

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

RAD APPLICATION SUMMARY

	AMP 5
Total Units	612
Rental Revenue	5,148,804
Vacancy/Bad Debt	(257,440)
Other Income	<u>806,472</u>
Total Operating Income	<u><u>5,697,836</u></u>
Operating Expenses	4,171,228
Annual Replacement Reserve Deposit	<u>276,269</u>
Total Operating Expenses	<u><u>4,447,497</u></u>
Net Operating Income/(Loss)	<u><u>1,250,339</u></u>
Immediate Capital Needs	13,255,481
Other Development Expenses	6,815,990
Initial Deposit to Replacement Reserve	-
Funding Source - Remaining Capital Funds	1,920,671
Funding Source - FHLBDM Grant	500,000
Funding Source - First Mortgage	17,650,800
Net Overage/(Shortfall) - Year 1	1,250,339

RAD Meeting Notes: Resident Comments and PHA Responses
July 11, 2017, 6:00 p.m.
Mt. Airy Community Center
AMP 5

Recorder: Stephanie Long & Wayne Lundeen

PHA Staff Present: Jon Gutzmann, Executive Director; Jordan LaSota, Project Leader; Stephanie Long, Housing Manager; and Wayne Lundeen, Human Services Coordinator.

Commissioner: Irina Rutz

Presenters: Jon Gutzmann with occasional assistance from Jordan LaSota

Interpreters provided: Karen, Hmong, Somali, Oromo, and Amharic. Interpretation available but not used: Vietnamese and Spanish

70-80 residents present: 24 Hmong, 24 Karen, Somali, Oromo, Ahmeric, & English Speakers. There was a miscommunication about the sign-in sheet and, as a result, only about 1/3 of the residents signed in.

Questions asked:

1. Q: Would existing tenants qualify for a Section 8 voucher?
A: Yes, existing tenants would need to wait 2 years after RAD conversion to be eligible.

2. Q: How does this affect Flat Rent?
A: Jon affirmed that this would be a small group (5% of tenants). If rent increased by 10%, or more than \$25 a month, then the increase would be phased in over 3 to 5 years.

3. Q: Will rent increase and decrease the same under RAD as our current policy?
A: Yes. It will stay the same as now. If a household reports an income increase, rent will be adjusted and may increase. If the household reports a decrease in income, rent will also decrease.

4. Q: If anything in a unit needs to be repaired will the procedure change and will residents have to pay for the repair?
A: It was reiterated that the maintenance procedures to make repairs and the process of charging would not change. Stephanie explained the current procedure.

5. Q: Will rent change?
A: Rent will remain income based. Jon returned to the PowerPoint slides that showed in the example where pre and post RAD the tenant's contribution remained the same – based on income. It was reiterated that for residents who pay flat rent, if rent increased 10%, or more than \$25 a month, then the increase would be phased in over 3 to 5 years.

6. Q: What is the \$296 tenant rent discussed in the presentation?

- A: This is the average amount of rent paid across all of the 4,300 units in PHA per month. This is not what each resident pays, it the average amount combined.
7. Q: How long will the RAD conversion take?
A: A recommendation to apply for RAD will be made to the PHA Board this August. When approved, PHA would submit an application to HUD thereafter. HUD can take 3 months to a year to respond/approve.
8. Q: Would existing tenants qualify for a Section 8 voucher?
A: Every existing tenant would need to wait 2 years after RAD conversion to be eligible for a Section 8 voucher.
9. Q: Who can qualify for a Section 8 voucher under RAD?
A: Households & individuals who have been under the RAD program for 2 years and who meet the other criteria for the program.

RAD Meeting Notes: Resident Comments and PHA Responses
July 12, 2017, 3:00 p.m.
Mt. Airy Community Center
AMP 5

Recorder: Stephanie Long & Wayne Lundeen

PHA Staff Present: Al Hester, Housing Policy Director; Jordan LaSota, Project Leader; Stephanie Long, Housing Manager; and Wayne Lundeen, Human Services Coordinator.

Presenters: Jordan LaSota with occasional assistance from Al Hester

Interpreters provided: Karen, Hmong, and Somali. Interpretation available but not used: Vietnamese, Spanish, and Oromo, and Amharic

15 residents present

Questions asked:

1. Q: What is the difference between RAD, PHA, & other subsidized housing?
A: Public Housing is the current model here and the reimbursement has decrease by 35% over the last 20 years. Section 8 is not site based, and has the one HAP reimbursement that has remained stable. Under RAD, public housing units would be reimbursed like Section 8 properties.
2. Q: Can you apply for a Section 8 house?
A: Currently the Section 8 waiting list is closed and has been for two years. When the waiting list was last opened, 12,000 applicants were received in one week. The list was pared down to a manageable number of 3,500 using a computer program. The waiting list will likely open up again in 2 to 3 years.
3. Q: Will I have an opportunity to apply for Section 8?
A: Not now. But when the waiting list opens, yes.
4. Q: Are the rules the same across public housing sites in Minnesota?
A: Yes, the majority are the same since HUD sets the guidelines. There are some areas that may differ.
5. Q: Do residents need to fill out any applications for RAD?
A: No. PHA will submit an application to HUD for RAD.

RAD Meeting Notes: Resident Comments and PHA Responses
July 14, 2017, 10:00 a.m.
Valley Hi-Rise
AMP 5

Recorder: Paul Jaeger

PHA Staff Present: Patty Minehan, Human Services Coordinator; Paul Jaeger, Assistant Housing Manager; Charisse Brown, Asst. Principal Housing Manager; Jordan LaSota, Project Leader; Louise Seeba, General Counsel; Ka Yang, Project Technician; Steve Ahner, Project Leader; Tim Braun, Construction Program Manager; Dominic Mitchell, Section 8 Programs Manager

Presenters: Louise Seeba

Interpreters provided: Hmong, Amharic, Somali, Karen

24 residents present

Questions asked:

1. Q: Will we still have a Resident Council?
A: Yes. The PHA will continue to support the Resident Councils.

2. Q: Can we stay here at Valley?
A: Yes. You will be able to stay as long as you continue to be lease compliant. You not be forced to move as a result of RAD.

3. Q: Are you going to use the money to fix our windows?
A: The PHA is always looking at ways to get funds to maintain and improve our properties. At this time, completion of the Valley renovation plumbing project is a priority. As funds become available for capital improvement, additional projects will be addressed. RAD may be a way to create those funds.

4. Q: Will the whole building be Section 8?
A: Section 8 is an entirely different program that the PHA administers. However, the PHA is contemplating a RAD conversion of the entire PHA portfolio of hi-rises and family developments (including this site).

5. Q: If the change takes place, can I move to a different city?
A: Depending on the program you would need to wait one or two years to be eligible and only if a voucher is available.

6. Q: Will you re-define what is Section 8 and RAD?
A: RAD locks in the current level of project subsidies in a Section 8 "Housing Assistance Payments" (HAP) contract with built-in annual increases that would address inflation. Units are managed and

operated under the Section 8 regulations. RAD replaces the HUD “Deed of Trust” with a RAD “Use Agreement” so the PHA can borrow against the property to fund renovations if necessary.

RAD Meeting Notes: Resident Comments and PHA Responses
July 18, 2017, 3:00 p.m.
Mt. Airy Hi-Rise
AMP 5

Recorder: Stephanie Long

PHA Staff Present: Louise Seeba, PHA General Counsel; BettyLou Authier, Maintenance Director; Ron Moen, Finance Director; Tim Angaran, Assistant Maintenance Director; Jordan LaSota, Project Leader; Larry Gurtin, Project Leader; Vanessa Austin, Administrative Support Technician; Tony Swanson, Maintenance Supervisor; Robert Sherry, Maintenance Manager; Stephanie Long, Housing Manager; and Hlee Lee, Assistant Housing Manager.

Presenters: Louise Seeba with occasional assistance from Ron Moen.

Interpreters provided: Hmong, Somali, ASL, Cambodian, and Amharic. Interpretation available but not used: Mandarin Chinese, Oromo, and Spanish

50 residents present

Questions asked:

1. Q: Will PHA borrow against properties for funding?
A: Most likely no, RAD would stabilize funding for several years.
2. Q: Will this information be presented at the next RAB meeting?
A: Yes, this information will be discussed at the RAB meeting scheduled for August 15.
3. Q: Will the cost of resident utilities increase?
A: No, utilities would stay the same under RAD.
4. Q: What is the timeframe for the program?
A: PHA would seek Board approval in August 2017 and, with Board approval, PHA would then submit an application for RAD to HUD. Anticipated timeframe for HUD approval could be up to 18 months.
5. Q: Will PHA still own the property or would the property become RAD?
A: Properties would still be PHA owned.
6. Q: Will I have to apply for Section 8?
A: No. You could be eligible for a Section 8 voucher under the RAD program after one or two years following conversion and signing a new lease.
7. Q: What does RAD stand for?
A: Rental Assistance Demonstration.

8. Q: What is going to change with the lease?
A: There will be a new lease signed. We are unsure of what the lease will look like at this time but we understand that the important protections to residents are part of the new leases and what matters to residents should not change
9. Q: What will change?
A: PHA will receive funding under HUD's Section 8 program as opposed to the current Low Income Public Housing program, and therefore be able to improve and maintain its properties with more stable funding.
10. Q: Will PHA privatize?
A: No, the RAD program moves PHA in the opposite direction of privatization.
11. Q: Is the approval of the RAD application by HUD dependent on Congress?
A: No, HUD has its own criteria for the RAD program.
12. Q: What would be the borrowing sources for the PHA under RAD?
A: There could be a variety of sources available.
13. Q: How is PHA selecting units to convert to RAD?
A: The application to HUD will include all 3,856 units in the hi-rises and family sites. PHA may prioritize sites, but in the end, all of those sites could be under RAD.
14. Q: PHA provided a handbook for public housing. Will residents get a handbook for Section 8 under RAD?
A: Yes.

**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.

MN001000005

MOUNT AIRY

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

No

The formulaic result from FASS data

Is this Project an existing Mixed Finance Project? No

No

Corrected PHA entry (if applicable)

Are you requesting the Choice-Mobility Exemption for this project? No

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		
23	233	111	172	50	20	0	609	2.09

Is the above PIC information correct? No

No

Enter corrected information below

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		
23	234	111	172	50	20	0	610	2.09

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

12/31/2014

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	21	235	111	172	50	20	0	609
Market Rate								0
Other Affordable								0
Total	21	235	111	172	50	20	0	609

Please confirm bedroom type conversions, as the subsidy amount for the property cannot be increased in a reconfiguration. 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	\$0	\$0	\$141	\$161	\$203	\$248	
Reasonable Rents	\$519	\$624	\$772	\$1,031	\$1,168	\$1,354	

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
610	609	1	31	0

A within de minimis reduction in number of assisted units is proposed. No further explanation is required.

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

In October 2017, as part of a renovation, two 0BR units are being converted into a single 1BR unit.

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	State Loan, due 2044, non-amort.	Per Unit	\$591
Other		Per Unit	\$0
Other		Per Unit	\$0
Total	\$360,000	Per Unit	\$591

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)	<input type="checkbox"/>	\$13,255,481	Per Unit	\$21,766
Years 2-5 (Short-term)		\$0	Per Unit	\$0
Years 6-20 (Long-term)		\$5,249,113	Per Unit	\$8,619

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.

	Formula Amount	Your Proposal
Initial Deposit to Repl. Reserve (IDRR)	\$0	\$0
Annual Deposit to Repl. Reserve (ADRR)	\$276,269	\$276,269 <input type="checkbox"/>

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

Enter vacancy and bad debt data for the proposed conversion.

	3 Yr Historical Avg	Proposed
Vacancy Rate (%) <input type="checkbox"/>	0.05%	3.00%
Skip; no explanation necessary		
Bad Debt Rate (%) <input type="checkbox"/>	0.13%	2.00%
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	
Late / NSF charges	\$399,036	RENT BUNDLING transfer from AMP 8
Damage charges		
Laundry / Vending	\$18,560	Per 2018 Budget--Laundry and all other
Adjust Rents to 2017	\$349,486	Based on 2014 Contract Rents + OCAFs for 2015, 2016, 2017
Excess Utilities Reimb.	\$12,910	To be added to contract rents
All Other	\$35,990	All Other Expenses per 2018 budget

Section 8: 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>\$1,223,998</u>	<u>\$1,162,798</u>
Asset Management Fee Explanation	<u>\$0</u>	<u>\$0</u>
Tenant Services Explanation	<u>\$133,052</u>	<u>\$133,052</u>
Utility Expense Explanation	<u>\$820,800</u>	<u>\$697,680</u>
Ordinary Maint and Ops Explanation	<u>\$1,470,280</u>	<u>\$1,249,738</u>
Protective Services Explanation	<u>\$97,110</u>	<u>\$97,110</u>
Real Estate Taxes Explanation	<u>\$114,460</u>	<u>\$114,460</u>
Property Insurance Explanation	<u>\$154,970</u>	<u>\$154,970</u>
Liability Insurance Included above.	<u>\$0</u>	<u>\$0</u>
Other General Expenses Explanation	<u>\$623,800</u>	<u>\$561,420</u>
Total Operating Expenses	\$4,638,470	\$4,171,228

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

1900 AFS	2010 AFS	2011 AFS
<u>\$3,999,108</u>	<u>\$4,391,048</u>	<u>\$4,383,096</u>

PHA Corrected 3 Year Historical Expenses:

2009 AFS	2010 AFS	2011 AFS	3 Year Average
<u>\$4,523,390</u>	<u>\$4,688,255</u>	<u>\$4,647,330</u>	<u>\$4,619,658</u>

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

3-Year Historical includes 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.

Apartment Gross Potential Rent:

RAD Units	\$5,123,844	609 Units	\$8,414 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	(\$256,192)	5.0% weighted average	
Other Income	\$815,982		
Effective Gross Income	\$5,683,634		
Total Operating Expenses	(\$4,171,228)	\$6,849 PUPA	
Annual Reserve Deposit	(\$276,269)	\$454 PUPA	
Net Operating Income	\$1,236,137		

Section 10: First Mortgage Loan Sizing

Are you proposing to take out a first mortgage loan for this project?

Yes

Enter the below information regarding the anticipated first mortgage loan.

Do you anticipate using FHA Insurance?

Yes

Interest Rate % per Year	<u>?</u>	<u>4.500%</u>
Mortgage Insurance Premium %	<u>?</u>	<u>0.500%</u>
Amortization Term	<u>?</u>	<u>40</u>
Maturity Term	<u>?</u>	<u>40</u>
Debt Service Coverage Ratio	<u>?</u>	<u>1.20</u>
Maximum Supportable Mortgage Loan		<u>\$17,475,000</u>
Proposed Mortgage Loan Amount	<u>?</u>	<u>\$17,410,000</u>
Calculated Annual Debt Service		<u>\$1,026,277</u>

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

Enter uses of funds for the proposed conversion.

Acquisition Costs

Building and Land Acquisition	<u>?</u>	<u>\$0</u>
Payoff Existing Loans		<u>\$360,000</u>
Other Costs	<u>?</u>	<u>\$0</u>

Construction Costs

? \$13,255,481

Relocation Costs

? \$425,600

Professional Fees

Architecture & Engineering	?	\$397,664
Physical Conditions Assessment	?	\$17,500
Borrower's Legal Counsel	?	\$90,000
Lender's Legal Counsel	?	\$60,000
Feasibility Studies	?	\$0
Environmental Reports	?	\$3,500
Appraisal / Market Study	?	\$30,000
Accounting	?	\$25,000
Survey	?	\$10,300
Other Costs	?	\$0

Loan Fees and Costs

FHA MIP	?	\$173,880
FHA Application Fee	?	
FHA Inspection Fee	?	\$132,555
Financing Fee	?	\$543,364
Organizational Costs	?	\$500
Title Insurance/Exam Fee	?	\$52,164
Recordation Fee	?	\$179,419
Closing Escrow Agent Fee	?	\$5,000
Prepayment Penalty/Premium	?	\$0
Payables	?	\$0
Construction Interest	?	\$786,375
Construction Loan Fees	?	\$132,555
Cost of Bond Issuance	?	\$0
Other Costs	?	\$0

Reserves

Initial Deposit to Replacement Reserve	?	\$0
Initial Operating Deficit Escrow	?	
Operating Reserve	?	\$2,085,614
Tax and Insurance Escrow	?	\$0
Other Costs	?	\$0

Developer Fees

	?	\$1,625,000
--	---	-------------

Total Development Cost **\$20,391,471** aka Total Uses of Funds

Section 12: Total Sources of Funds

Enter sources of funds for the proposed conversion.

New First Mortgage Loan	\$17,410,000
Public Housing Operating Reserves	\$0
Public Housing Capital Funds	\$2,121,471
Replacement Housing Factor	
Low Income Housing Tax Credit Equity - 4%	
Low Income Housing Tax Credit Equity - 9%	
Other/Local Forgiveable State Loans	\$360,000
Other/Local AHP--Valley	\$500,000
Other/Local	

Total Sources of Funds **\$20,391,471**

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? Yes

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

Yes (a) Are you receiving choice-mobility vouchers?

Yes (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.

AMP 5 includes: Mt. Airy Homes with 302 townhouse units, constructed in 1959 with later additions, renovated between 1994 and 1997. Mt. Airy Hi-Rise is a ten stories with 153 apartments constructed in 1959, renovated in 1989. Valley Hi-Rise is eleven stories with 159 apartments constructed in 1963, renovated in 1990. Homes units feature semi-private yards, porches and playground areas, with a Community Center. Homes Hi-Rise features laundry facilities, a community room and a patio area. The building has fire alarm and sprinkler systems, emergency call cords, and a security-controlled entry system. Valley features laundry facilities, and a Community Room. New fire alarm and sprinkler systems have been installed. Homes provides services for residents of all ages, including Head Start; Early Childhood and Family Education; Boys and Girls Club; Youth Connections, Youth Care; Computer lab; and other services and activities. Mt. Airy Hi-Rise offers Food Distribution for Seniors, English Language Learning, and computers with internet access. Valley assists persons with disabilities with personal care, meals and housekeeping, as well as Senior Dining, recycling, emergency call cords, and security controlled entry system. All three sites are near Regions Hospital, shopping, churches and banking, bus routes and light rail.

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 Categorical 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-rises 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 0.2%. In conjunction with the RAD e-PNA the authority's technical advisors will study the market competition to determine whether physical changes are needed to maintain this property's market position.

Discuss any proposed relocation plans for the project.

The developer budget contains an allowance for relocation. At the appropriate time, management will cease lease-ups, to accumulate sufficient vacant units to serve as "hotel units", so that rehab can be phased. The authority intends to manage relocation on-site to the maximum extent possible.

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

The authority's project-management, accounting, and in-house legal team have the experience necessary to carry out the conversion, which is debt only, and will be similar to the many rehab projects undertaken by the authority under the capital fund program. 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
- Yes 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 3 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. 17-8/23-05**

**APPLICATION FOR RENTAL ASSISTANCE DEMONSTRATION (RAD) PROGRAM FOR
MT. AIRY HOMES AND HI-RISES, VALLEY HI-RISE, AMP 5; MN001000005; 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, MN001000005, 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 MOUNT AIRY

AMP No:	MA001000005
Units	613

Type of Conversion
P&V (Project Based Vouchers)

Proposed Units for Conversion and De Minimis			
Summary	Total Units Proposed for Conversion	Units Proposed to be Reduced	de minimis threshold
	612	1	31
Explanation for de minimis reduction			Unit Count
Reconfiguring efficiency apartments			1

Pro Forma Sources and Uses		
Sources of Funds	Amount	Per Unit
New First Mortgage Loan	\$17,730,200	\$28,971
Public Housing Operating Reserves	\$0	\$0
Public Housing Capital Funds	\$1,920,671	\$3,138
Replacement Housing Factor	\$0	\$0
Low Income Housing Tax Credit Equity - 4%	\$0	\$0
Low Income Housing Tax Credit Equity - 9%	\$0	\$0
Forgiveable State Loans	\$360,000	\$588
AHP--Valley	\$500,000	\$817
Other	\$0	\$0
Total Sources of Funds	\$20,510,871	\$33,514
Uses of Funds	Amount	Per Unit
Acquisition Costs	\$360,000	\$588
Construction Costs	\$13,255,481	\$21,659
Relocation Costs	\$425,600	\$695
Professional Fees	\$633,964	\$1,036
Loan Fees and Costs	\$2,005,812	\$3,277
Reserves	\$2,085,614	\$3,408
Developer Fees	\$1,665,000	\$2,721
Total Uses of Funds	\$20,431,471	\$33,385

4.500% + 0.500% MIP / 40.0 years

Stabilized Cash Flow Pro Forma		
	Total	PUPA
Gross Potential Rents for RAD Units	\$5,148,804	\$8,413
Gross Potential Rents for Other Apartment Units	\$0	\$0
Gross Potential Rents for Commercial	\$0	N/A
Vacancy Loss and Bad Debt Loss	(\$257,440)	-\$421
Other Income	\$812,090	\$1,327
Effective Gross Income	\$5,703,454	\$9,319
Total Operating Expenses	(\$4,171,228)	(\$6,816)
Annual Deposit to Replacement Reserve	(\$276,269)	(\$451)
Net Operating Income	\$1,255,957	\$2,052
First Mortgage Debt Service	(\$1,045,152)	(\$1,708)
Operating Cash Flow	\$210,805	\$344

PHA's Explanation of Any Relocation of Tenants (Estimated Relocation Cost is \$425,600)
 The developer budget contains an allowance for relocation. At the appropriate time, management will cease lease-ups, to accumulate sufficient vacant units to serve as "hotel units", so that rehab can be phased. The authority intends to manage relocation on-site to the maximum extent possible.

PHA's Explanation of Capacity and Experience to Carry Out the RAD Conversion
 The authority's project-management, accounting, and in-house legal team have the experience necessary to carry out the conversion, which is debt only, and will be similar to the many rehab projects undertaken by the authority under the capital fund program. 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.

Attachment 1A: Board Approval Form

Public Housing Agency of the City of St Paul RAD Application for MOUNT AIRY

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
	\$3,999,108	\$4,391,048	\$4,383,096	\$4,257,751	\$4,171,228
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 PIH 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)

Signature: _____

Date: August 23, 2017



August 15, 2017

The Honorable Dr. Ben Carson, Secretary
U.S. Department of Housing and Urban Development
451 7th 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, or Dominic Mitchell, the PHA's Housing Choice Voucher/Section 8 Programs Manager at 651-292-6191 or dominic.mitchell@stpha.org.

Sincerely,

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

Jon Gutzmann
Executive Director

JMG/FAH

Attachment 1B: Financing Letter of Interest/Intent

Public Housing Agency of the City of Paul RAD Application for MOLINTABRY

AMP No:	MN001000005
Units	613

Type of Conversion
PBV (Project Based Vouchers)

Sources of Funds	Amount	Per Unit
New First Mortgage Loan	\$17,730,200	\$28,971
Public Housing Operating Reserves	\$0	\$0
Public Housing Capital Funds	\$1,920,671	\$3,138
Replacement Housing Factor	\$0	\$0
Low Income Housing Tax Credit Equity - 4%	\$0	\$0
Low Income Housing Tax Credit Equity - 9%	\$0	\$0
Forgivable State Loans	\$360,000	\$588
AHP--Valley	\$500,000	\$817
Other	\$0	\$0
Total Sources of Funds	\$20,510,871	\$33,514

Uses of Funds	Amount	Per Unit
Acquisition Costs	\$360,000	\$589
Construction Costs	\$13,255,481	\$21,659
Relocation Costs	\$475,600	\$695
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Reserves	\$2,085,614	\$3,408
Developer Fees	\$1,665,000	\$2,721
Total Uses of Funds	\$20,481,471	\$33,385

4.500% + 0.500% MIP / 40.0 years

Stabilized Cash Flow Pro Forma	Total	PUPA
Gross Potential Rents for RAD Units	\$5,148,804	\$8,413
Gross Potential Rents for Other Apartment Units	\$0	\$0
Gross Potential Rents for Commercial	\$0	N/A
Vacancy Loss and Bad Debt Loss	(\$257,440)	-\$421
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Annual Deposit to Replacement Reserve	(\$276,269)	(\$451)
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First Mortgage Debt Service	(\$1,045,152)	(\$1,708)
Operating Cash Flow	\$210,805	\$344

PHA's Explanation of the Proposed Total Operating Cost being less than 95% of the 9 Year Historical Operating Expenses:					
3 Year Historical Average Comparison	2009	2010	2011	Average	Proposed
	\$3,999,108	\$4,391,048	\$4,383,096	\$4,257,751	\$4,171,228
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-CHAs are completed.

Discussion of CAP Timing
 N/A

Attachment 1B: Financing Letter of Interest/Intent

Demonstration of Level Excess obtaining 9% LINTC:

N/A

Method of obtaining 9% LINTC:

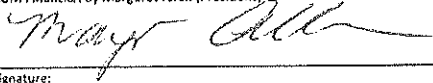
N/A

Statement of Lender / Equity Provider:

The project appears feasible for AGM Financial to fund. Our general repayment terms and any conditions are stated above and/or in the comment block below. AGM Financial understands and acknowledges the RAD program requirements and policies and agrees to cooperate with the applicable RAD processes, as appropriate. This letter of interest/intent is not a firm commitment. Final approval will be contingent on the results of AGM Financial due diligence process and approvals.

State any exceptions or additional conditions

AGM Financial: By Margaret Allen (President)



Signature:

August 15, 2017

Date: