

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING INFORMATIONAL REPORT
Project Update - RAD Conversion

DATE August 22, 2018

In March 2018 the Omnibus Appropriations Act authorized an additional 230,000 units for RAD conversion, increasing the total units available to 455,000. The PHA's RAD applications submitted to HUD on August 25, 2017 remain near the top of the most currently available RAD waitlist and appear to fall within this latest unit authorization. (A copy of that waitlist dated May 31, 2018 is attached.) Although no specific timeline for CHAP awards has been published, staff from HUD's RAD Application Group have been communicating with PHA staff to confirm information included on our applications. In those communications HUD staff noted that a separate RAD application was still required for the twelve new units at McDonough Homes ("AMP 13"). Staff is recommending approval of that application in a separate report on this meeting's agenda.

In anticipation of receiving CHAP awards, staff continue to meet in both small and large groups to discuss RAD planning and implementation (see attached Project Plan). Once the CHAPs are received, staff will have six months to prepare and submit the PHA's Financing Plan. The Financing Plan demonstrates to HUD that the proposed RAD transaction is financially viable and the PHA has performed the necessary due diligence to assess property needs and resident impact. Components of the Financing Plan include 20year Capital Needs Assesements (CNAs), environmental reviews, fair housing reviews, and operating revenue and expense projections. (see attached Financing Plan Checklist) All calculations have not been completed yet, but it

appears most of the proposed conversions continue to be non-financial (or “debt-free”) which simplifies the Financing Plan submission requirements.

In July staff received favorable news regarding the RAD Contract Rents, which are a key factor in determining the amount of federal subsidy the PHA will receive after the conversion. The initial RAD Contract Rent is based on a PHA’s tenant rents per unit- month (“PUM”), LIPH operating subsidy and Capital Fund grant for a specific funding year prior to the RAD conversion. CHAPs currently being awarded are setting the initial contract rent based on “Modified FY [20]16 Rents”, which are comprised of tenant rents and operating subsidy paid in Calendar Year 2016, plus the 2018 Capital Fund grant (capturing the 42% increase in Capital Fund awards). HUD recently announced that PHAs that have not closed on their RAD transactions will have the option to amend their CHAPs and use “FY [20]18 RAD Rents” as the initial contract rent. In addition to the higher Capital Fund amount, the FY 18 RAD Rents will be based on tenant rents and operating subsidy paid in Calendar Year 2018. (The attached “RAD Rent-Setting” slide from a recent HUD presentation illustrates this.) Based on initial review, staff believe the FY 2018 RAD Rents will provide substantially higher initial contract rents, and a better starting point for the annual adjustment for inflation (Operating Cost Adjustment Factor, or “OCAF”). Amending the PHA’s CHAPs to FY 18 RAD Rents is projected to increase rental revenue (combined tenant rent and rental subsidy) in the first year by an average of \$39 per unit-month, or about \$1.8 million.

JTL/AJH

Attachments: RAD Waitlist dated May 31, 2018
Project Plan
Financing Plan Checklist
RAD Rent-Setting Slide