On November 28, 2018, the Saint Paul Public Housing Agency (PHA) Board of Commissioners approved the following actions:

- Project-Based Voucher (PBV) Offering Plan; Revising the Admission & Occupancy Policies for the Section 8 Housing Choice Voucher Programs

- Rental Assistance Demonstration (RAD) Financing Plan Pro-Forma; No-Debt Conversion; Chap Amendments

- Funding Application to Minnesota Housing; Publicly Owned Housing Program (POHP); Front Hi-Rise Boiler and Plumbing Replacement (AMP 2, MN 1-15)

- Resolution in Recognition of Dedicated Service by Dave Lang

- Vinyl Flooring Installations at PHA Properties; Contract No. 19-050

- Property Insurance Policy Renewal

- Mt. Airy Hi-Rise Community Room Heating, Ventilation and Air Conditioning (HVAC) Replacement; AMP 5, MN 1-3; Contract No. 19-060

- FY 2020 Revenue Budget for Section 8 Moderate Rehabilitation Single Room Occupancy; Salvation Army Booth Brown House Foyer

- Agency Plans for Fiscal Year 2020 and Fiscal Year 2019, Version 3; Rental Assistance Demonstration (RAD) Conversion Details

- Congregate Housing Services Program (CHSP) Meals Contract with Presbyterian Homes and Services; Optage Senior Dining; Contract No. 19-083

VI.B.1.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Project-Based Voucher (PBV) Offering Plan; Revising the Admission & Occupancy Policies for the Section 8 Housing Choice Voucher Programs

DATE November 28, 2018

Staff recommends Board approval of the following actions related to the Project-Based Voucher (PBV) program:

1. Adopt Resolution No. 18-11/28-4 to revise the Admission & Occupancy Policies for the Section 8 Housing Choice Voucher Programs, Appendix K, Project-Based Vouchers (PBV) as described below and shown on the attachment; and

2. Offer up to 125 Project-Based-Vouchers in Minnesota Housing's Consolidated Request for Proposals (the "SuperRFP") that will be announced in April 2019, with applications due to Minnesota Housing (Finance Agency, MHFA) in June 2019.

On August 22, 2018, staff reviewed a Project-Based-Voucher (PBV) Concept Draft with the Board (attached). Following that plan, staff invited 34 stakeholder organizations to a PBV "Listening Session" held on November 1, 2018 at Ravoux Hi-Rise. The session was well received and most of the 21 organizational attendees actively participated in the discussion. (The invitation list is attached.) Staff's proposed PBV plan and policies incorporate many of their comments as well as comments received from other partners and stakeholders outside of the Listening Session.

Staff is recommending a long-term plan of project-basing up to 300 vouchers over a five-year period to assist a combination of units in mixed-income properties and supportive-housing for families and individuals experiencing homelessness, including homeless veterans, using a combination of Housing Choice Vouchers, HUD-Veterans Affairs Supportive Housing (VASH) vouchers and Family Unification Program (FUP) vouchers. The number of vouchers offered each year could be adjusted based on feedback and applications from the year prior. Staff anticipate that there may be years where there may be no projects that meet the PHA's minimum selection criteria, and other years when two or more projects meet the criteria. Conversely, the amount of available applications for consideration will depend on the number of developments proposed and the overall strength of the real estate and rental markets.

In this upcoming 2019 cycle, staff is recommending that we advertise three separate PBV offerings through Minnesota Housing's SuperRFP:

- Up to 50 Housing Choice Vouchers (HCVs) to project-base in mixed-income developments that provide affordable housing along with market-rate housing;
- Up to 50 HCVs to project-base as supportive housing for persons experiencing homelessness; and
- Up to 25 VASH vouchers to project-base as Veterans Affairs Supportive Housing for homeless veterans.

Staff are also recommending that the PHA set a minimum PBV award of 10 vouchers per project. The 10-unit minimum would mean that each PBV award would provide a significant number of affordable housing opportunities at each project, while justifying the large amount of administrative time that goes into starting up and maintaining these projects.

Staff has drafted separate selection criteria for each of the particular project types, now proposed as revisions to the Appendix K to the Admissions & Occupancy Policies (attached). Staff believes that adopting these criteria will ensure that the PHA's limited resource will be equitably and effectively distributed, leveraging the resource as much as possible to create quality affordable housing for a variety of populations.

HOTMA Updates. Many of the revisions of the PBV Appendix incorporate updates made by HUD in accordance with the Housing Opportunity Through Modernization Act ("HOTMA", signed into law on July 29, 2016). HUD later issued a notice (PIH 2017-21) that implemented several of the statutory changes and authorized or directed PHAs to revise their PBV policies accordingly. HOTMA raised the upper limit of PBVs from 20% of a PHA's voucher allocation to 30% for any of three exception categories:

- Homeless (as defined by HUD)
- Supportive housing for persons with disabilities and/or elderly persons
- Projects located in low-poverty areas as defined by HUD.

The HUD notice also revised the cap of vouchers that can be project-based at a single site, gave the PHA discretion to add units back to a contract without competitive selection, and prospectively changed the supportive service requirement to a "required availability of supportive services" at those particular sites.

The PHA currently has 4,526 vouchers (excluding special programs), of which 516 are under PBV contracts, so the 20% PBV limit would allow the Agency to award another 389 vouchers for project-based assistance, up to a total of 905 PBVs. The 30% threshold would allow an additional 453 PBVs to be awarded (for the three types of units listed above), for a total of 1,358.

Selection Process and Criteria Updates. Federal regulations allow and encourage PHAs to set selection criteria for each project that applies for project-based-vouchers. The original criteria were approved when the PHA launched its PBV program in 1999 and last amended in 2014. The proposed changes update the selection criteria to ensure our PBV program continues to meet the needs of our diverse community while creating maximum opportunities to leverage the assistance.

Staff are not proposing changing the requirement that all projects seeking PBVs must submit an application through Minnesota Housing's SuperRFP. This helps to ensure that each project the PHA is reviewing has already been determined financially viable, and comports with Minnesota's stated affordable housing goals. Once an application has been approved for funding by Minnesota Housing, it would be passed along to the PHA for review according to our specific selection criteria. (Projects that do not request any funding from the SuperRFP must still submit their PBV application through that process. The PHA will review those requests after Minnesota Housing has announced its funding awards.) As required by current HUD rules, the PHA will notify HUD of our intent to offer more PBVs before publicly announcing their availability.

General Selection Criteria: Staff are recommending keeping two of the preferences in the current selection criteria, with modifications:

1. Prior extensive experience of the applicant in developing and managing similar residential housing with project-based voucher subsidies and demonstrated ability and capacity of the applicant to proceed expeditiously with the proposal; and

2. Additional PBVs for Current PBV Projects: Extent to which more project-based vouchers would help stabilize a current PBV project.

Staff believe these two criteria support the viability of our existing projects, and reward those partnerships that have continued to work well for the Agency. Staff are also recommending a priority for projects that create additional affordable housing beyond the PBV units, thereby leveraging the PBV resource.

Mixed-Income Selection Criteria: Staff are recommending that projects applying under this category meet at least one of these two criteria:

1. The project qualifies as new construction.
2. The project is located in a low-poverty area.

Staff believe these criteria for assisting mixed-income properties help to improve and create affordable housing stock in St. Paul, while potentially assisting in some affordable housing creation in low-poverty areas.

Supportive Housing for the Homeless Selection Criteria: Staff are recommending that projects applying under this category must meet all three of these criteria:

1. Serve homeless families/individuals, as defined by Minnesota Housing;
2. Provide appropriate on-site-services for their homeless population served; and
3. Work with Ramsey County's Coordinated Entry[1] in processing their referrals.

Staff's proposed criteria would award additional points for projects located in low-poverty areas, new construction, and housing created to serve families that meet the HUD-definition of homeless (in additional to Minnesota Housing's definition of homeless).

VASH Selection Criteria: Staff are recommending that projects applying under this category must meet these three initial criteria, all of which overlap to some degree:

1. Obtain a letter of support from the local VA office;
2. Accept referrals from VA to fill all PBV vacancies; and
3. Have supportive services available on-site, as approved and accepted by the VA.

Optional points would be awarded for projects located in low-poverty areas, or separately for new construction projects.

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[1] "Coordinated Entry" provides assessment and referrals for individuals and families who are experiencing homelessness or are at risk of becoming homeless.

FUP Selection Criteria: Staff are recommending that projects applying under this category must meet these three initial criteria:

1. Accept referrals from Ramsey County Child Protection to fill all PBV vacancies;
2. Obtain a letter of support from Ramsey County Health and Human Services for the project; and
3. Provide on-site supportive services appropriate for the population served.

Staff's proposed criteria would award additional points for projects located in low-poverty areas and for new construction projects. Staff is also proposing additional points for projects with three or more bedrooms.

Timeline: With the Board's approval and after notice to HUD, staff proposes to offer these vouchers for PBV use in Minnesota Housing's next SuperRFP, as detailed below. Staff would ask for narrative or documentary responses to satisfy the selection criteria, as appropriate. Once Minnesota Housing makes its funding decisions, staff would review and assess the proposals requesting PBVs according to our announced selection criteria. Staff would then advance any final proposals to the Board for ultimate consideration and approval.

Activity	Estimated Date
Board Approval of Offering & Plan	11/28/2018
Request HUD Approval	December, 2018
Planning for MHFA SuperRFP	January, 2019
MHFA SuperRFP published	April, 2019
MHFA Applications Due	June, 2019
MHFA Board Approves Applications	September or October 2019
Staff Recommendation to PHA Board for Specific Project Approval (if any)	October or November, 2019

JMG/DJM/FAH

<u>Attachments:</u>

- Resolution No. 18-11/28-4
- Proposed Revisions to Admission & Occupancy Policy Appendix K
    - Clean Copy (White paper)
    - Changes tracked (Green paper)
- Project-Based-Voucher (PBV) Concept Draft; August 22, 2018 Board Report
- Listening Session "Save the Date" Announcement
- Listening Session Agenda
- Listening Session Invited Organizations and Attendance
- PowerPoint Presentation from Listening Sessions
- 2018 PHA Publication "Affordable Housing Preservation and New Production at PHA"
- 2018 PHA Fact Sheet
- PBV Project Summaries

VI.B.2.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS **FROM** **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Rental Assistance Demonstration (RAD) Financing Plan Pro-Forma; No-Debt Conversion; CHAP Amendments

DATE November 28, 2018

Staff requests Board approval for the actions listed below to support the PHA's pending request to convert most of the current public housing properties to "Project-Based Rental Assistance" (PBRA) through HUD's Rental Assistance Demonstration (RAD):

1. Utilize the anticipated 2019 Capital Fund grant and the remaining 2017 Replacement Housing Factor grant to fund the required Initial Deposits to Replacement Reserves (IDRRs).

2. Request CHAP Amendments in January 2019 to adjust contract rents for all eight projects from "Modified 2016 RAD Rents" to "2018 RAD Rents" and request the 2019 Operating Cost Adjustment Factor be applied to the RAD contract rents.

These actions are essential to preparing the RAD Financing Plans, including the "Operating Pro-Forma" analyses that show the converted properties will be financially viable without incurring debt. For HUD to approve a RAD conversion, the Operating Pro-Forma must demonstrate that each project's Replacement Reserves will be adequate to support needed capital improvements over the next 20 years, based on the Initial Deposit to the Replacement Reserve (IDRR) and the Annual Deposits to the Replacement Reserve (ADRRs). The attached Pro-Formas do that.

HUD has awarded "Commitments to Enter into Housing Assistance Payments Contracts" ("CHAPs") for converting the eight Asset Management Projects (AMPs) that include all sixteen hi-rises and the four family developments. (The PHA's request to convert the 12 new units at

McDonough is still pending. When HUD awards that CHAP, the RAD conversion total will be 3,852 units.)

REPLACEMENT RESERVES. The required amount of Replacement Reserves for each converting project is determined by a RAD Capital Needs Assessment (RAD CNA), as explained below. As illustrated on the attached summaries, the RAD CNAs performed by the PHA's consultant, EMG, showed total capital needs of $30,677,240 over a 20 year period. The Initial Deposit to Replacement Reserves (IDRR) is the amount required to fund needed work in the first few years, prior to accumulation of annual deposits. The IDRR total is $9,122,000, with AMP 5 (Valley Hi-Rise and Mt. Airy Homes and Hi-Rise) requiring the largest initial deposit.

The PHA must identify the sources it will use to fund the IDRR in the Financing Plan; and the IDRR must be fully funded at the time of RAD closing, meaning the PHA must have enough funds on hand to perform the identified work and maintain the minimum reserve levels. Staff is recommending using most of the 2019 Capital Fund grant to fund the IDRRs, as explained below. This table shows EMG's RAD CNA and the IDRR requirements for each project:

PROJECT	RAD CNA	IDRR
AMP 1 – McDONOUGH HOMES	$3,195,517	$102,000
AMP 2 – FRONT, HAMLINE, SEAL	$2,464,818	$222,000
AMP 3 – EDGERTON, IOWA, WILSON	$3,903,464	$415,000
AMP 4 – ROOSEVELT HOMES	$1,451,468	$135,000
AMP 5 – MT AIRY, VALLEY	$11,909,185	$7,659,000
AMP 6 – EXCHANGE, WABASHA	$1,288,664	$340,000
AMP 7 – CENTRAL, NEILL, RAVOUX	$2,808,009	$9,000
AMP 8 – CLEVELAND, DUNEDIN, MONTREAL	$3,656,115	$240,000
TOTAL	$30,677,240	$9,122,000

The Annual Deposit to Replacement Reserves (ADRR) is the amount each project must contribute annually to fund future capital improvements and to prevent the reserve level from dropping below the "reserve floor" over the course of the twenty-year evaluation. The Annual Deposit is stated as a per-unit-per-year rate and is included as a line item on the Operating Pro-Forma. It will also be a line item in future PHA Operating Budgets.

CAPITAL NEEDS ASSESSMENTS. An essential component of the RAD Financing Plan is the RAD Capital Needs Assessment (CNA), which must be performed by an independent contractor. The RAD Capital Needs Assessment is a detailed physical inspection of a property to determine critical needs, short- and long-term rehabilitation needs, and any environmental concerns over a 20 year span, including estimated costs based on localized industry standards. The detailed inspection is based on a standardized HUD template which incorporates useful life estimates to determine if designated items need to be replaced or rehabilitated; and it provides an estimate of when the work needs to be done during the 20 year assessment period. Staff received preliminary CNA reports in April 2018 from our consultant, EMG. The final report will be submitted to HUD as part of the RAD Financing Plan. This detailed list of capital needs and related costs is used to determine the Initial Deposit to Replacement Reserve (IDRR) and Annual Deposit to Replacement Reserve (ADRR) for each project.

For many years PHA staff have also maintained the Agency's own 20 year capital needs assessment, which now totals approximately $83 million (copy attached). This assessment is based on staff's evaluations of building condition and maintenance work needed, as well as third-party evaluations which provide guidance on physical condition, repair options, and estimated costs. This internal assessment has allowed staff to plan major work projects based on estimated and actual funding (primarily CFP grants, sometimes supplemented by grants or loans from Minnesota Housing and the Federal Home Loan Bank of Des Moines). After conversion, staff will continue to maintain an internal capital needs assessment for both the RAD/PBRA properties (3,852 apartments in hi-rises and family developments) and the remaining public housing properties (418 scattered site single family homes and duplexes). When evaluating the RAD transaction, this internal assessment was also taken into consideration, as described below.

USE OF CAPITAL FUND. Our RAD consultant confirmed that the PHA will receive a 2019 Capital Fund Program (CFP) award, since the RAD transactions will not be closed before the end of calendar year 2018. The CFP grant amount will not be known until after Congress approves HUD appropriations for the current Federal Fiscal Year (FFY 2019, which began October 1, 2018). Based on the amounts in appropriations bills pending in Congress, housing industry staff predict that the 2019 appropriation will be at the same level or slightly higher than in 2018. The PHA's 2018 CFP grant was $11,177,209. HUD will not announce the actual 2019 CFP grant amounts until after the PHA's Financing Plans must be submitted (February 16, 2019).

Staff are requesting approval to use a substantial portion the 2019 Capital Fund award to fund the required Initial Deposits to Replacement Reserves (IDRR) for the RAD transaction. Doing so would allow the PHA to "self-finance" the IDRRs and avoid incurring debt at the time of conversion. A portion of the CFP grant (approximately $500,000) would be used for capital improvements on scattered site homes, which will remain in the public housing program. Any CFP funds left after funding the IDRR would be included in the RAD Financing Plan as part of the "conversion year" funding, to be available for continued PHA operations including building improvements.

If the 2019 CFP award is not used to fund the IDRR, the PHA would be required to incur debt by borrowing approximately $7.7 million for needed capital improvements at AMP 5 (Valley Hi-Rise and Mt. Airy Homes and Hi-Rise). The cost of debt includes initial transaction costs and fees in addition to ongoing interest payments. Furthermore, any portion of the 2019 Capital Fund award not included in the RAD transaction would remain in the Low Income Public Housing program, which will consist of only scattered sites and duplexes (418 units) after RAD conversion. If kept in the public housing program, the 2019 CFP grant would need to be expended within four years to avoid being recaptured by HUD.

Replacement Housing Factor (RHF) grant. In addition to the 2019 CFP award, staff are requesting approval to use the remaining Replacement Housing Factor (RHF) grant funds in the RAD transaction. RHF grants are awarded when units are removed from inventory; and the grants can only be used to develop new public housing units. Furthermore, the funds must be used within five years of their award date. The PHA has one remaining grant of $9,564, awarded in 2017. The PHA has no plans to develop any new units before this grant expires in 2022, so staff are recommending using the RHF grant to help fund the IDRR for AMP 5.

Staff have evaluated the use of Capital Funds in the RAD transaction and believe there will be no negative impact on the completion of any current projects, such as the exterior modernization work at the Mt. Airy family units, the Montreal Hi-Rise plumbing modernization, the Dunedin Terrace family site modernization, and life-safety projects such as the Wilson Hi-Rise electrical work (replacing buss ducts). Some other projects such as the Front Hi-Rise boiler and plumbing replacements may be slightly delayed unless outside funding can be secured. The 2017 and 2018 Capital Fund awards will be used to complete the projects currently in process.

A summary of the uses of the 2017 RHF and 2019 CFP funds is as follows:

Estimated 2019 Capital Fund Award	$11,177,209
2017 Replacement Housing Factor Award	$9,564
Scattered Site Holdback	($499,773)
Total Available for RAD Transaction	$10,687,000
Estimated IDRR Deposit	($9,122,000)
Available for Conversion Year Activity	$1,565,000

CHAP AMENDMENTS. Staff are also requesting approval to submit requests to HUD after January 1, 2019 to revise the RAD rents (contract rents) in our current CHAPs (issued in August 2018) from the "Modified 2016 RAD Rent" to the "2018 RAD Rent" rate. That will increase the revenues available after conversion by approximately $1.8 million in the first year, from $33,968,359 up to $35,803,140. Also with the Board's approval, we would request that the 2019 Operating Cost Adjustment Factor (OCAF) be applied to the 2018 RAD Rent. Historically the OCAF has been approximately 2% per year, which would result in approximately $691,000 additional revenue in the initial year. Compared to our original estimate based on 2014 RAD Rents, the 2018 RAD Rents plus the 2019 OCAF are expected to generate $4.5 million more than our original revenue projections for the first year after conversion, and approximately $107 million more over the 20 year projection period. Staff believe both requests are prudent and improve the financial viability of the RAD transaction. The PHA's RAD "Readiness Transaction Manager" assigned by HUD informed staff that there is no formal procedure for these requests, and a simple written request and emailed to her will suffice.

OPERATING PRO-FORMA. In conjunction with the Capital Needs Assessment (CNA) and Initial Deposit to the Replacement Reserve (IDRR) described above, the Operating Pro-Forma represents the financial backbone of any RAD transaction. An Operating Pro-Forma is a financial statement that applies a set of assumptions to make a reasonably accurate projection of what the financial position of an entity will be. HUD requires a 20 year Operating Pro-Forma to be prepared as part of the Financing Plan for each project being converted.

Staff actually prepared <u>two</u> sets of Operating Pro-Formas for each project, using the same assumptions for operating activity, but comparing the consultant's RAD Capital Needs Assessments (CNAs) with staff's own CNAs. Staff believe all eight transactions are financially viable under both scenarios, providing assurance that the PHA will be able to continue managing, maintaining and improving the properties to our same historically high standards. Both sets of Operating Pro-Formas are attached to this report, and staff will explain each one in detail at the Board meeting.

After a RAD conversion to PBRA, a PHA is permitted to transfer funds between the projects (fungibility) through "surplus cash" distributions. Surplus cash is defined as the amount available at the end of a fiscal period after payment (or setting aside) of funds for operating expenses, debt service and any required deposits to the Replacement Reserve.

With the Board's approval of the recommendations presented in this report, staff will continue assembling the Financing Plans so they will be ready for final Board review and approval at the January 23, 2019 meeting.

JMG/AJH/FAH

Attachments:
- 1-Page Summary of Capital Needs Assessments by EMG and PHAP Staff
- Definitions of Line Items in RAD PBRA Pro-Forma
- AMPs 1-8 Operating Pro-Formas Based on EMG and Staff Capital Needs Assessments
- PHA Staff's Capital Needs Assessments

VI.B.3.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS **FROM** **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Funding Application to Minnesota Housing; Publicly Owned Housing Program (POHP); Front Hi-Rise Boiler and Plumbing Replacement (AMP 2, MN 1-15) **DATE** November 28, 2018

Staff requests Board approval of Resolution 18-11/28-05 authorizing staff to apply for up to $2 million from Minnesota Housing (also known as Minnesota Housing Finance Agency/MHFA) to replace the boilers and plumbing at the Front Hi-Rise. If approved, the money would come in the form of a forgivable loan through the Publicly Owned Housing Program (POHP), which is funded by General Obligation (GO) Bonds authorized by the Minnesota Legislature and signed by the Governor in the 2018 session.

The PHA previously applied for POHP funding to replace the Front Hi-Rise boilers in 2014, as one of a list of requests for capital improvements totaling $13 million. Minnesota Housing approved only one of our applications that year ($1.2 million for Phase III of the Dunedin Terrace modernization), but this year PHA staff met with MHFA staff and were encouraged to re-apply for both the Front Hi-Rise boiler replacement and the plumbing replacement.

Front Hi-Rise (727 Front Street) is a 20-story apartment building built in 1969, with 151 dwelling units. The boilers and plumbing systems are original to the building construction; and after 49 years they have exceeded their expected service lives. The PHA's consultant (Stanley Consultants) did an evaluation of 13 hi-rise heating plants in 2003 and updated it in 2009 and 2014. Stanley also did an evaluation of 15 of the hi-rise plumbing systems in 2016. They updated both the heating plant and plumbing portions of their earlier surveys for the current application. Stanley estimates the cost to expand the boiler room, replace the boilers and replace the plumbing at the Front Hi-Rise will be about $4,888,000. Stanley also estimates that the total cost would be about $366,000 higher if the boilers and plumbing were replaced as two separate projects, rather than doing the work as a single construction project.

Staff agree with Stanley that the Front Hi-Rise boiler and plumbing replacements are the PHA's highest priorities now for seeking funding from Minnesota Housing. The plumbing has been replaced at the Ravoux and Valley Hi-Rises; and the same work began in September at Montreal Hi-Rise. The boilers were replaced at the Central, Neill, Cleveland and Montreal Hi-Rises in 2010. Recent boiler repairs and plumbing leaks at Front Hi-Rise, as well as the extremely small boiler room there, underscore the need to complete the boiler and plumbing system replacements without further delay.

The 2018 POHP applications are due to Minnesota Housing by December 19, 2018 and funding announcements are expected in May of 2019. Staff anticipate beginning the boiler and plumbing replacement work at the Front Hi-Rise in 2020 if our application is funded. The PHA's 20 Year Capital Needs Assessment (CNA) includes $1,755,000 of funding for the Front Hi-Rise boiler replacement in 2019 and $3,954,000 for the Front Hi-Rise plumbing replacement in 2022. Funding from either the Rental Assistance Demonstration (RAD) Replacement Reserve or the RAD Operating Reserve would be used to fund the balance of the work not funded by the MHFA POHP forgivable loan.

If approved by Minnesota Housing, the funds would come to the PHA in the form of a 20-year forgivable loan. The State of Minnesota has allocated $8 million of GO bond proceeds for the 2018 POHP program loans to preserve public housing.

JMG/DAL/FAH

Attachments: Resolution No. 18-11/28-05

VI.A.1.

PUBLIC HOUSING AGENCY
SAINT PAUL

RESOLUTION IN RECOGNITION OF DEDICATED SERVICE

By

DAVE LANG

Whereas, Dave Lang served the Saint Paul Public Housing Agency and its residents for over 35 years, from October 25, 1982 until his retirement on December 9, 2018; and

Whereas, he provided distinguished service in many ways, including the following:

- Dave began working for the Agency in 1982 as a Maintenance Scheduler, and displayed an aptitude for high performance and a great work ethic.
- In 1985 Dave was promoted to Technical Services Supervisor. Over the next 12 years his position title changed three times to become the Technical Services Manager for Capital Improvements.
- In 2003 Dave served as the Interim Technical Service Director. In 2005 another title change occurred and Dave became the Construction Program Manager for Capital Improvements. Dave held this position for the last 13 years of his tenure.
- Throughout his 35+ years with the PHA, Dave demonstrated his commitment to the Agency's mission, residents and community by serving with professionalism and a consistent pursuit of excellence in all aspects of his work, which made him an invaluable member of the Maintenance Department.
- In all these ways, Dave contributed to building the PHA's national reputation for excellence in public housing administration.

In all these ways, he contributed to the Agency's exemplary record that includes ongoing High Performer ratings from HUD, adding to the PHA's national reputation for outstanding administration of the Public Housing and Housing Choice Voucher programs.

Now THEREFORE BE IT RESOLVED, that we, the Board of Commissioners of the Public Housing Agency of the City of Saint Paul, on behalf of the Board, the staff, and residents, do recognize and hereby acknowledge with deep appreciation, respect, and admiration for the services provided to the Agency and community by Dave Lang and we wish him well in his retirement.

November 28, 2018

Resolution Number 18-11/28-01

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Vinyl Flooring Installations
At PHA Properties;
Contract No. 19-050

DATE November 28, 2018

Staff requests approval to award a one-year contract (with two one-year options to extend) for vinyl flooring installation work at all PHA sites to Natus Corporation (d.b.a. Hamernick Decorating), of St. Paul, Minnesota, for the unit bid prices indicated on the attached October 10, 2018 bid tabulation. The low bid was determined by a formula stated in the bid specification, with unit price multipliers that weight each bid item relative to the anticipated usage of each. Using that formula, Hamernick Decorating's bid was $1,093.25, compared to $1,130.51 for the second low bidder.

This is a service contract for replacing vinyl tile and accessories on an as-needed basis at all PHA locations. Hamernick Decorating has performed satisfactorily on previous contracts for vinyl floor installation (Contract Nos. 15-035 and 17-052).

Although the unit prices for various work items fluctuate from one contract to the next (up and down), there has been a marked increase in labor prices. The Davis-Bacon wage rate applicable to this contract has increased from $49.30 per hour (for "General Labor" under the old contract) to $57.03 per hour under a new federal wage classification of "Soft Floor Layer", a 15.7% increase. Staff estimates that as much as 65% of work to be performed under this contract is labor costs.

Staff solicited bids by advertising in local newspapers and trade publications and making the bid documents available via file download through our document services vendor, Northstar Imaging.

PHA staff directly reached out to eight local flooring contractors regarding this work, resulting in two bid submissions.

A copy of the Employer Information Report for Hamernick Decorating and the second bidder, Floors by Beckers are attached. Since this is a unit-price contract, the contractor is not required to contribute to the PHA's Section 3 Training Fund or submit a Section 3 Action Plan. Hamernick Decorating is a Woman-Owned business enterprise (WBE).

Staff expects that approximately $250,000 will be spent on this contract each year based on previous contracts and the labor cost increases described above. There are sufficient funds in the Operating and Capital Fund Budget for this work.

MIS/vma

Attachments: Bid Tabulation
Employer Information Report (EEO-1) – Natus Corporation (d.b.a Hamernick)
Employer Information Report (EEO-1) – Floors by Beckers

VI.A.3.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Property Insurance Policy Renewal

DATE November 28, 2018

Staff requests Board approval to renew the PHA's property insurance for one year effective December 1, 2018 with the Housing Authority Insurance Group (HAI) at an estimated annual premium of $594,622 (up from $560,747, or 6.04% from last year) on an insurable property value of $688,018,020 (up from $659,373,191, or 4.34% from last year). The premium increase is primarily due to the property value increase.

HAI insures the PHA's property through its subsidiary company, Housing Authority Property Insurance. Important factors in the coverage remain the same, including:

- A $25,000 deductible;
- No blanket coverage, replacement cost will be subject to values on file with HAI;
- Exclusion for mold and fungi;
- Exclusion for any Acts of Terrorism.

As a capital member of the Housing Authority Risk Retention Group (HARRG) and Housing Authority Property Insurance (HAPI) the PHA receives dividend distributions, as shown below:

PHA FISCAL YEAR	DIVIDEND
FY 2007	$68,882
FY 2008	$164,479
FY 2009	$43,758
FY 2010	$172,011
FY 2011	$136,216
FY 2012	$151,863
FY 2013	$114,932
FY 2014	$102,765
FY 2015	$88,062
FY 2016	$60,584
FY 2017	$42,007
FY 2018	$0
FY 2019	$43,804
TOTAL	$1,189,363

Over the years these dividends were paid to the PHA in the form of a check. The funds are deposited the Central Office Cost Center as "Other Income".

Sufficient funds have been budgeted for property insurance in the FY 2019 Operating Budget and will be included in the FY 2020 Operating Budget submission.

HMG/RPM

VI.A.4.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Mt. Airy Hi-Rise Community Room
HVAC Replacement
AMP 5, MN 1-3; Contract No. 19-060

DATE November 28, 2018

Staff requests Board approval to award a contract for replacing the HVAC (heating, ventilating and air conditioning) equipment for the Mt. Airy Hi-Rise community room. (AMP 5, MN 1-3), to the lowest responsible bidder, Cool Air Mechanical, Inc., Ham Lake, Minnesota, for the total base bid amount of $262,800. The tabulation of bids is attached.

This contract will include the removal of existing community room air handler, ductwork and chilled water supply in boiler room; capping existing underground ductwork, installing structural supports for a new rooftop unit, and installing the unit with sound wall and ductwork on the roof of the community room. The community room HVAC equipment is beyond its expected working life span and is considered unreliable and undersized for the cooling load.

Cool Air Mechanical has worked with the PHA before on various projects. Copies of the Employer Information Reports for Cool Air Mechanical and the second lowest bidder, United States Mechanical, Inc. are attached. Cool Air Mechanical intends to comply with the PHA's Section 3 Policy by subcontracting over 25% of the subcontract work to a certified Section 3 contractor. Cool Air Mechanical will subcontract 13% of the contract amount to Minority-Owned Business Enterprises (MBE) and 11% to Women-Owned Business Enterprises (WBE). There are sufficient funds in the 2018 Capital Fund program for this contract.

TB/SEA/vma

Attachments: Bid Tabulation
Employer Information Reports (EEO-1)

V1.A.5.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING FY 2020 Revenue Budget for Section 8 Moderate Rehabilitation Single Room Occupancy; Salvation Army Booth Brown House Foyer

DATE November 28, 2018

Staff requests Board approval of Resolution No. 18-11/28-6 approving the FY 2020 revenue budget for six Section 8 Moderate Rehabilitation (Mod Rehab) Single Room Occupancy (SRO) units at Booth Brown House Foyer, which is part of the Salvation Army's Booth Brown House located at 1471 Como Avenue. The proposed revenue budget estimates the funding for FY 2020 to be $30,441, including both the Housing Assistance Payments (HAP) of $24,048 (estimate $334 per unit-month) to the property owner, the Salvation Army, and the PHA's administrative fee of $6,331 ($87.93 per unit-month).

HUD regulations require PHAs to submit "revenue budgets" prior to the start of each fiscal year for certain Section 8 programs created by separate Congressional authorizations. The complete budget for this program, showing both proposed revenues and proposed expenditures, will be presented at the March Board meeting. The revenue side of that budget will be based on this proposed figure, absent any information from HUD to the contrary.

The revenue budget is cost-based, meaning the amount of revenue requested equals the projected program cost for the fiscal year. The FY 2020 revenue budget is 21.6% less than the FY 2019 budget. This is due to utilization rates being lower than in previous years.

The PHA entered into an initial ten year contract with the Salvation Army on May 1, 2008 for these six units, to provide long-term housing options for homeless youth who have disabilities.

The initial funding contract expired on April 30, 2018, and was renewed by HUD for a twelve month extension through April 29, 2019. Staff expect HUD to renew the contract for an additional twelve month extension at that time if needed.

Salvation Army staff informed PHA staff several months ago that they had applied to convert the six SRO subsidies into another form of project-based rental assistance for the same units. Recently they reported that they are still working with a consultant to complete the application requirements; and they expect HUD to approve the conversion after the submission is complete. Staff prepared this revenue budget as a contingency in the event the proposed conversion is not approved, or approval is granted after the current contract extension expires in April 2019. If HUD approves the conversion, the PHA would no longer be required to administer the subsidies. Any existing HAP contract between the Salvation Army and the PHA will be mutually terminated, and this budget and related request for payment will be voided.

These units are actually small efficiency apartments, each with its own bathroom and kitchen, unlike true SRO units with shared bathrooms and kitchens. The residents pay 30% of their adjusted income for rent and utilities. Mod Rehab SRO subsidies are administered in much the same manner as the Housing Choice Voucher program, except they remain with the rehabilitated structure rather than move with the tenant. Unlike tenants subsidized by regular project-based vouchers, a tenant moving out of a Mod Rehab SRO unit does not receive a tenant-based voucher.

AJH/DJM/FAH

Attachment: Board Resolution 18-11/28-6 – Moderate Rehabilitation Voucher Budget
HUD Form 52663 – Requisition for Partial Payment of Annual Contributions
HUD Form 52672 – Supporting Data for Annual Contributions Estimates
HUD Form 52673 – Estimate of Total Required Annual Contributions

VI.A.6.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN EXECUTIVE DIRECTOR**

REGARDING Agency Plans for Fiscal Year 2020 and Fiscal Year 2019, Version 3; Rental Assistance Demonstration (RAD) Conversion Details

DATE November 28, 2018

Staff recommends Board approval of the following two resolutions:

1. Resolution No. 18-11/28-02 to approve the Agency Plan for the next Fiscal Year (FY 2020) beginning April 1, 2019; and
2. Resolution No. 18-11/28-03 to amend the Agency Plan for the current Fiscal Year (FY 2019) by adding more details about the pending conversion of 3,852 public housing units to Project-Based Rental Assistance (PBRA).

The Board gave preliminary approval for the draft Plans at the October 24, 2018 business meeting. No changes have been made in the draft Plans since then. Staff will provide additional copies of the Plans and attachments at the request of any Commissioner.

Staff conducted the required public hearing on the Agency Plans on Tuesday, November 13, 2018 at Neill Hi-Rise, 325 Laurel Avenue, after the required 45-day notice and comment period. Staff announced that the draft Agency Plan was available for public review and comment at the beginning of October by publishing a notice in the St. Paul Pioneer Press and posting a notice on the PHA's website. The updated Plan is substantially the same as the last amended version of the Plan (approved July 25, 2018) except for the added details about the RAD conversion, described below. Members of the Resident Advisory Board (RAB) discussed the Plan updates with staff in three meetings in August and September. The agendas and announcements of RAB meetings were mailed to the Hi-Rise Presidents Council, the City-Wide Residents Council, Section 8 representatives and Southern Minnesota Regional Legal Services (SMRLS).

No written comments on the draft Agency Plan were submitted by the RAB or the public.

The Agency Plan does not include the Capital Fund Program (CFP) funding application for the coming year. The CFP application and annual reports will be submitted separately with the signed amendment to the Annual Contributions Contract (ACC) after the actual amount of the PHA's next CFP grant is announced. The CFP grant amount will not be known until after Congress approves HUD appropriations for the current Federal Fiscal Year (FFY 2019, which began October 1, 2018). Based on the amounts in appropriations bills pending in Congress, housing industry staff predict that the 2019 appropriation will be at the same level or slightly higher than in 2018. The PHA's 2018 CFP grant was $11,177,209.

The PHA's Agency Plans are posted on the PHA's website, www.stpha.org.

The recommended amendment to the FY 2019 Agency Plan supplements the Board's approval on August 23, 2017 of the Agency Plan amendment which first described the RAD conversion. Staff is recommending approval of the amendment (as Version 3 of the Agency Plan for the current PHA fiscal year, FY 2019) to comply with HUD's requirements[1]. To ensure HUD approval of this amendment, staff repeated the full process for a "significant amendment", including RAB consultation, public notice and hearing. This amendment (Attachment K to the Agency Plan, copy attached) includes all of the details which HUD requires to be stated in the HUD approval letter we will submit with the Financing Plan. The details include the following, among others:

1. A description of the units to be converted, including the number of units, bedroom distribution and type of units (family, elderly, etc.).
2. Any change in the number of units that is proposed as part of the conversion. (None)

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[1] PIH 2012-32 RAD – Final Implementation, Revision 3

3. Changes in the policies that govern eligibility, admission, selection, and occupancy of units at the project after it has been converted.
   We explain in the Agency Plan that no changes are proposed as part of the RAD conversion. However, as part of replacing the PHA's business systems computer software, and to facilitate the implementation of new software, the we are considering simplifying policies for waiting list preferences and unit assignment. The PHA will involve the Resident Advisory Board (RAB) and other stakeholders in those discussions, and again follow the procedures for a significant amendment to the Agency Plan if a major change in the policies is proposed.

The proposed RAD conversions were discussed extensively with residents in 23 meetings at various PHA sites in July 23, 2017, and at a special meeting of the Resident Advisory Board, and again at the public hearing on the amendment to the Agency Plan held at McDonough Homes Community Center on August 15, 2017. However, that Plan amendment did not include many specifics about the proposed RAD conversions, so HUD's approval letter did not include details either. The Agency Plan for PHA Fiscal Year 2019 that the Board and HUD approved included some additional details about the proposed RAD conversions, but not all of the specifics now required by HUD.

If the Board approves the amendment to the current year's Agency Plan, staff will submit that revised Plan to HUD directly after the meeting. That step is required before the PHA submits its RAD Financing Plans in February 2019. The Agency Plan for FY 2020 must be submitted by January 15, 2019 (75 days before the PHA's next fiscal year begins).

FAH/

Attachments:

- Resolution No. 2018-11/28-02, Approving Agency Plan for PHA FY 2020
- Resolution No. 2018-11/28-03, Approving Agency Plan for PHA FY 2019, Version 3
- Attachment K to Agency Plan
- Certifications of Compliance (HUD-50077)

VI.A.7.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM **JON M. GUTZMANN**
EXECUTIVE DIRECTOR

REGARDING Congregate Housing Services Program (CHSP) Meals Contract with Presbyterian Homes and Services, Optage Senior Dining; Contract No. 19-083

DATE November 28, 2018

Staff requests Board approval to execute a new contract with Presbyterian Homes and Services, for Optage, its "home and community services division", to provide meals for participants in the PHA's home services program, the Congregate Housing Services Program (CHSP). This contract will run from January 1, 2019 through December 31, 2021. The cost of meals to the PHA will be $4.46 per meal, a 4.9% increase from $4.25 in the previous 3-year contract, which staff believes is reasonable.

Approximately $260,910 will be spent annually under this contract. Under the contract terms, Presbyterian Homes and Services may ask to negotiate an increase in the meal cost for the second and third years. The maximum negotiated increase for each year will not exceed 5% of the previous year's cost per meal.

The PHA's Executive Director, CHSP Program Manager and Contracting Officer have approved awarding this contract without competitive bidding because HUD directs CHSP programs to purchase the meals from a local provider funded under Title III of the Older Americans Act. Presbyterian Homes' Optage is the only program in Ramsey County that receives Title III funds for congregate Senior Dining administered by the Metropolitan Area Agency on Aging (MAAA). The MAAA selected Presbyterian Homes as the Title III meals provider after issuing requests for proposals (RFP) in 2009 and again in 2018.

With its federal Title III funding, Optage provides one midday meal each weekday, at no charge to the PHA, to residents who are Title III-eligible (age 60 and older) at the four CHSP sites: Ravoux, Edgerton, Iowa, and Montreal hi-rises; and at three other non-CHSP hi-rises (Dunedin, Exchange, and Hamline). This contract pays Optage to provide the following meals that are not eligible for Title-III funding:

- A second (evening) meal to Title-III eligible CHSP participants on weekdays
- Two meals per day on weekdays for CHSP participants who are not Title-III eligible
- Two meals per day for all CHSP participants on weekends and holidays.

Under this contract Optage will provide approximately 60,000 participant meals to CHSP participants. The costs are paid by a combination of participant fees, the PHA's HUD grant for CHSP and some County funding on behalf of eligible participants (under Medicaid waivers). In addition to the meals/nutritional component, the other primary services of CHSP include case management, daily wellness checks and housekeeping services to assist residents who are elderly or disabled to remain as independent as possible.

Optage has a licensed nutritionist who will ensure that meals meet CHSP's daily dietary requirements and Title III program and nutritional standards. Each meal served must provide 33% of a participant's daily nutritional needs.

Sufficient funds are budgeted and anticipated from participant fees and the HUD CHSP grant to cover the meal expense.

MW/KNG/MH