

On August 23, 2017, the Saint Paul Public Housing Agency (PHA) Board of Commissioners approved the following actions:

- Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 1; McDonough Homes; Agency Plan Amendment
- Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 2; Front, Hamline and Seal Hi-Rises; Agency Plan Amendment
- Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 3; Edgerton, Iowa and Wilson Hi-Rises; Agency Plan Amendment
- Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 4; Roosevelt Homes; Agency Plan Amendment
- Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 5; Mt. Airy Homes and Hi-Rise, Valley Hi-Rise; Agency Plan Amendment
- Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 6; Exchange and Wabasha Hi-Rises; Agency Plan Amendment
- Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 7; Ravoux, Neill and Central Hi-Rises, Except Central Duplexes; Agency Plan Amendment
- Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 8; Dunedin Terrace (Family), and Dunedin, Montreal and Cleveland Hi-Rises, Except West Side Duplexes; Agency Plan Amendment
- Employee Recognition

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 1 McDonough Homes; Agency Plan Amendment

DATE August 23, 2017

Staff requests Board approval of Resolution No. 17-8/23-01 to submit an application to HUD under the Rental Assistance Demonstration (RAD) program for McDonough Homes (AMP 1, HUD Project No. MN001000001), requesting approval to convert that property from its current status as Low Income Public Housing to project-based Section 8 funding, either as a "Project-Based Voucher" (PBV) project or a "Project-Based Rental Assistance" (PBRA) project. The attached resolution also amends the Agency Plan to describe the proposed RAD conversion.

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852¹ public housing units. The PHA's 418 scattered site homes are not part of these RAD applications. The highlights of the proposed conversion are explained below and the details are shown on the attachments, which are as follows:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project

¹ The previous total of 3,856 public housing units proposed for conversion to RAD will decrease by one when two zero-bedroom (efficiency) apartments at Valley Hi-Rise are converted to a single one-bedroom unit. Three "Special Purpose Units" are also subtracted from the RAD conversion total (2 ALP offices at Hamline Hi-Rise and one ASI office at Valley Hi-Rise.) They will be accounted for separately.

Financial Analysis. The required financial analysis shows that this project’s revenues in the first year after conversion will be adequate to cover its expenses including capital needs during that year. As explained below, when HUD accepts the RAD application and issues a “Commitment to Enter into a Housing Assistance Payments Contract” (“CHAP”), the PHA will have six months to submit a Financing Plan that provides more details on operating revenues and expenses and capital needs over the (initial) 20 year RAD period. Here are the significant numbers for this project for Year 1:

Line #	McDonough Homes	AMP 1
1	Total Units ²	580
2	Total Income	\$ 4,514,099
3	Total Operating Expenses	\$ 3,933,377
4	Annual Reserve Deposit	169,090
5	Total Expenses	\$ 4,102,467
6	Net Operating Income	\$ 411,632
7	Immediate Capital Needs	\$ 67,774
8	Other Development Expenses	44,500
9	Remaining Capital Funds	\$ 112,274
10	Net Overage/(Shortfall) - Year 1	\$ 411,632

As discussed with the Board at the June 28, 2017 business meeting and other meetings, a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants. A RAD conversion to PBV replaces the current public housing Annual Contributions Contract (ACC) between HUD and the PHA with a new ACC that commits HUD to provide project-based Section 8 subsidies for a 20-year period. A RAD

² By the time a RAD conversion would take place, the number of units in AMP 1 would increase to 592 with the addition of the new 12-plex that was completed early in 2017. Under HUD’s rules for Asset Management, that “project” has to operate separately, with its own budget, for at least 12 months. It is temporarily designated “AMP 13”. It can be merged into the larger McDonough AMP 1 effective next fiscal year, starting April 1, 2018. With the increase in units, the figures shown above would be revised accordingly.

conversion to PBRA would substitute a Housing Assistance Payments (HAP) contract in place of the current public housing funding structure. In either case, a single Section 8 project-based subsidy would replace the two public housing subsidies (Capital Fund and Operating Fund) that rely on separate appropriations by Congress. Although both the Section 8 subsidies and the public housing funds must be appropriated annually by Congress, historically the Section 8 subsidy has been stable and consistently increasing from year to year, whereas the public housing funding has been far more volatile. A RAD PBRA HAP contract provides an annual contract amount with annual adjustments for inflation. A RAD ACC for PBV allows annual increases in the contract rents for inflation.

As discussed at the Board meetings on April 26, May 24 and June 28, 2017, staff submitted a “Letter of Interest” to HUD on April 20, 2017 to secure a place on the RAD waiting list. When this report was written HUD had not invited the PHA (or any other agencies on the waiting list, to our knowledge) to submit a RAD application. Nevertheless, staff and our consultants believe it is prudent to submit our RAD applications now, in the hope of receiving faster HUD approval for the conversions.

Resident Consultation; Public Hearing. With the Board’s June 28th approval to begin consultations with residents, staff scheduled a series of 23 meetings over a two week period in July, followed by another meeting on July 25 with the Resident Advisory Board (RAB). Two resident meetings were held at McDonough Homes Community Center and staff recorded the residents’ comments at each meeting. The comments and staff’s responses are attached and they will be included with the RAD application. A combined public hearing and RAB meeting was held on August 15, after public announcements were published on June 29 and July 27 and posted on the PHA’s website.

RAD Application. The RAD application for this project is attached, consisting of 10 pages. The application was drafted by the PHA’s “RAD Application Specialist” consultant, Jaime Bordenave of The Communities Group (TCG), using data provided by PHA staff. As explained in a report for the July 26, 2017 Board meeting, TCG has worked with over 117 PHAs and assisted with the successful applications covering over 37,000 RAD units to date.

Board Resolution. The attached Board resolution authorizes the Executive Director to execute the Board Approval Form (also attached) which must accompany the RAD application.

Statement of PHA Capacity to Administer a PBV Project. This statement is required to be submitted with a RAD application that requests conversion to project-based vouchers (PBV). This PHA has proved its capacity by successfully administering a PBV program since 2000, which now includes 515 housing units in 24 different projects.

PBV or PBRA? Staff have been carefully studying the advantages and disadvantages of the two models of project-based Section 8 funding, PBRA (Project-Based Rental Assistance) and PBV (Project-Based Vouchers). We are talking with our consultants and asking other PHAs about their experience after converting public housing to either form of Section 8 project-based subsidy under RAD. Although preliminary analysis suggested that PBRA (Project-Based Rental Assistance) seemed to be more advantageous, further research has revealed some serious drawbacks. As this report was written the PBV model appeared to be superior for this PHA, so staff proposes to request PBV conversions in the RAD applications. However, that choice is not “locked in” with the submission of the RAD applications. Staff will continue comparing PBRA and PBV over the coming weeks and present a full analysis and recommendation at the September 27, 2017 Board meeting.

As discussed previously, the timeline for a RAD conversion is long and somewhat uncertain.

Here are the major milestones:

- **HUD Invitation and Submission of Application.** After HUD invites a PHA on the waiting list to submit a RAD application, the PHA must do so within 60 days, or be moved to the bottom of the RAD waiting list. (Staff is recommending submitting RAD applications without waiting for a HUD invitation, so HUD will be able to begin processing the applications promptly after issuing the formal invitation.)
- **HUD has 60 days to process each application.** HUD must approve or deny the PHA's RAD application(s) within 60 days after receiving it.
- **CHAP (Commitment to Enter into a Housing Assistance Payments Contract).** If HUD approves a RAD application, it issues a CHAP to the PHA.
- **The PHA has six months after receiving the CHAP to submit its Financing Plan.** Within that six months specific tasks must be completed, including:
 - Environmental Review
 - Capital Needs Assessment (CNA) by a third party
 - Financing Letters of Agreement, for a project that will require outside financing.
- **HUD issues a “RAD Conversion Commitment” (RCC)** after approving the Financing Plan.
- **The PHA must execute the RAD Conversion Agreement** within 30 days after receiving the RCC. As discussed previously, the PHA can “walk away” from the RAD conversion at any time before executing the agreement. Once it is executed, the agreement is binding on the PHA and HUD for 15 or 20 years (depending on the contract term agreed upon by the parties).

With the Board's approval of this recommendation, staff will submit the RAD application for this project to HUD.

JMG/AJH/FAH

Attachments:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 2 Front, Hamline and Seal Hi-Rises; Agency Plan Amendment

DATE August 23, 2017

Staff requests Board approval of Resolution No. 17-8/23-02 to submit an application to HUD under the Rental Assistance Demonstration (RAD) program for Front, Hamline and Seal Hi-Rises (AMP 2, HUD Project No. MN001000002), requesting approval to convert that property from its current status as Low Income Public Housing to project-based Section 8 funding, either as a "Project-Based Voucher" (PBV) project or a "Project-Based Rental Assistance" (PBRA) project. The attached resolution also amends the Agency Plan to describe the proposed RAD conversion.

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852¹ public housing units. The PHA's 418 scattered site homes are not part of these RAD applications. The highlights of the proposed conversion are explained below and the details are shown on the attachments, which are as follows:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project

¹ The previous total of 3,856 public housing units proposed for conversion to RAD will decrease by one when two zero-bedroom (efficiency) apartments at Valley Hi-Rise are converted to a single one-bedroom unit. Three "Special Purpose Units" are also subtracted from the RAD conversion total (2 ALP offices at Hamline Hi-Rise and one ASI office at Valley Hi-Rise.) They will be accounted for separately.

Financial Analysis. The required financial analysis shows that this project’s revenues in the first year after conversion will be adequate to cover its expenses including capital needs during that year. As explained below, when HUD accepts the RAD application and issues a “Commitment to Enter into a Housing Assistance Payments Contract” (“CHAP”), the PHA will have six months to submit a Financing Plan that provides more details on operating revenues and expenses and capital needs over the (initial) 20 year RAD period. Here are the significant numbers for this project for Year 1:

Line #	Front, Hamline, Seal Hi-Rises	AMP 2
1	Total Units	479
2	Total Income	\$ 3,907,722
3	Total Operating Expenses	\$ 2,726,511
4	Annual Reserve Deposit	\$ 1,105,209
5	Total Expenses	\$ 3,831,720
6	Net Operating Income	\$ 76,002
7	Immediate Capital Needs	\$ 79,748
8	Other Development Expenses	\$ 44,500
9	Remaining Capital Funds	\$ 124,248
10	Net Overage/(Shortfall) - Year 1	\$ 76,002

As discussed with the Board at the June 28, 2017 business meeting and other meetings, a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants. A RAD conversion to PBV replaces the current public housing Annual Contributions Contract (ACC) between HUD and the PHA with a new ACC that commits HUD to provide project-based Section 8 subsidies for a 20-year period. A RAD conversion to PBRA would substitute a Housing Assistance Payments (HAP) contract in place of the current public housing funding structure. In either case, a single Section 8 project-based

subsidy would replace the two public housing subsidies (Capital Fund and Operating Fund) that rely on separate appropriations by Congress. Although both the Section 8 subsidies and the public housing funds must be appropriated annually by Congress, historically the Section 8 subsidy has been stable and consistently increasing from year to year, whereas the public housing funding has been far more volatile. A RAD PBRA HAP contract provides an annual contract amount with annual adjustments for inflation. A RAD ACC for PBV allows annual increases in the contract rents for inflation.

As discussed at the Board meetings on April 26, May 24 and June 28, 2017, staff submitted a “Letter of Interest” to HUD on April 20, 2017 to secure a place on the RAD waiting list. When this report was written HUD had not invited the PHA (or any other agencies on the waiting list, to our knowledge) to submit a RAD application. Nevertheless, staff and our consultants believe it is prudent to submit our RAD applications now, in the hope of receiving faster HUD approval for the conversions.

Resident Consultation; Public Hearing. With the Board’s June 28th approval to begin consultations with residents, staff scheduled a series of 23 meetings over a two week period in July, followed by another meeting on July 25 with the Resident Advisory Board (RAB). Separate meetings were held at Front, Hamline and Seal Hi-Rises and staff recorded the residents’ comments at each meeting. The comments and staff’s responses are attached and they will be included with the RAD application. A combined public hearing and RAB meeting was held on August 15, after public announcements were published on June 29 and July 27 and posted on the PHA’s website.

RAD Application. The RAD application for this project is attached, consisting of 10 pages. The application was drafted by the PHA’s “RAD Application Specialist” consultant, Jaime Bordenave of The Communities Group (TCG), using data provided by PHA staff. As explained in a report for the July 26, 2017 Board meeting, TCG has worked with over 117 PHAs and assisted with the successful applications covering over 37,000 RAD units to date.

Board Resolution. The attached Board resolution authorizes the Executive Director to execute the Board Approval Form (also attached) which must accompany the RAD application.

Statement of PHA Capacity to Administer a PBV Project. This statement is required to be submitted with a RAD application that requests conversion to project-based vouchers (PBV). This PHA has proved its capacity by successfully administering a PBV program since 2000, which now includes 515 housing units in 24 different projects.

PBV or PBRA? Staff have been carefully studying the advantages and disadvantages of the two models of project-based Section 8 funding, PBRA (Project-Based Rental Assistance) and PBV (Project-Based Vouchers). We are talking with our consultants and asking other PHAs about their experience after converting public housing to either form of Section 8 project-based subsidy under RAD. Although preliminary analysis suggested that PBRA (Project-Based Rental Assistance) seemed to be more advantageous, further research has revealed some serious drawbacks. As this report was written the PBV model appeared to be superior for this PHA, so staff proposes to request PBV conversions in the RAD applications. However, that choice is not “locked in” with the submission of the RAD applications. Staff will continue comparing PBRA and PBV over the coming weeks and present a full analysis and recommendation at the September 27, 2017 Board meeting.

As discussed previously, the timeline for a RAD conversion is long and somewhat uncertain.

Here are the major milestones:

- **HUD Invitation and Submission of Application.** After HUD invites a PHA on the waiting list to submit a RAD application, the PHA must do so within 60 days, or be moved to the bottom of the RAD waiting list. (Staff is recommending submitting RAD applications without waiting for a HUD invitation, so HUD will be able to begin processing the applications promptly after issuing the formal invitation.)
- **HUD has 60 days to process each application.** HUD must approve or deny the PHA's RAD application(s) within 60 days after receiving it.
- **CHAP (Commitment to Enter into a Housing Assistance Payments Contract).** If HUD approves a RAD application, it issues a CHAP to the PHA.
- **The PHA has six months after receiving the CHAP to submit its Financing Plan.** Within that six months specific tasks must be completed, including:
 - Environmental Review
 - Capital Needs Assessment (CNA) by a third party
 - Financing Letters of Agreement, for a project that will require outside financing.
- **HUD issues a “RAD Conversion Commitment” (RCC)** after approving the Financing Plan.
- **The PHA has 30 days to execute the RAD Conversion Agreement** after receiving the RCC. As discussed previously, the PHA can “walk away” from the RAD conversion at any time before executing the agreement. Once it is executed, the agreement is binding on the PHA and HUD for 15 or 20 years (depending on the contract term agreed upon by the parties).

With the Board's approval of this recommendation, staff will submit the RAD application for this project to HUD.

JMG/AJH/FAH

Attachments:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR

REGARDING Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 3 Edgerton, Iowa and Wilson Hi-Rises; Agency Plan Amendment

DATE August 23, 2017

Staff requests Board approval of Resolution No. 17-8/23-03 to submit an application to HUD under the Rental Assistance Demonstration (RAD) program for Edgerton, Iowa and Wilson Hi-Rises (AMP 3, HUD Project No. MN001000003), requesting approval to convert that property from its current status as Low Income Public Housing to project-based Section 8 funding, either as a "Project-Based Voucher" (PBV) project or a "Project-Based Rental Assistance" (PBRA) project. The attached resolution also amends the Agency Plan to describe the proposed RAD conversion.

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852¹ public housing units. The PHA's 418 scattered site homes are not part of these RAD applications. The highlights of the proposed conversion are explained below and the details are shown on the attachments, which are as follows:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)

¹ The previous total of 3,856 public housing units proposed for conversion to RAD will decrease by one when two zero-bedroom (efficiency) apartments at Valley Hi-Rise are converted to a single one-bedroom unit. Three "Special Purpose Units" are also subtracted from the RAD conversion total (2 ALP offices at Hamline Hi-Rise and one ASI office at Valley Hi-Rise.) They will be accounted for separately.

5. Statement of PHA Capacity to Administer a PBV Project

Financial Analysis. The required financial analysis shows that this project’s revenues in the first year after conversion will be adequate to cover its expenses including capital needs during that year. As explained below, when HUD accepts the RAD application and issues a “Commitment to Enter into a Housing Assistance Payments Contract” (“CHAP”), the PHA will have six months to submit a Financing Plan that provides more details on operating revenues and expenses and capital needs over the (initial) 20 year RAD period. Here are the significant numbers for this project for Year 1:

Line #	Edgerton, Iowa, Wilson Hi-Rises	AMP 3
1	Total Units	556
2	Total Income	\$ 4,174,460
3	Total Operating Expenses	\$ 3,035,461
4	Annual Reserve Deposit	1,135,425
5	Total Expenses	\$ 4,170,886
6	Net Operating Income	\$ 3,574
7	Immediate Capital Needs	\$ 92,748
8	Other Development Expenses	\$ 44,500
9	Remaining Capital Funds	\$ 137,248
10	Net Overage/(Shortfall) - Year 1	\$ 3,574

As discussed with the Board at the June 28, 2017 business meeting and other meetings, a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants. A RAD conversion to PBV replaces the current public housing Annual Contributions Contract (ACC) between HUD and the PHA with a new ACC that commits HUD to provide project-based Section 8 subsidies for a 20-year period. A RAD conversion to PBRA would substitute a Housing Assistance Payments (HAP) contract in place of

the current public housing funding structure. In either case, a single Section 8 project-based subsidy would replace the two public housing subsidies (Capital Fund and Operating Fund) that rely on separate appropriations by Congress. Although both the Section 8 subsidies and the public housing funds must be appropriated annually by Congress, historically the Section 8 subsidy has been stable and consistently increasing from year to year, whereas the public housing funding has been far more volatile. A RAD PBRA HAP contract provides an annual contract amount with annual adjustments for inflation. A RAD ACC for PBV allows annual increases in the contract rents for inflation.

As discussed at the Board meetings on April 26, May 24 and June 28, 2017, staff submitted a “Letter of Interest” to HUD on April 20, 2017 to secure a place on the RAD waiting list. When this report was written HUD had not invited the PHA (or any other agencies on the waiting list, to our knowledge) to submit a RAD application. Nevertheless, staff and our consultants believe it is prudent to submit our RAD applications now, in the hope of receiving faster HUD approval for the conversions.

Resident Consultation; Public Hearing. With the Board’s June 28th approval to begin consultations with residents, staff scheduled a series of 23 meetings over a two week period in July, followed by another meeting on July 25 with the Resident Advisory Board (RAB). Separate meetings were held at Edgerton, Iowa and Wilson Hi-Rises and staff recorded the residents’ comments at each meeting. The comments and staff’s responses are attached and they will be included with the RAD application. A combined public hearing and RAB meeting was held on August 15, after public announcements were published on June 29 and July 27 and posted on the PHA’s website.

RAD Application. The RAD application for this project is attached, consisting of 10 pages. The application was drafted by the PHA’s “RAD Application Specialist” consultant, Jaime Bordenave of The Communities Group (TCG), using data provided by PHA staff. As explained in a report for the July 26, 2017 Board meeting, TCG has worked with over 117 PHAs and assisted with the successful applications covering over 37,000 RAD units to date.

Board Resolution. The attached Board resolution authorizes the Executive Director to execute the Board Approval Form (also attached) which must accompany the RAD application.

Statement of PHA Capacity to Administer a PBV Project. This statement is required to be submitted with a RAD application that requests conversion to project-based vouchers (PBV). This PHA has proved its capacity by successfully administering a PBV program since 2000, which now includes 515 housing units in 24 different projects.

PBV or PBRA? Staff have been carefully studying the advantages and disadvantages of the two models of project-based Section 8 funding, PBRA (Project-Based Rental Assistance) and PBV (Project-Based Vouchers). We are talking with our consultants and asking other PHAs about their experience after converting public housing to either form of Section 8 project-based subsidy under RAD. Although preliminary analysis suggested that PBRA (Project-Based Rental Assistance) seemed to be more advantageous, further research has revealed some serious drawbacks. As this report was written the PBV model appeared to be superior for this PHA, so staff proposes to request PBV conversions in the RAD applications. However, that choice is not “locked in” with the submission of the RAD applications. Staff will continue comparing PBRA and PBV over the coming weeks and present a full analysis and recommendation at the September 27, 2017 Board meeting.

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Here are the major milestones:

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 - Environmental Review
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 - Financing Letters of Agreement, for a project that will require outside financing.
- **HUD issues a “RAD Conversion Commitment” (RCC)** after approving the Financing Plan.
- **The PHA has 30 days to execute the RAD Conversion Agreement** after receiving the RCC. As discussed previously, the PHA can “walk away” from the RAD conversion at any time before executing the agreement. Once it is executed, the agreement is binding on the PHA and HUD for 15 or 20 years (depending on the contract term agreed upon by the parties).

With the Board's approval of this recommendation, staff will submit the RAD application for this project to HUD.

JMG/AJH/FAH

Attachments:

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PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 4 Roosevelt Homes; Agency Plan Amendment

DATE August 23, 2017

Staff requests Board approval of Resolution No. 17-8/23-04 to submit an application to HUD under the Rental Assistance Demonstration (RAD) program for Roosevelt Homes (AMP 4, HUD Project No. MN001000004), requesting approval to convert that property from its current status as Low Income Public Housing to project-based Section 8 funding, either as a "Project-Based Voucher" (PBV) project or a "Project-Based Rental Assistance" (PBRA) project. The attached resolution also amends the Agency Plan to describe the proposed RAD conversion.

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852¹ public housing units. The PHA's 418 scattered site homes are not part of these RAD applications. The highlights of the proposed conversion are explained below and the details are shown on the attachments, which are as follows:

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Financial Analysis. The required financial analysis shows that this project’s revenues in the first year after conversion will be adequate to cover its expenses including capital needs during that year. As explained below, when HUD accepts the RAD application and issues a “Commitment to Enter into a Housing Assistance Payments Contract” (“CHAP”), the PHA will have six months to submit a Financing Plan that provides more details on operating revenues and expenses and capital needs over the (initial) 20 year RAD period. Here are the significant numbers for this project for Year 1:

Line #	Roosevelt Homes	AMP 4
1	Total Units	320
2	Total Income	\$ 2,466,558
3	Total Operating Expenses	\$ 2,060,794
4	Annual Reserve Deposit	37,393
5	Total Expenses	\$ 2,098,187
6	Net Operating Income	\$ 368,371
7	Immediate Capital Needs	\$ 327,393
8	Other Development Expenses	\$ 44,500
9	Initial Deposit to Replacement Reserve	\$ 252,607
10	Remaining Capital Funds	\$ 624,500
11	Net Overage/(Shortfall) - Year 1	\$ 368,371

As discussed with the Board at the June 28, 2017 business meeting and other meetings, a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants. A RAD conversion to PBV replaces the current public housing Annual Contributions Contract (ACC) between HUD and the PHA with a new ACC that commits HUD to provide project-based Section 8 subsidies for a 20-year period. A RAD conversion to PBRA would substitute a Housing Assistance Payments (HAP) contract in place of

the current public housing funding structure. In either case, a single Section 8 project-based subsidy would replace the two public housing subsidies (Capital Fund and Operating Fund) that rely on separate appropriations by Congress. Although both the Section 8 subsidies and the public housing funds must be appropriated annually by Congress, historically the Section 8 subsidy has been stable and consistently increasing from year to year, whereas the public housing funding has been far more volatile. A RAD PBRA HAP contract provides an annual contract amount with annual adjustments for inflation. A RAD ACC for PBV allows annual increases in the contract rents for inflation.

As discussed at the Board meetings on April 26, May 24 and June 28, 2017, staff submitted a “Letter of Interest” to HUD on April 20, 2017 to secure a place on the RAD waiting list. When this report was written HUD had not invited the PHA (or any other agencies on the waiting list, to our knowledge) to submit a RAD application. Nevertheless, staff and our consultants believe it is prudent to submit our RAD applications now, in the hope of receiving faster HUD approval for the conversions.

Resident Consultation; Public Hearing. With the Board’s June 28th approval to begin consultations with residents, staff scheduled a series of 23 meetings over a two week period in July, followed by another meeting on July 25 with the Resident Advisory Board (RAB). Two resident meetings were held at Roosevelt Homes Community Center and staff recorded the residents’ comments at each meeting. The comments and staff’s responses are attached and they will be included with the RAD application. A combined public hearing and RAB meeting was held on August 15, after public announcements were published on June 29 and July 27 and posted on the PHA’s website.

RAD Application. The RAD application for this project is attached, consisting of 10 pages. The application was drafted by the PHA’s “RAD Application Specialist” consultant, Jaime Bordenave of The Communities Group (TCG), using data provided by PHA staff. As explained in a report for the July 26, 2017 Board meeting, TCG has worked with over 117 PHAs and assisted with the successful applications covering over 37,000 RAD units to date.

Board Resolution. The attached Board resolution authorizes the Executive Director to execute the Board Approval Form (also attached) which must accompany the RAD application.

Statement of PHA Capacity to Administer a PBV Project. This statement is required to be submitted with a RAD application that requests conversion to project-based vouchers (PBV). This PHA has proved its capacity by successfully administering a PBV program since 2000, which now includes 515 housing units in 24 different projects.

PBV or PBRA? Staff have been carefully studying the advantages and disadvantages of the two models of project-based Section 8 funding, PBRA (Project-Based Rental Assistance) and PBV (Project-Based Vouchers). We are talking with our consultants and asking other PHAs about their experience after converting public housing to either form of Section 8 project-based subsidy under RAD. Although preliminary analysis suggested that PBRA (Project-Based Rental Assistance) seemed to be more advantageous, further research has revealed some serious drawbacks. As this report was written the PBV model appeared to be superior for this PHA, so staff proposes to request PBV conversions in the RAD applications. However, that choice is not “locked in” with the submission of the RAD applications. Staff will continue comparing PBRA and PBV over the coming weeks and present a full analysis and recommendation at the September 27, 2017 Board meeting.

As discussed previously, the timeline for a RAD conversion is long and somewhat uncertain.

Here are the major milestones:

- **HUD Invitation and Submission of Application.** After HUD invites a PHA on the waiting list to submit a RAD application, the PHA must do so within 60 days, or be moved to the bottom of the RAD waiting list. (Staff is recommending submitting RAD applications without waiting for a HUD invitation, so HUD will be able to begin processing the applications promptly after issuing the formal invitation.)
- **HUD has 60 days to process each application.** HUD must approve or deny the PHA's RAD application(s) within 60 days after receiving it.
- **CHAP (Commitment to Enter into a Housing Assistance Payments Contract).** If HUD approves a RAD application, it issues a CHAP to the PHA.
- **The PHA has six months after receiving the CHAP to submit its Financing Plan.** Within that six months specific tasks must be completed, including:
 - Environmental Review
 - Capital Needs Assessment (CNA) by a third party
 - Financing Letters of Agreement, for a project that will require outside financing.
- **HUD issues a “RAD Conversion Commitment” (RCC)** after approving the Financing Plan.
- **The PHA has 30 days to execute the RAD Conversion Agreement** after receiving the RCC. As discussed previously, the PHA can “walk away” from the RAD conversion at any time before executing the agreement. Once it is executed, the agreement is binding on the PHA and HUD for 15 or 20 years (depending on the contract term agreed upon by the parties).

With the Board's approval of this recommendation, staff will submit the RAD application for this project to HUD.

JMG/AJH/FAH

Attachments:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 5; Mt. Airy Homes and Hi-Rise, Valley Hi-Rise Agency Plan Amendment

DATE August 23, 2017

Staff requests Board approval of Resolution No. 17-8/23-05 to submit an application to HUD under the Rental Assistance Demonstration (RAD) program for Mt. Airy Homes and Hi-Rise and Valley Hi-Rise (AMP 5, HUD Project No. MN001000005), requesting approval to convert that property from its current status as Low Income Public Housing to project-based Section 8 funding, either as a "Project-Based Voucher" (PBV) project or a "Project-Based Rental Assistance" (PBRA) project. The attached resolution also amends the Agency Plan to describe the proposed RAD conversion.

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852¹ public housing units. The PHA's 418 scattered site homes are not part of these RAD applications. The highlights of the proposed conversion are explained below and the details are shown on the attachments, which are as follows:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)

¹ The previous total of 3,856 public housing units proposed for conversion to RAD will decrease by one when two zero-bedroom (efficiency) apartments at Valley Hi-Rise are converted to a single one-bedroom unit. Three "Special Purpose Units" are also subtracted from the RAD conversion total (2 ALP offices at Hamline Hi-Rise and one ASI office at Valley Hi-Rise.) They will be accounted for separately.

5. Statement of PHA Capacity to Administer a PBV Project
6. Financing “Letter of Interest/Intent” (to be submitted as part of the RAD Application)

Financial Analysis. The required RAD financial analysis shows that this project, AMP 5 Mt. Airy Homes and Hi-Rise and Valley Hi-Rise, would not sustain itself after conversion without some outside financing. That is, the projected revenues would not cover operating costs and capital needs, using HUD’s formulas. Therefore staff and our consultant drafted the RAD application for this project to include approximately \$17.6 million from outside financing, as shown below. No further details are required to be submitted to HUD at this stage. Staff and the consultants will present the proposed financing plan for Board consideration at a future meeting. As explained below, when HUD accepts the RAD application and issues a “Commitment to Enter into a Housing Assistance Payments Contract” (“CHAP”), the PHA will have six months to submit a Financing Plan that provides more details on operating revenues and expenses and capital needs over the (initial) 20 year RAD period. Here are the significant numbers for this project for Year 1:

Line #	Mt. Airy Homes and Hi-Rise, Valley Hi-Rise	AMP 5
1	Total Units	612
2	Total Income	\$ 5,697,836
3	Total Operating Expenses	\$ 4,171,228
4	Annual Reserve Deposit	\$ 276,269
5	Total Expenses	\$ 4,447,497
6	Net Operating Income	\$ 1,250,339
7	Immediate Capital Needs	\$ 13,225,481
8	Other Development Expenses	\$ 6,815,990
9	Initial Deposit to Replacement Reserve	-
10	Funding Source - Remaining Capital Funds	\$ 1,920,671
11	Funding Source - FHLBDM Grant	\$ 500,000
12	Funding Source - First Mortgage	\$ 17,650,800
13	Net Overage/(Shortfall) - Year 1	\$ 1,250,339

As discussed with the Board at the June 28, 2017 business meeting and other meetings, a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants. A RAD conversion to PBV replaces the current public housing Annual Contributions Contract (ACC) between HUD and the PHA with a new ACC that commits HUD to provide project-based Section 8 subsidies for a 20-year period. A RAD conversion to PBRA would substitute a Housing Assistance Payments (HAP) contract in place of the current public housing funding structure. In either case, a single Section 8 project-based subsidy would replace the two public housing subsidies (Capital Fund and Operating Fund) that rely on separate appropriations by Congress. Although both the Section 8 subsidies and the public housing funds must be appropriated annually by Congress, historically the Section 8 subsidy has been stable and consistently increasing from year to year, whereas the public housing funding has been far more volatile. A RAD PBRA HAP contract provides an annual contract amount with annual adjustments for inflation. A RAD ACC for PBV allows annual increases in the contract rents for inflation.

As discussed at the Board meetings on April 26, May 24 and June 28, 2017, staff submitted a “Letter of Interest” to HUD on April 20, 2017 to secure a place on the RAD waiting list. When this report was written HUD had not invited the PHA (or any other agencies on the waiting list, to our knowledge) to submit a RAD application. Nevertheless, staff and our consultants believe it is prudent to submit our RAD applications now, in the hope of receiving faster HUD approval for the conversions.

Resident Consultation; Public Hearing. With the Board’s June 28th approval to begin consultations with residents, staff scheduled a series of 23 meetings over a two week period in July, followed by another meeting on July 25 with the Resident Advisory Board (RAB). Separate

meetings were held at the Mt. Airy Homes Community Center, Mt. Airy and Valley Hi-Rises and staff recorded the residents' comments. The comments and staff's responses are attached and they will be included with the RAD application. A combined public hearing and RAB meeting was held on August 15, after public announcements were published on June 29 and July 27 and posted on the PHA's website.

RAD Application. The RAD application for this project is attached, consisting of 10 pages. The application was drafted by the PHA's "RAD Application Specialist" consultant, Jaime Bordenave of The Communities Group (TCG), using data provided by PHA staff. As explained in a report for the July 26, 2017 Board meeting, TCG has worked with over 117 PHAs and assisted with the successful applications covering over 37,000 RAD units to date.

Board Resolution. The attached Board resolution authorizes the Executive Director to execute the Board Approval Form (also attached) which must accompany the RAD application.

Statement of PHA Capacity to Administer a PBV Project. This statement is required to be submitted with a RAD application that requests conversion to project-based vouchers (PBV). This PHA has proved its capacity by successfully administering a PBV program since 2000, which now includes 515 housing units in 24 different projects.

PBV or PBRA? Staff have been carefully studying the advantages and disadvantages of the two models of project-based Section 8 funding, PBRA (Project-Based Rental Assistance) and PBV (Project-Based Vouchers). We are talking with our consultants and asking other PHAs about their experience after converting public housing to either form of Section 8 project-based subsidy under RAD. Although preliminary analysis suggested that PBRA (Project-Based Rental Assistance) seemed to be more advantageous, further research has revealed some serious

drawbacks. As this report was written the PBV model appeared to be superior for this PHA, so staff proposes to request PBV conversions in the RAD applications. However, that choice is not “locked in” with the submission of the RAD applications. Staff will continue comparing PBRA and PBV over the coming weeks and present a full analysis and recommendation at the September 27, 2017 Board meeting.

Financing “Letter of Interest/Intent” (to be submitted as part of the RAD Application).

This is a required attachment to a RAD application that includes financing, to demonstrate that the proposed conversion project could qualify for a loan. The PHA is not required to commit to borrowing from the lender that provides the letter.

As discussed previously, the timeline for a RAD conversion is long and somewhat uncertain.

Here are the major milestones:

- **HUD Invitation and Submission of Application.** After HUD invites a PHA on the waiting list to submit a RAD application, the PHA must do so within 60 days, or be moved to the bottom of the RAD waiting list. (Staff is recommending submitting RAD applications without waiting for a HUD invitation, so HUD will be able to begin processing the applications promptly after issuing the formal invitation.)
- **HUD has 60 days to process each application.** HUD must approve or deny the PHA’s RAD application(s) within 60 days after receiving it.
- **CHAP (Commitment to Enter into a Housing Assistance Payments Contract).** If HUD approves a RAD application, it issues a CHAP to the PHA.
- **The PHA has six months after receiving the CHAP to submit its Financing Plan.** Within that six months specific tasks must be completed, including:
 - Environmental Review
 - Capital Needs Assessment (CNA) by a third party
 - Financing Letters of Agreement, for a project that will require outside financing.
- **HUD issues a “RAD Conversion Commitment” (RCC)** after approving the Financing Plan.
- **The PHA has 30 days to execute the RAD Conversion Agreement** after receiving the RCC. As discussed previously, the PHA can “walk away” from the RAD conversion at

any time before executing the agreement. Once it is executed, the agreement is binding on the PHA and HUD for 15 or 20 years (depending on the contract term agreed upon by the parties).

With the Board's approval of this recommendation, staff will submit the RAD application for this project to HUD.

JMG/AJH/FAH

Attachments:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project
6. Financing Letter of Interest/Intent

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 6 Exchange and Wabasha Hi-Rises; Agency Plan Amendment

DATE August 23, 2017

Staff requests Board approval of Resolution No. 17-8/23-06 to submit an application to HUD under the Rental Assistance Demonstration (RAD) program for Exchange and Wabasha Hi-Rises (AMP 6, HUD Project No. MN001000006), requesting approval to convert that property from its current status as Low Income Public Housing to project-based Section 8 funding, either as a "Project-Based Voucher" (PBV) project or a "Project-Based Rental Assistance" (PBRA) project. The attached resolution also amends the Agency Plan to describe the proposed RAD conversion.

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852¹ public housing units. The PHA's 418 scattered site homes are not part of these RAD applications. The highlights of the proposed conversion are explained below and the details are shown on the attachments, which are as follows:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project

¹ The previous total of 3,856 public housing units proposed for conversion to RAD will decrease by one when two zero-bedroom (efficiency) apartments at Valley Hi-Rise are converted to a single one-bedroom unit. Three "Special Purpose Units" are also subtracted from the RAD conversion total (2 ALP offices at Hamline Hi-Rise and one ASI office at Valley Hi-Rise.) They will be accounted for separately.

Financial Analysis. The required financial analysis shows that this project’s revenues in the first year after conversion will be adequate to cover its expenses including capital needs during that year. As explained below, when HUD accepts the RAD application and issues a “Commitment to Enter into a Housing Assistance Payments Contract” (“CHAP”), the PHA will have six months to submit a Financing Plan that provides more details on operating revenues and expenses and capital needs over the (initial) 20 year RAD period. Here are the significant numbers for this project for Year 1:

Line #	Exchange and Wabasha Hi-Rises	AMP 6
1	Total Units	265
2	Total Income	\$ 2,071,689
3	Total Operating Expenses	\$ 1,438,836
4	Annual Reserve Deposit	628,829
5	Total Expenses	\$ 2,067,665
6	Net Operating Income	\$ 4,024
7	Immediate Capital Needs	\$ 43,936
8	Other Development Expenses	\$ 44,500
9	Initial Deposit to Replacement Reserve	\$ -
10	Remaining Capital Funds	\$ 88,436
11	Net Overage/(Shortfall) - Year 1	\$ 4,024

As discussed with the Board at the June 28, 2017 business meeting and other meetings, a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants. A RAD conversion to PBV replaces the current public housing Annual Contributions Contract (ACC) between HUD and the PHA with a new ACC that commits HUD to provide project-based Section 8 subsidies for a 20-year period. A RAD conversion to PBRA would substitute a Housing Assistance Payments (HAP) contract in place of

the current public housing funding structure. In either case, a single Section 8 project-based subsidy would replace the two public housing subsidies (Capital Fund and Operating Fund) that rely on separate appropriations by Congress. Although both the Section 8 subsidies and the public housing funds must be appropriated annually by Congress, historically the Section 8 subsidy has been stable and consistently increasing from year to year, whereas the public housing funding has been far more volatile. A RAD PBRA HAP contract provides an annual contract amount with annual adjustments for inflation. A RAD ACC for PBV allows annual increases in the contract rents for inflation.

As discussed at the Board meetings on April 26, May 24 and June 28, 2017, staff submitted a “Letter of Interest” to HUD on April 20, 2017 to secure a place on the RAD waiting list. When this report was written HUD had not invited the PHA (or any other agencies on the waiting list, to our knowledge) to submit a RAD application. Nevertheless, staff and our consultants believe it is prudent to submit our RAD applications now, in the hope of receiving faster HUD approval for the conversions.

Resident Consultation; Public Hearing. With the Board’s June 28th approval to begin consultations with residents, staff scheduled a series of 23 meetings over a two week period in July, followed by another meeting on July 25 with the Resident Advisory Board (RAB). Separate meetings were held at Exchange and Wabasha Hi-Rises and staff recorded the residents’ comments at each meeting. The comments and staff’s responses are attached and they will be included with the RAD application. A combined public hearing and RAB meeting was held on August 15, after public announcements were published on June 29 and July 27 and posted on the PHA’s website.

RAD Application. The RAD application for this project is attached, consisting of 10 pages. The application was drafted by the PHA’s “RAD Application Specialist” consultant, Jaime Bordenave of The Communities Group (TCG), using data provided by PHA staff. As explained in a report for the July 26, 2017 Board meeting, TCG has worked with over 117 PHAs and assisted with the successful applications covering over 37,000 RAD units to date.

Board Resolution. The attached Board resolution authorizes the Executive Director to execute the Board Approval Form (also attached) which must accompany the RAD application.

Statement of PHA Capacity to Administer a PBV Project. This statement is required to be submitted with a RAD application that requests conversion to project-based vouchers (PBV). This PHA has proved its capacity by successfully administering a PBV program since 2000, which now includes 515 housing units in 24 different projects.

PBV or PBRA? Staff have been carefully studying the advantages and disadvantages of the two models of project-based Section 8 funding, PBRA (Project-Based Rental Assistance) and PBV (Project-Based Vouchers). We are talking with our consultants and asking other PHAs about their experience after converting public housing to either form of Section 8 project-based subsidy under RAD. Although preliminary analysis suggested that PBRA (Project-Based Rental Assistance) seemed to be more advantageous, further research has revealed some serious drawbacks. As this report was written the PBV model appeared to be superior for this PHA, so staff proposes to request PBV conversions in the RAD applications. However, that choice is not “locked in” with the submission of the RAD applications. Staff will continue comparing PBRA and PBV over the coming weeks and present a full analysis and recommendation at the September 27, 2017 Board meeting.

As discussed previously, the timeline for a RAD conversion is long and somewhat uncertain.

Here are the major milestones:

- **HUD Invitation and Submission of Application.** After HUD invites a PHA on the waiting list to submit a RAD application, the PHA must do so within 60 days, or be moved to the bottom of the RAD waiting list. (Staff is recommending submitting RAD applications without waiting for a HUD invitation, so HUD will be able to begin processing the applications promptly after issuing the formal invitation.)
- **HUD has 60 days to process each application.** HUD must approve or deny the PHA's RAD application(s) within 60 days after receiving it.
- **CHAP (Commitment to Enter into a Housing Assistance Payments Contract).** If HUD approves a RAD application, it issues a CHAP to the PHA.
- **The PHA has six months after receiving the CHAP to submit its Financing Plan.** Within that six months specific tasks must be completed, including:
 - Environmental Review
 - Capital Needs Assessment (CNA) by a third party
 - Financing Letters of Agreement, for a project that will require outside financing.
- **HUD issues a “RAD Conversion Commitment” (RCC)** after approving the Financing Plan.
- **The PHA has 30 days to execute the RAD Conversion Agreement** after receiving the RCC. As discussed previously, the PHA can “walk away” from the RAD conversion at any time before executing the agreement. Once it is executed, the agreement is binding on the PHA and HUD for 15 or 20 years (depending on the contract term agreed upon by the parties).

With the Board's approval of this recommendation, staff will submit the RAD application for this project to HUD.

JMG/AJH/FAH

Attachments:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR

REGARDING Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 7 Ravoux, Neill & Central Hi-Rises Except Central Duplexes; Agency Plan Amendment

DATE August 23, 2017

Staff requests Board approval of Resolution No. 17-8/23-07 to submit an application to HUD under the Rental Assistance Demonstration (RAD) program for Ravoux, Neill and Central Hi-Rises except Central Duplexes (AMP 7, HUD Project No. MN001000007), requesting approval to convert that property from its current status as Low Income Public Housing to project-based Section 8 funding, either as a "Project-Based Voucher" (PBV) project or a "Project-Based Rental Assistance" (PBRA) project. The attached resolution also amends the Agency Plan to describe the proposed RAD conversion.

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852¹ public housing units. The PHA's 418 scattered site homes are not part of these RAD applications. The highlights of the proposed conversion are explained below and the details are shown on the attachments, which are as follows:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)

¹ The previous total of 3,856 public housing units proposed for conversion to RAD will decrease by one when two zero-bedroom (efficiency) apartments at Valley Hi-Rise are converted to a single one-bedroom unit. Three "Special Purpose Units" are also subtracted from the RAD conversion total (2 ALP offices at Hamline Hi-Rise and one ASI office at Valley Hi-Rise.) They will be accounted for separately.

5. Statement of PHA Capacity to Administer a PBV Project

Financial Analysis. The required financial analysis shows that this project’s revenues in the first year after conversion will be adequate to cover its expenses including capital needs during that year. As explained below, when HUD accepts the RAD application and issues a “Commitment to Enter into a Housing Assistance Payments Contract” (“CHAP”), the PHA will have six months to submit a Financing Plan that provides more details on operating revenues and expenses and capital needs over the (initial) 20 year RAD period. Here are the significant numbers for this project for Year 1:

Line #	Ravoux, Neill & Central Hi-Rises	AMP 7
1	Total Units	468
2	Total Income	\$ 3,581,944
3	Total Operating Expenses	\$ 2,830,980
4	Annual Reserve Deposit	348,591
5	Total Expenses	\$ 3,179,571
6	Net Operating Income	\$ 402,373
7	Immediate Capital Needs	\$ 177,592
8	Other Development Expenses	44,500
9	Initial Deposit to Replacement Reserve	\$
10	Remaining Capital Funds	\$ 222,092
11	Net Overage/(Shortfall) - Year 1	\$ 402,373

As discussed with the Board at the June 28, 2017 business meeting and other meetings, a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants. A RAD conversion to PBV replaces the current public housing Annual Contributions Contract (ACC) between HUD and the PHA with a new ACC that commits HUD to provide project-based Section 8 subsidies for a 20-year period. A RAD

conversion to PBRA would substitute a Housing Assistance Payments (HAP) contract in place of the current public housing funding structure. In either case, a single Section 8 project-based subsidy would replace the two public housing subsidies (Capital Fund and Operating Fund) that rely on separate appropriations by Congress. Although both the Section 8 subsidies and the public housing funds must be appropriated annually by Congress, historically the Section 8 subsidy has been stable and consistently increasing from year to year, whereas the public housing funding has been far more volatile. A RAD PBRA HAP contract provides an annual contract amount with annual adjustments for inflation. A RAD ACC for PBV allows annual increases in the contract rents for inflation.

As discussed at the Board meetings on April 26, May 24 and June 28, 2017, staff submitted a “Letter of Interest” to HUD on April 20, 2017 to secure a place on the RAD waiting list. When this report was written HUD had not invited the PHA (or any other agencies on the waiting list, to our knowledge) to submit a RAD application. Nevertheless, staff and our consultants believe it is prudent to submit our RAD applications now, in the hope of receiving faster HUD approval for the conversions.

Resident Consultation; Public Hearing. With the Board’s June 28th approval to begin consultations with residents, staff scheduled a series of 23 meetings over a two week period in July, followed by another meeting on July 25 with the Resident Advisory Board (RAB). Separate meetings were held at Ravoux, Neill and Central Hi-Rises and staff recorded the residents’ comments at each meeting. The comments and staff’s responses are attached and they will be included with the RAD application.

RAD Application. The RAD application for this project is attached, consisting of 10 pages. The application was drafted by the PHA’s “RAD Application Specialist” consultant, Jaime Bordenave

of The Communities Group (TCG), using data provided by PHA staff. As explained in a report for the July 26, 2017 Board meeting, TCG has worked with over 117 PHAs and assisted with the successful applications covering over 37,000 RAD units to date.

Board Resolution. The attached Board resolution authorizes the Executive Director to execute the Board Approval Form (also attached) which must accompany the RAD application.

Statement of PHA Capacity to Administer a PBV Project. This statement is required to be submitted with a RAD application that requests conversion to project-based vouchers (PBV). This PHA has proved its capacity by successfully administering a PBV program since 2000, which now includes 515 housing units in 24 different projects.

PBV or PBRA? Staff have been carefully studying the advantages and disadvantages of the two models of project-based Section 8 funding, PBRA (Project-Based Rental Assistance) and PBV (Project-Based Vouchers). We are talking with our consultants and asking other PHAs about their experience after converting public housing to either form of Section 8 project-based subsidy under RAD. Although preliminary analysis suggested that PBRA (Project-Based Rental Assistance) seemed to be more advantageous, further research has revealed some serious drawbacks. As this report was written the PBV model appeared to be superior for this PHA, so staff proposes to request PBV conversions in the RAD applications. However, that choice is not “locked in” with the submission of the RAD applications. Staff will continue comparing PBRA and PBV over the coming weeks and present a full analysis and recommendation at the September 27, 2017 Board meeting.

As discussed previously, the timeline for a RAD conversion is long and somewhat uncertain.

Here are the major milestones:

- **HUD Invitation and Submission of Application.** After HUD invites a PHA on the waiting list to submit a RAD application, the PHA must do so within 60 days, or be moved to the bottom of the RAD waiting list. (Staff is recommending submitting RAD applications without waiting for a HUD invitation, so HUD will be able to begin processing the applications promptly after issuing the formal invitation.)
- **HUD has 60 days to process each application.** HUD must approve or deny the PHA’s RAD application(s) within 60 days after receiving it.
- **CHAP (Commitment to Enter into a Housing Assistance Payments Contract).** If HUD approves a RAD application, it issues a CHAP to the PHA.
- **The PHA has six months after receiving the CHAP to submit its Financing Plan.** Within that six months specific tasks must be completed, including:
 - Environmental Review
 - Capital Needs Assessment (CNA) by a third party
 - Financing Letters of Agreement, for a project that will require outside financing.
- **HUD issues a “RAD Conversion Commitment” (RCC)** after approving the Financing Plan.
- **The PHA has 30 days to execute the RAD Conversion Agreement** after receiving the RCC. As discussed previously, the PHA can “walk away” from the RAD conversion at any time before executing the agreement. Once it is executed, the agreement is binding on the PHA and HUD for 15 or 20 years (depending on the contract term agreed upon by the parties).

With the Board’s approval of this recommendation, staff will submit the RAD application for this project to HUD.

JMG/AJH/FAH

Attachments:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

CORRECTED

FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR

REGARDING Application for HUD's Rental Assistance Demonstration (RAD) Program; Asset Management Project (AMP) No. 8 Dunedin Terrace (Family) and Dunedin, Montreal And Cleveland Hi-Rises, Except West Side Duplexes; Agency Plan Amendment

DATE August 23, 2017

Staff requests Board approval of Resolution No. 17-8/23-08 to submit an application to HUD under the Rental Assistance Demonstration (RAD) program for Dunedin Terrace (Family) and Dunedin, Montreal and Cleveland Hi-Rises, except West Side duplexes (AMP 8, HUD Project No. MN001000008), requesting approval to convert that property from its current status as Low Income Public Housing to project-based Section 8 funding, either as a "Project-Based Voucher" (PBV) project or a "Project-Based Rental Assistance" (PBRA) project. The attached resolution also amends the Agency Plan to describe the proposed RAD conversion.

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852¹ public housing units. The PHA's 418 scattered site homes are not part of these RAD applications. The highlights of the proposed conversion are explained below and the details are shown on the attachments, which are as follows:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)

¹ The previous total of 3,856 public housing units proposed for conversion to RAD will decrease by one when two zero-bedroom (efficiency) apartments at Valley Hi-Rise are converted to a single one-bedroom unit. Three "Special Purpose Units" are also subtracted from the RAD conversion total (2 ALP offices at Hamline Hi-Rise and one ASI office at Valley Hi-Rise.) They will be accounted for separately.

5. Statement of PHA Capacity to Administer a PBV Project
6. Financing Letter of Interest/Intent.

Financial Analysis. The required RAD financial analysis shows that this project, AMP 8 Dunedin Terrace (Family) and Dunedin, Montreal and Cleveland Hi-Rises (except the 16 West Side Duplexes), would not sustain itself after conversion without some outside financing. That is, the projected revenues would not cover operating costs and capital needs, using HUD’s formulas. Therefore staff and our consultant drafted the RAD application for this project to include approximately \$8.6 million from outside financing, as shown below. No further details are required to be submitted to HUD at this stage. Staff and the consultants will present the proposed financing plan for Board consideration at a future meeting. As explained below, when HUD accepts the RAD application and issues a “Commitment to Enter into a Housing Assistance Payments Contract” (“CHAP”), the PHA will have six months to submit a Financing Plan that provides more details on operating revenues and expenses and capital needs over the (initial) 20 year RAD period. Here are the significant numbers for this project for Year 1:

Line #	Dunedin, Cleveland & Montreal Hi-Rises	AMP 8
1	Total Units	560
2	Total Income	\$ 4,104,629
3	Total Operating Expenses	\$ 3,225,205
4	Annual Reserve Deposit	269,148
5	Total Expenses	\$ 3,494,353
6	Net Operating Income	\$ 610,276
7	Immediate Capital Needs	\$ 6,852,621
8	Other Development Expenses	\$ 3,848,302
9	Initial Deposit to Replacement Reserve	-
	Funding Source - Remaining Capital Funds	
10		\$ 1,323,623
11	Funding Source - FHLBDM Grant	\$ 750,000
12	Funding Source - First Mortgage	\$ 8,627,300
13	Net Overage	\$ 610,276

As discussed with the Board at the June 28, 2017 business meeting and other meetings, a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants. A RAD conversion to PBV replaces the current public housing Annual Contributions Contract (ACC) between HUD and the PHA with a new ACC that commits HUD to provide project-based Section 8 subsidies for a 20-year period. A RAD conversion to PBRA would substitute a Housing Assistance Payments (HAP) contract in place of the current public housing funding structure. In either case, a single Section 8 project-based subsidy would replace the two public housing subsidies (Capital Fund and Operating Fund) that rely on separate appropriations by Congress. Although both the Section 8 subsidies and the public housing funds must be appropriated annually by Congress, historically the Section 8 subsidy has been stable and consistently increasing from year to year, whereas the public housing funding has been far more volatile. A RAD PBRA HAP contract provides an annual contract amount with annual adjustments for inflation. A RAD ACC for PBV allows annual increases in the contract rents for inflation.

As discussed at the Board meetings on April 26, May 24 and June 28, 2017, staff submitted a “Letter of Interest” to HUD on April 20, 2017 to secure a place on the RAD waiting list. When this report was written HUD had not invited the PHA (or any other agencies on the waiting list, to our knowledge) to submit a RAD application. Nevertheless, staff and our consultants believe it is prudent to submit our RAD applications now, in the hope of receiving faster HUD approval for the conversions.

Resident Consultation; Public Hearing. With the Board’s June 28th approval to begin consultations with residents, staff scheduled a series of 23 meetings over a two week period in July, followed by another meeting on July 25 with the Resident Advisory Board (RAB). Separate

meetings were held at Dunedin, Montreal and Cleveland Hi-Rises and staff recorded the residents' comments at each meeting. The comments and staff's responses are attached and they will be included with the RAD application. A combined public hearing and RAB meeting was held on August 15, after public announcements were published on June 29 and July 27 and posted on the PHA's website.

RAD Application. The RAD application for this project is attached, consisting of 10 pages. The application was drafted by the PHA's "RAD Application Specialist" consultant, Jaime Bordenave of The Communities Group (TCG), using data provided by PHA staff. As explained in a report for the July 26, 2017 Board meeting, TCG has worked with over 117 PHAs and assisted with the successful applications covering over 37,000 RAD units to date.

Board Resolution. The attached Board resolution authorizes the Executive Director to execute the Board Approval Form (also attached) which must accompany the RAD application.

Statement of PHA Capacity to Administer a PBV Project. This statement is required to be submitted with a RAD application that requests conversion to project-based vouchers (PBV). This PHA has proved its capacity by successfully administering a PBV program since 2000, which now includes 515 housing units in 24 different projects.

PBV or PBRA? Staff have been carefully studying the advantages and disadvantages of the two models of project-based Section 8 funding, PBRA (Project-Based Rental Assistance) and PBV (Project-Based Vouchers). We are talking with our consultants and asking other PHAs about their experience after converting public housing to either form of Section 8 project-based subsidy under RAD. Although preliminary analysis suggested that PBRA (Project-Based Rental Assistance) seemed to be more advantageous, further research has revealed some serious

drawbacks. As this report was written the PBV model appeared to be superior for this PHA, so staff proposes to request PBV conversions in the RAD applications. However, that choice is not “locked in” with the submission of the RAD applications. Staff will continue comparing PBRA and PBV over the coming weeks and present a full analysis and recommendation at the September 27, 2017 Board meeting.

Financing “Letter of Interest/Intent” (to be submitted as part of the RAD Application).

This is a required attachment to a RAD application that includes financing, to demonstrate that the proposed conversion project could qualify for a loan. The PHA is not required to commit to borrowing from the lender that provides the letter.

As discussed previously, the timeline for a RAD conversion is long and somewhat uncertain.

Here are the major milestones:

- **HUD Invitation and Submission of Application.** After HUD invites a PHA on the waiting list to submit a RAD application, the PHA must do so within 60 days, or be moved to the bottom of the RAD waiting list. (Staff is recommending submitting RAD applications without waiting for a HUD invitation, so HUD will be able to begin processing the applications promptly after issuing the formal invitation.)
- **HUD has 60 days to process each application.** HUD must approve or deny the PHA’s RAD application(s) within 60 days after receiving it.
- **CHAP (Commitment to Enter into a Housing Assistance Payments Contract).** If HUD approves a RAD application, it issues a CHAP to the PHA.
- **The PHA has six months after receiving the CHAP to submit its Financing Plan.** Within that six months specific tasks must be completed, including:
 - Environmental Review
 - Capital Needs Assessment (CNA) by a third party
 - Financing Letters of Agreement, for a project that will require outside financing.
- **HUD issues a “RAD Conversion Commitment” (RCC)** after approving the Financing Plan.
- **The PHA has 30 days to execute the RAD Conversion Agreement** after receiving the RCC. As discussed previously, the PHA can “walk away” from the RAD conversion at

any time before executing the agreement. Once it is executed, the agreement is binding on the PHA and HUD for 15 or 20 years (depending on the contract term agreed upon by the parties).

With the Board's approval of this recommendation, staff will submit the RAD application for this project to HUD.

JMG/AJH/FAH

Attachments:

1. Financial Analysis
2. Resident Comments
3. RAD Application
4. Board Resolution with attached HUD Certification (to be signed by the Executive Director and submitted as part of the RAD Application)
5. Statement of PHA Capacity to Administer a PBV Project
6. Financing Letter of Interest/Intent

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Employee Recognition

DATE August 23, 2017

Staff requests Board approval to award PHA employees a special one-half day off in recognition of the Agency's continued success on a national level and the hard work and accomplishments of over 230 dedicated staff members. If the Board approves this recommendation, a certificate for this time off will be given to employees at the annual recognition breakfast, which is scheduled for October 6, 2017.

The half-day off will be provided to all staff who were regular PHA employees and temporary employees who were eligible for benefits as of October 1, 2017. The time off must be used by December 31, 2017 and must be taken on a single day. Regular part-time employees will be extended this recognition on a pro-rated basis. Use of the recognition time off will be subject to the same approvals as other vacation days and floating holidays, to allow supervisors to plan staffing and workloads.

MLM