all family site and hi-rise properties, in time for a September closing deadline.

The HUD staff proposed the possibility of staggering the closings, and closing a few conversions at a time. In response, PHA staff explained our strong preference to convert the entire portfolio at the same time, and to do so as early in the month as possible in order to maximize the amount of time available for lease signing.

Converting the entire portfolio at one time is financially and operationally more beneficial to the PHA than converting AMPs on a staggered basis. Staff believes that converting the AMPs one at a time would greatly increase the risk that not all of the conversions would be completed in time for all of the HAP effective dates to be December 1, 2019. If even one conversion is delayed so that the HAP effective date becomes January 1, 2020 or later, the Agency's financial recordkeeping and reporting for the next year would be exceedingly complicated. The project(s)

with a January 1, 2020 or later HAP contract effective date would continue receiving funding for another full year through HUD's Public and Indian Housing (PIH) division, while the other closed RAD projects would be funded through HUD's Multifamily Housing division. That scenario would greatly increase the staff's workload to properly account for and report on the income and expenses, and potentially cause confusion and errors at both the PHA and HUD.

In addition to the financial complications of a staggered closing schedule, the signing of new leases with all residents and the software conversion workflow will be more efficient and effective with converting the entire portfolio at one time. Tenmast staff will be on-site to assist with the final steps necessary to complete the computer business systems conversion to PBRA. If the closings are staggered, there would be additional expense to bringing Tenmast staff back onsite multiple times.

HUD's staff in Multifamily Housing and the Office of Recapitalization schedule all closings on Thursdays, which would put the earliest potential October closing date at October 3, 2019. To be on the agenda for a given Thursday's closing meeting, HUD staff stated that an agency's closing packets need to be finalized and uploaded online to the RAD Resource Desk by the Friday before the Thursday closing. Therefore for an October 3, 2019 closing date, all submissions must be finalized and uploaded by September 27, 2019. The final submissions need to incorporate all comments and feedback provided by HUD staff, so the closing packets will need to be submitted to them several weeks before the September 27, 2019 deadline. That will allow HUD's closing staff sufficient time to review the submissions, and for the PHA to respond to any final questions or concerns. In order to maximize the amount of time available for this

review process, staff intends to submit drafts of all eight closing packets to HUD by August 23, 2019.

Moving the closing date to October also has the effect of pushing out the effective date of the PBRA Housing Assistance Payment (HAP) contracts from November 1, 2019, to December 1, 2019. Since all PBRA leases must be signed by residents before the HAP contract's effective date, the lease signing window will open on the closing date (October 3) and end on November 30, 2019. Despite shifting the lease signing window a month, RAD closings in early October will still allow PHA staff to maximize the amount of time available for residents to sign and return the new PBRA lease.

JMG/LTS/SDW/AJH/FAH/