

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;
“CHAPs” Received from HUD

DATE September 26, 2018

On August 20, 2018 the PHA received notice of approval letters from HUD for all eight RAD conversion applications we submitted on August 25, 2017. The letters also serve as the Commitment to enter a Housing Assistance Payment (CHAP) awards for those Asset Management Projects (AMPs 1-8).

Staff also submitted a separate RAD application for the twelve new units at McDonough Homes (“AMP 13”) on August 24, 2018. If the CHAP for these units is issued in time, staff intends to request the units be added to the AMP 1 CHAP for the 580 units at McDonough Homes.

Receiving the CHAPs on August 20, 2018 began the six month timeline to prepare and submit the PHA’s Financing Plan, so that plan must be submitted by February 15, 2019. The Financing Plan will demonstrate 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 20-year Capital Needs Assessments (CNAs), environmental reviews, Fair Housing reviews, operating revenue and expense projections, and additional resident and stakeholder communication. (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” (that is, “debt-free”) which simplifies the Financing Plan submission. To assist with the requirements of the Financing Plan, HUD assigned the PHA a

RAD Transaction Manager, Richelle Patton. A kick-off call with Ms. Patton and HUD Minneapolis Field Office staff was held on Wednesday September 19, 2018. Staff continue to meet in both small and large groups to discuss preliminary Financing Plan tasks as well as RAD planning and implementation (see attached Project Plan).

The PHA's CHAPs were awarded with initial contract rents based on "Modified FY [20]16 Rents", which are comprised of tenant rents per unit-month ("PUM"), plus operating subsidy paid in Calendar Year 2016, plus the 2018 Capital Fund grant (capturing the 42% increase in Capital Fund awards). As stated in the August 2018 RAD Update Report, 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 FY18 RAD Rents will be based on tenant rents and operating subsidy paid in Calendar Year 2018. Based on initial review, staff believe the FY18 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").

The PHA's initial examination of the financial feasibility of RAD was based on FY [20]14 RAD Rents which projected average income of \$703 per unit-month. The current CHAP award with Modified FY16 RAD Rents projects average income of \$746 per unit month, an increase of \$43 per unit month. Amending the CHAPs to use FY18 RAD Rents will raise the average income to \$785 per unit-month, an increase of \$39. The adjustment from FY14 RAD Rents to FY18 RAD Rents is projected to increase income in the first year by \$82 per unit-month, or approximately \$3.8 million.

Attachments: CHAPs for AMPs 1-8
RAD Project Plan
Financing Plan Checklist
Original RAD Fact Sheet
Updated RAD Fact Sheet
RAD Conversion Update PowerPoint