

# 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 3,852<sup>1</sup> 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

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<sup>1</sup> 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 <sup>2</sup>	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

<sup>2</sup> 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 28<sup>th</sup> 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

# RAD FINANCIAL ANALYSIS

## AMP 1

### McDonough Homes

Total Units	580
Rental Revenue	4,687,668
Vacancy/Bad Debt	(234,383)
Other Income	<u>60,814</u>
Total Operating Income	<u><u>4,514,099</u></u>
Operating Expenses	3,933,377
Annual Replacement Reserve Deposit	<u>169,090</u>
Total Operating Expenses	<u><u>4,102,467</u></u>
Net Operating Income/(Loss)	<u><u>411,632</u></u>
Immediate Capital Needs	67,774
Other Development Expenses	44,500
Initial Deposit to Replacement Reserve	-
Funding Source - Remaining Capital Funds	112,274
Funding Source - FHLBDM Grant	-
Funding Source - First Mortgage	-
Net Overage/(Shortfall) - Year 1	411,632

**RAD Meeting Notes: Resident Comments and PHA Responses**  
**July 10, 2017, 10:00 a.m.**  
**McDonough Community Center**  
**AMP 1**

Recorder: Teresa Vaplon

PHA Staff Present: Jennifer Ellefson, Human Services Coordinator; Kong Thao, Assistant Housing Manager; Teresa Vaplon, Housing Manager; Jordan LaSota, Project Leader; Al Hester, Housing Policy Director; and Charisse Brown, Assistant Resident Services Senior Manager

Presenters: Al Hester and Jordan LaSota

Interpreters provided: Hmong

30 residents present

Questions asked:

1. Q: If PHA changes to RAD funding will the name of the agency change?  
A: We will still be the Saint Paul Public Housing Agency and will still manage the units that we own.
2. Q: If this is approved, will we be on Section 8 and can I move?  
A: It is a project based Section 8, and after a period of one to two years (depending on which program is approved) a voucher may be available and you would be eligible based on availability. If a voucher is not available at that time you would be placed on a waiting list.
3. Q: I am on the waitlist for a Minneapolis Public Housing voucher; would I still be eligible for that if my name comes up on their list?  
A: Yes, you can still be on the waitlist or receive a voucher from another housing authority, and then you would have the option to vacate your unit here to use the voucher.
4. Q: Would I have to sign a contract if this takes place?  
A: Yes, you would have to sign a new lease.
5. Q: If I were to get a Section 8 voucher from here, if the change takes place, can I move out of state?  
A: Depending on the program you would need to wait the one to two years to be eligible and if a voucher was available. Vouchers do allow for out of state moves.
6. Q: This sounds like a good option for the agency, what happens if it does not get approved?  
A: We are at the very start of a long process. We need to continue operating as we do now and continue to work with the funding that is available. Our application is strong due to our well-maintained units. We are committed to keeping public housing going; it works well. We will look for other alternatives.

7. Q: Resident had personal questions about rent calculation and minor's income, and the PHA using net income versus gross income.

A: Referred to management office since it was specific to the resident now reiterated that residents pay the same 30% of their income towards rent if the units are converted to RAD.

**RAD Meeting Notes: Resident Comments and PHA Responses**  
**July 13, 2017, 4:30 p.m.**  
**McDonough Community Center**  
**AMP 1**

Recorder: Teresa Vaplon

PHA Staff Present: Jennifer Ellefson, Human Services Coordinator; Teresa Vaplon, Housing Manager; Mike Winston, Resident Services Director; and Lisa Feidler, Rental Administrator.

Presenters: Mike Winston and Lisa Feidler

Interpreters provided: Hmong, Burmese, Spanish, Oromo, Somali, and Karen

101 residents present

**Questions asked:**

1. Q: Would I have to move if this change takes place?  
A: No, residents would not be required to move.
  
2. Q: Would I be able to choose flat rent if my income goes up?  
A: No, there is no flat rent available under the RAD program.
  
3. Q: Can I still get on the Section 8 waiting list?  
A: The Section 8 waiting list is currently closed but you can apply when it is open. You would also be able to get on a waiting list for a Choice Mobility Voucher in one or two years after the conversion to RAD (depending on the type of RAD conversion). Explained the need for available vouchers.

**Rental Assistance Demonstration (RAD)  
Public Housing Program Application**

U.S. Department of HUD, Form HUD-5260

Office of Public Housing, Office of Multifamily Housing

Revision 1.01; 10/02/12

OMB Approval Number 2577-0278 (Issue date 9/21/12) (Expires 9/30/15)

There are several explanation boxes that extend the full width of this form. Increase or decrease the height of the box as needed (click to the left on the horizontal line below the row number, then drag the line up or down as needed).

**Section 1: PIC Development Number and Name**

Enter the PIC Development Number and Name.

MN001000001

MCDONOUGH HOMES

Development Number

Name of Development

Public Housing Agency of the City of St Paul

062643556

Public Housing Agency (PHA) Name

Data Universal Numbering System (DUNS) #

Jon M. Gutzmann

6512985664

Jon.Gutzmann@stpha.org

Executive Director

Telephone Number

Email

**Section 2: Background Information on the PHA and the Project**

Enter the requested contact information and complete the below questions regarding the project.

Angela Holm

Assistant Controller

651/292-6159

angela.holm@stpha.org

PHA Contact Name

Title

Telephone Number

Email

Type of Conversion: PBV (Project Based Vouchers)

Is this Project an existing Mixed Finance Project?

No

Is this Project an existing Mixed Finance Project?

No

Are you requesting the Choice-Mobility Exemption for this project?

No

Review the below table of project unit counts, by bedroom size, per the PIC data extract as of 09/13/12

PIC Bedroom Distribution							Total Units	Average Bedroom per Unit
0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR		
0	35	258	169	90	28	0	580	2.69

Is the above PIC information correct?

Yes

Skip to proposed post-RAD-conversion unit distribution

Actual Bedroom Distribution (PIC corrected)							Total Units	Average Bedroom per Unit
0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR		
0	35	258	169	90	28	0	580	2.69

Enter the date corrected or PIC ticket created (MM/DD/YYYY)

**Proposed Post-RAD-Conversion Unit Distribution.** Below, show the mix of units that you have proposed to convert, as well as other dwelling units at the project

	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR	Total Units
Units Converting	0	35	258	169	90	28	0	580
Market Rate								0
Other Affordable								0
Total	0	35	258	169	90	28	0	580

For units converting under RAD, enter the current utility allowances and estimated reasonable rent determinations for each unit type.

	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR
Utility Allowances		\$91	\$116	\$153	\$173	\$205	
Reasonable Rents		\$573	\$721	\$980	\$1,117	\$1,302	

**Section 3: De Minimis Reduction**

The table below compares the current total public housing units, the number proposed for conversion, the number proposed to be reduced, and the applicable de minimis threshold. Indicate the number of reductions by category in the rows that follow, along with an explanation in the accompanying text box.

Current Public Housing Units	Total Units Proposed for Conversion	Units Proposed to be Reduced	de minimis threshold	Units above the de minimis threshold
580	580	0	29	0

Skip to section 4

	Units have already received Section 18 Demolition-Disposition approval from HUD
	Reconfiguring efficiency apartments
	Facilitating social service delivery
	Units vacant for more than 24 months
	Partial conversion
0	Total

N/A

**Section 4: Existing Indebtedness, Capital Needs, and Replacement Reserves**

Enter below information on the project's existing indebtedness, if applicable: ?

Energy Performance Contract (EPC)		Per Unit	\$0
Capital Fund Financing Program (CFFP)		Per Unit	\$0
Other		Per Unit	\$0
Other		Per Unit	\$0
Other		Per Unit	\$0
<b>Total</b>	<b>\$0</b>	<b>Per Unit</b>	<b>\$0</b>

Enter the most recent estimate of capital needs for the project, broken down by Immediate, Short-term, and Long-term needs. If these break-downs are not available, provide reasonable estimates.

**Capital Needs:** ?

What are your capital needs?

Year 1 (Immediate)	<b>\$67,774</b>	Per Unit	<b>\$117</b>
Years 2-5 (Short-term)	<b>\$371,096</b>	Per Unit	<b>\$640</b>
Years 6-20 (Long-term)	<b>\$2,841,610</b>	Per Unit	<b>\$4,899</b>

Please explain how you have arrived at these estimates.

The authority consolidated energy audit reports and various other engineering reports conducted in recent years, and updated to reflect work completed or additional items identified after these studies. Adjustments will be made after e-CNAs are completed.

**Replacement Reserve Funding** ?

Enter the Initial Deposit and Annual Deposit to replacement reserves below.

	<b>Formula Amount</b>	<b>Your Proposal</b>
Initial Deposit to Repl. Reserve (IDRR)	<b>\$0</b>	<b>\$0</b>
Annual Deposit to Repl. Reserve (ADRR)	<b>\$169,090</b>	<b>\$169,090</b> <span style="float: right;">?</span>

**Section 5: Vacancy Loss and Bad Debt Loss, for Assisted Units**

Enter vacancy and bad debt data for the proposed conversion.

	<b>3 Yr Historical Avg</b>	<b>Proposed</b>
Vacancy Rate (%) <span style="float: right;">?</span>	<b>0.00%</b>	<b>3.00%</b>
Skip; no explanation necessary		
Bad Debt Rate (%) <span style="float: right;">?</span>	<b>0.05%</b>	<b>2.00%</b>
Skip; no explanation necessary		

**Section 6: Other Rent Potential, Vacancy Loss and Bad Debt Loss**

In addition to units that will be included under the HAP contract, enter other rent potential, vacancy loss, and bad debt loss for the proposed conversion.

Type of Add'l Gross Potential Rent	Annual GPR	Vacancy Loss %	Bad Debt Loss %
Market rate apartments			
Other affordable apartments			
Office space			
Retail space			

**Section 7: Other Income**

Enter other income for the planned project.

?

	Annual	Explanation
Late / NSF charges		Explanation
Damage charges		Explanation
Laundry / Vending		Explanation
Adjust Rents to 2017	<b>\$435,464</b>	Based on 2014 Contract Rents + OCAF's for 2015, 2016, 2017
All Other Income	<b>\$35,150</b>	From 2018 Budget
Rent Bundling	<b>(\$409,800)</b>	Transferred to AMP 2. See attached Rent Bundling Worksheet

**Section 3: Operating Expenses**

Are you proposing the conversion in conjunction with new construction?       No      

Enter the 'Latest Approved Operating Budget' for the current fiscal year and the proposed conversion Operating Expenses. An explanation is required if any line item is entered below 85% of the latest approved operating budget.

	Latest Approved Operating Budget	Proposed
Administrative Explanation	<u>\$1,156,866</u>	<u>\$1,099,023</u>
Asset Management Fee Explanation	<u>\$0</u>	<u>\$0</u>
Tenant Services Explanation	<u>\$168,910</u>	<u>\$168,910</u>
Utility Expense Explanation	<u>\$497,500</u>	<u>\$497,500</u>
Ordinary Maint and Ops Explanation	<u>\$1,226,660</u>	<u>\$1,226,660</u>
Protective Services Explanation	<u>\$105,840</u>	<u>\$105,840</u>
Real Estate Taxes Explanation	<u>\$129,830</u>	<u>\$129,830</u>
Property Insurance Explanation	<u>\$174,560</u>	<u>\$174,560</u>
Liability Insurance Included in above	<u>\$0</u>	<u>\$0</u>
Other General Expenses Explanation	<u>\$590,060</u>	<u>\$531,054</u>
<b>Total Operating Expenses</b>	<b>\$4,050,226</b>	<b>\$3,933,377</b>

**3 Year Historical Expenses:** ? *No New Construction: Provide Historical Operating Expenses*

1900 AFS	2010 AFS	2011 AFS
<u>\$2,984,521</u>	<u>\$3,687,967</u>	<u>\$3,738,051</u>

**PHA Corrected 3 Year Historical Expenses:**

2009 AFS	2010 AFS	2011 AFS	3 Year Average
<u>\$3,757,272</u>	<u>\$3,982,127</u>	<u>\$4,033,858</u>	<u>\$3,924,419</u>

New Construction : Section Not Applicable. No explanation is required.

Includes FY 2014, 2015 and 2016.

**Section 9: Net Operating Income**

Presented below is a summary calculation of the proposed project's Net Operating Income. Before proceeding, review and make any necessary changes in the applicable section of the application.

<b>Apartment Gross Potential Rent:</b>			
RAD Units	\$4,687,668	580 Units	\$8,082 per unit annual
Market Rate Units	\$0	0 Units	\$0 per unit annual
Other Affordable Units	\$0	0 Units	\$0 per unit annual
Office / Retail GPR	\$0		
Vacancy and Bad Debt Loss	(\$234,383)	5.0% weighted average	
Other Income	\$60,814		
<b>Effective Gross Income</b>	<b>\$4,514,099</b>		
Total Operating Expenses	(\$3,933,377)	\$6,782 PUPA	
Annual Reserve Deposit	(\$169,090)	\$292 PUPA	
<b>Net Operating Income</b>	<b>\$411,632</b>		

**Section 10: First Mortgage Loan Sizing**

Are you proposing to take out a first mortgage loan for this project? no

**No first mortgage proposed. Skip this section.**

Interest Rate % per Year	?	<u>                    </u>
Mortgage Insurance Premium %	?	<u>                    </u>
Amortization Term	?	<u>                    </u>
Maturity Term	?	<u>                    </u>
Debt Service Coverage Ratio	?	<u>                    </u>
Maximum Supportable Mortgage Loan		<b>\$0</b>
Proposed Mortgage Loan Amount	?	<u>                    </u>
Calculated Annual Debt Service		<b>\$0</b>

**Section 11: Total Uses of Funds (Total Development Cost)**

Enter uses of funds for the proposed conversion.

<b>Acquisition Costs</b>		
Building and Land Acquisition	?	<u>                    </u>
Payoff Existing Loans		<b>\$0</b>
Other Costs	?	<u>                    </u>
<b>Construction Costs</b>	?	<b>\$67,774</b>
<b>Relocation Costs</b>	?	<u>                    </u>

<b>Professional Fees</b>		
Architecture & Engineering	?	
Physical Conditions Assessment	?	
Borrower's Legal Counsel	?	
Lender's Legal Counsel	?	
Feasibility Studies	?	
Environmental Reports	?	
Appraisal / Market Study	?	
Accounting	?	
Survey	?	
Other Costs	?	

<b>Loan Fees and Costs</b>		
FHA MIP	?	
FHA Application Fee	?	
FHA Inspection Fee	?	
Financing Fee	?	
Organizational Costs	?	
Title Insurance/Exam Fee	?	
Recordation Fee	?	
Closing Escrow Agent Fee	?	
Prepayment Penalty/Premium	?	
Payables	?	
Construction Interest	?	
Construction Loan Fees	?	
Cost of Bond Issuance	?	
Other Costs	?	

<b>Reserves</b>		
Initial Deposit to Replacement Reserve	?	\$0
Initial Operating Deficit Escrow	?	
Operating Reserve	?	
Tax and Insurance Escrow	?	
Org; PNA;	?	\$44,500

<b>Developer Fees</b>	?	
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**Total Development Cost** **\$112,274** aka **Total Uses of Funds**

**Section 12: Total Sources of Funds**

Enter sources of funds for the proposed conversion.

New First Mortgage Loan		\$0
Public Housing Operating Reserves		
Public Housing Capital Funds		\$112,274
Replacement Housing Factor		
Low Income Housing Tax Credit Equity - 4%		
Low Income Housing Tax Credit Equity - 9%		
Other/Local		
Other/Local		
Other/Local		

**Total Sources of Funds** **?** **\$112,274**

Sources and uses are in balance

LIHTCs are not proposed; skip to Section 14

**Section 13: Projects Utilizing Low Income Housing Tax Credits ('LIHTCs')**

**You are not proposing to use LIHTCs. Skip this section.**

Do you have a LIHTC reservation?  No  ? *Complete the rest of Section 13*

Briefly discuss the application submission and approval timing that is provided under the current QAP. Please provide sufficient detail that HUD can understand when you will submit an application, when you will be notified regarding selection, and when a LIHTC Reservation letter would be issued to you.

Discussion of QAP timing

RAD requires that you demonstrate recent success, internally or through development team partners, in obtaining 9% LIHTCs. Below, briefly discuss your capacity and experience in obtaining 9% LIHTCs from the relevant State allocating agency.

Demonstration of recent success obtaining 9% LIHTCs

Do you have a letter from the credit-issuing authority as described in Section 1.9(B) of the RAD Notice?  ?

Provide evidence that the applicant diligently attempted to secure such a letter

Efforts to secure letter from credit-issuing authority

RAD requires that you attach a self-scored QAP application. Below, briefly discuss why you believe that a QAP application for the subject project, at the indicated score, is likely to receive a 9% LIHTC award.

Likelihood of obtaining 9% LIHTCs

**Section 14: Ranking Factors**

No  ? 1) Do you want to designate this project as your PHA's priority project?

No  ? 2) Are you applying for a ranking factor for Choice Mobility? Skip to section Question 3

No  ? (a) Are you receiving choice-mobility vouchers?

No  ? (b) Are you providing choice-mobility vouchers?

No  ? 3) Are you requesting the Ranking Factor for Green Building and Energy Efficiency?

N/A

**Section 15: Additional Narratives**

Provide written responses in the grey highlighted rows below. Please limit each responses to 200 words.

Briefly describe the land, location / neighborhood, and physical plant for the project.

McDonough Homes was originally constructed in 1952, with additions made in 1959 and 1965. Buildings are two-story townhouses with free parking, semi-private yards, and playground areas. Major interior, exterior, and site renovation began in the fall of 2002 and was completed in 2010. There is an on-site management office, as well as a community center. A full range of services for residents is available at the Community Center. Programs include a recreation program with a full gymnasium and a children's gym operated by the City; a health clinic; a full-service computer lab with open lab hours that includes on-line classes, and basic computer training; Resident Council and council-planned events and activities, Head Start; Bookmobile; after school homework help, support groups and mentoring programs for youth. The Police Department's "A Community Outreach Program" is officed on site. Paul Police Department and St. Paul Public Housing. The police work with youth and adults to foster positive relationships with police and successful tenancies. This community is located in the North End neighborhood McDonough is adjacent to the Mississippi Arts Magnet Elementary School and a few blocks from the Arlington Hills High School. McDonough Homes is conveniently located on a major bus route.

Discuss any known environmental or building product risks such as lead based paint, asbestos, PCBs, flood zone status, aluminum wiring, and fuel storage tanks (whether underground or above ground), along with associated remediation measures.

The City (Responsible Entity) has approved Categorial Exclusion Determinations for all work proposed under STPHA's Capital Fund Program 5 Year Action Plan. The PHA followed HUD environmental requirements for all new construction. The PHA has tested for lead-based paint. Identified lead-based paint has either been removed or stabilized/repared. Stabilized or repaired lead-based paint is visually inspected annually. PHA staff routinely has experts test work surfaces and abate identified asbestos or PCBs prior to commencing repair or improvement work. No PHA properties are in flood zones. PHA properties have little or no aluminum electrical wiring. PHA-hired licenses electricians will identify and use proper procedures if aluminum wiring is encountered. PHA hi-rises have on-site emergency generators at each site, which burn fuel oil- which is stored in either underground or belly tanks under the generator. PHA engineers regularly test the level of fuel oils and promptly hire testing companies if any fuel oil leakage is suspected. All older underground steel fuel storage tanks have been removed and replaced with fiberglass tanks. All leaks were properly abated.

Discuss any needed accessibility modifications.

All PHA hi-rises, community centers and offices have been modified to allow code compliant handicapped access. Each of the PHA's 16 hi-rise has a minimum of 5% of the dwelling units that are handicapped accessible. 5% of the 592 family units at McDonough Homes (AMP 1 and AMP 13 combined) are handicapped accessible. 5% of the 320 family units at Roosevelt Homes (AMP 4) are handicapped accessible. Additional handicapped units at the Mt. Airy and Dunedin hi-rises meet the Mt. Airy (part of AMP 5) and Dunedin (part of AMP 8) combined family and hi-rise site 5% handicapped accessibility level. The PHA sets aside HUD Capital Fund Program funds each year to accomplish resident requested handicapped accessibility requests as well as required modifications for the visually or hearing impaired.

Discuss any known market competitiveness issues, such as small unit sizes or limited on-site parking, and how the conversion plans to address these issues.

There are no known significant market competitiveness issues, as reflected in this AMP's combined vacancy and collection loss of under 0.1%. This RAD Conversion is proposed as a non-financial transaction. If a financed transaction takes place at a later date, it will take into consideration any then-current market issues.

Discuss any proposed relocation plans for the project.

No relocation is planned at this time, as this will be a non-financial conversion.

Discuss the capacity of the development team to undertake the proposed conversion.

As a non-financial conversion, the authority's project-management, accounting, and in-house legal team have the experience necessary to carry out the conversion. Also, STPHA has engaged a RAD consultant for the initial feasibility, application and start-up phases, to supplement the authority's in-house RAD knowledge.

#### Section 16: Required Attachments

##### The Following Must Be Attached as Part of Your Electronic Application:

- Yes Board Approval Form
- Yes Evidence of PHA to Administer PBV Contracts
- No Mixed-finance Affidavit
- no Financing Letter of Interest/Intent for Lender(s) or Equity Investor(s)
- No Financing Letter of Interest/Intent for 4% LIHTCs
- No Financing Letter of Interest/Intent for 9% LIHTCs
- No Choice-Mobility Letter Agreement
- No 9% LIHTC Reservation Letter
- No Letter from credit-issuing authority
- No Self-Scored QAP Application for 9% LIHTCs
- No QAP Timeline
- Yes Resident Comments

The 2 attachments indicated 'Yes' above must be included in your electronic application package. Incomplete application packages will be rejected, and if you re-submit, your place on the waiting list will be based on the date of re-submission.

No changes were made to the PIC data

**PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL  
RESOLUTION NO. 17-8/23-01**

**APPLICATION FOR RENTAL ASSISTANCE DEMONSTRATION (RAD) PROGRAM FOR  
McDONOUGH HOMES, AMP 1; MN001000001; AGENCY PLAN AMENDMENT**

WHEREAS, the Public Housing Agency of the City of Saint Paul (PHA) administers a Low Income Public Housing (LIPH) program with a total of 4,274 units, which relies on federal funding in the form of annual appropriations by Congress for both the Operating Fund and the Capital Fund, as disbursed to the PHA by the U.S. Department of Housing & Urban Development (HUD); and

WHEREAS, for many years the Congressional appropriations for both the Operating Fund and the Capital Fund have been insufficient to fully fund the reasonable and necessary expenses to administer public housing, as established by HUD formulas and expert studies; and

WHEREAS, Congress has approved a Rental Assistance Demonstration (RAD) program that enables public housing agencies to convert public housing projects to project-based Section 8 projects with long term funding contracts; and

WHEREAS, PHA staff and expert consultants have carefully analyzed the Agency's future funding needs and prospects under LIPH and project-based Section 8 rent assistance under RAD, and found that a RAD conversion would provide greater assurance of long-term funding stability while preserving deep rental subsidies for residents/participants; and

WHEREAS, all of the 3,852 LIPH units in the PHA's hi-rises and family housing developments, excluding the 418 scattered site single family homes and duplexes in AMPs 7 and 8, could be converted under RAD and achieve greater funding stability; and

WHEREAS, in July 2017 the PHA invited all residents of those units to attend one or more of 23 informational meetings about RAD, held at every hi-rise and family housing development; and an additional meeting was held with the Resident Advisory Board (RAB) on July 25, 2017; and

WHEREAS, the PHA held a public hearing on August 15 on a proposed Agency Plan amendment on RAD, after public announcements were published on June 29 and July 27 and posted on the PHA's website; and

WHEREAS, the Board of Commissioners finds that the proposed conversion to RAD is necessary and appropriate to provide greater financial stability for the public housing units in the PHA's hi-rises and family housing developments, to best serve the needs of PHA residents;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Public Housing Agency of the City of Saint Paul as follows:

1. The RAD conversion application for this project, MN001000001, is approved as presented;
2. Staff is authorized to execute and submit all required documents relating to this application, including the attached Board Approval Form for RAD Applications;
3. The Agency Plan is amended accordingly.
4. Pursuant to HUD notice dated January 11, 1990, the PHA certifies that no employee is serving in a variety of positions that will exceed 100 percent of his or her work time.

# Attachment 1A: Board Approval Form

Public Housing Agency of the City of St Paul RAD Application for MCDONOUGH HOMES

PHA's Explanation of the Proposed Total Operating Cost being less than 85% of the 3 Year Historical Operating Expenses					
3 Year Historical Average Comparison	2009	2010	2011	Average	Proposed
		\$2,984,521	\$3,687,967	\$3,738,051	\$3,470,180
No explanation necessary					

**PHA's Explanation of the Capital Needs and Replacement Reserves Estimates**  
 The authority consolidated energy audit reports and various other engineering reports conducted in recent years, and updated to reflect work completed or additional items identified after these studies. Adjustments will be made after e-CNAs are completed.

**Discussion of QAP timing**  
 N/A

**Demonstration of recent success obtaining 9% LIHTCs**  
 N/A

**Likelihood of obtaining 9% LIHTCs**  
 N/A

I hereby certify to the following: (1) that I have the requisite authority to execute this application on behalf of the owner; (2) that HUD can rely upon this certification in evaluating the Application, (3) that I acknowledge that I have read and understand PHH Notice 2012-32 (the "Notice"), which describes the Rental Assistance Demonstration (RAD) (the "Program"), and agree to comply with all requirements of the Program or Notice; (4) that all materials submitted in association with the application are accurate, complete and not misleading; (5) that the application meets all applicable eligibility requirements for the Program set forth in the Notice; (6) that the owner approves the creation of a single-asset entity of the affected project if required by the lender to facilitate financing; (7) that, if selected for award, the owner will comply with the fair housing and civil rights requirements at 24 CFR 5.105(a) (general requirements) and will affirmatively further fair housing; (8) that there are no debarments, suspensions, or Limited Denials of Participation in Federal programs lodged against the applicant, PHA Executive Director, Board members, or affiliates; (9) that this Board Approval Form has been approved by the Board of Commissioners on the date noted below; and (10) that, if selected for an award, the PHA will comply with all provisions of HUD's Commitment to Enter into a HAP (CHAP), which shall indicate the HUD-approved terms and conditions for conversion of assistance, or will indicate to HUD within 15 days that it is refusing the terms of the CHAP and withdrawing from RAD participation.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 USC Sections 1001, 1010, 1012; 31 USC Sections 3729, 3802)

PHA Certification: By Jon M. Gutzmann (Executive Director)

August 23, 2017  
 Date:

# Attachment 1A: Board Approval Form

## Public Housing Agency of the City of St Paul RAD Application for MCDONOUGH HOMES

AMP No:	MN001000001
Units	580

<b>Type of Conversion</b>
PBV (Project Based Vouchers)

Proposed Units for Conversion and De Minimis			
Summary	Total Units Proposed for Conversion	Units Proposed to be Reduced	de minimis threshold
		580	0
Explanation for de minimis reduction			Unit Count

Pro Forma Sources and Uses		
Sources of Funds	Amount	Per Unit
New First Mortgage Loan	\$0	\$0
Public Housing Operating Reserves	\$0	\$0
Public Housing Capital Funds	\$112,274	\$194
Replacement Housing Factor	\$0	\$0
Low Income Housing Tax Credit Equity - 4%	\$0	\$0
Low Income Housing Tax Credit Equity - 9%	\$0	\$0
Other	\$0	\$0
Other	\$0	\$0
Other	\$0	\$0
<b>Total Sources of Funds</b>	<b>\$112,274</b>	<b>\$194</b>
Uses of Funds	Amount	Per Unit
Acquisition Costs	\$0	\$0
Construction Costs	\$67,774	\$117
Relocation Costs	\$0	\$0
Professional Fees	\$0	\$0
Loan Fees and Costs	\$0	\$0
Reserves	\$44,500	\$77
Developer Fees	\$0	\$0
<b>Total Uses of Funds</b>	<b>\$112,274</b>	<b>\$194</b>

Stabilized Cash Flow Pro Forma		
	Total	PUPA
Gross Potential Rents for RAD Units	\$4,687,668	\$8,082
Gross Potential Rents for Other Apartment Units	\$0	\$0
Gross Potential Rents for Commercial	\$0	N/A
Vacancy Loss and Bad Debt Loss	(\$234,383)	-\$404
Other Income	\$60,814	\$105
<b>Effective Gross Income</b>	<b>\$4,514,099</b>	<b>\$7,783</b>
Total Operating Expenses	(\$3,933,377)	(\$6,782)
Annual Deposit to Replacement Reserve	(\$169,090)	(\$292)
<b>Net Operating Income</b>	<b>\$411,632</b>	<b>\$710</b>
First Mortgage Debt Service	\$0	\$0
<b>Operating Cash Flow</b>	<b>\$411,632</b>	<b>\$710</b>

<b>PHA's Explanation of Any Relocation of Tenants (estimated Relocation Cost is \$0)</b>
N/A

<b>PHA's Explanation of Capacity and Experience to Carry Out the RAD Conversion</b>
As a non-financial conversion, the authority's project-management, accounting, and in-house legal team have the experience necessary to carry out the conversion. Also, STPHA has engaged a RAD consultant for the initial feasibility, application and start-up phases, to supplement the authority's in-house RAD knowledge.



August 15, 2017

The Honorable Dr. Ben Carson, Secretary  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street S.W.  
Washington DC 20410

RE: Public Housing Agency of the City of St. Paul, MN001  
Evidence of Ability to Administer the Project-Based Voucher Program

Dear Secretary Carson:

Please accept this letter as evidence of the St. Paul Public Housing Agency's ability to administer Project-Based Voucher (PBV) contracts.

The PHA currently has an existing Housing Choice Voucher (HCV) program with 4,618 authorized vouchers, of which 515 units are under contract and administered as PBV units. They are in 24 separate housing projects, both mixed-income properties and supportive housing projects serving many different types of populations that require supportive services. The PHA executed our first PBV contract in 2000 and the most recent in 2015.

We currently have experienced, certified staff and management in place who are skilled in all aspects of administering PBV contracts. We anticipate that our Section 8 department would need approximately eight more staff (one additional manager and seven line staff) to adequately administer the additional 3,856 RAD-PBV vouchers requested under our portfolio-wide RAD conversion. (Some or all of the new positions could be filled by shifting some staff from other departments.)

If you need any additional information, please contact me at 651-292-6172 or [jon.gutzmann@stpha.org](mailto:jon.gutzmann@stpha.org), or Dominic Mitchell, the PHA's Housing Choice Voucher/Section 8 Programs Manager at 651-292-6191 or [dominic.mitchell@stpha.org](mailto:dominic.mitchell@stpha.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Gutzmann".

Jon Gutzmann  
Executive Director

JMG/FAH