

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM JON M. GUTZMANN  
EXECUTIVE DIRECTOR

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

**DATE** August 23, 2017

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

This is one of a series of eight proposed requests for RAD conversions, which together would constitute a "portfolio-wide" conversion including all of the PHA's the sixteen hi-rises and four family housing developments, a total of 3,852<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)

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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.

5. Statement of PHA Capacity to Administer a PBV Project

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

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

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

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

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

**Resident Consultation; Public Hearing.** With the Board’s June 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). Separate meetings were held at Ravoux, Neill and Central Hi-Rises and staff recorded the residents’ comments at each meeting. The comments and staff’s responses are attached and they will be included with the RAD application.

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

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

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

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

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

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

Here are the major milestones:

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

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

JMG/AJH/FAH

Attachments:

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

## RAD FINANCIAL ANALYSIS

AMP 7

**Ravoux, Neill &  
Central Hi-Rises**

Total Units	468
Rental Revenue	3,244,752
Vacancy/Bad Debt	(162,238)
Other Income	<u>499,430</u>
Total Operating Income	<u><u>3,581,944</u></u>
Operating Expenses	2,830,980
Annual Replacement Reserve Deposit	<u>348,591</u>
Total Operating Expenses	<u><u>3,179,571</u></u>
Net Operating Income/(Loss)	<u><u>402,373</u></u>
Immediate Capital Needs	177,592
Other Development Expenses	44,500
Initial Deposit to Replacement Reserve	-
Funding Source - Remaining Capital Funds	222,092
Funding Source - FHLBDM Grant	-
Funding Source - First Mortgage	-
Net Overage/(Shortfall) - Year 1	402,373

**RAD Meeting Notes: Resident Comments and PHA Responses**  
**July 10, 2017, 5:00 p.m.**  
**Neill Hi-Rise**  
**AMP 7**

Recorder: Julianna Quast

PHA Staff Present: Jen Jackson, Human Services Coordinator; Julianna Quast, Assistant Housing Manager; Jordan LaSota, Project Leader; Al Hester, Housing Policy Director; Dominic Mitchell, Section 8 Programs Manager; and Louise Seeba, General Counsel for the PHA

Presenter: Louise Seeba

Interpreters provided: None

Residents present: 30

**Questions asked:**

1. Q: Where will the RAD money come from?  
A: HUD
  
2. Q: What happens if RAD does not go through? What are the consequences?  
A: The PHA will continue to operate as best as we can with the money that we are allotted by HUD. Roofs will still be repaired and pipes fixed.
  
3. Q: Will leases under RAD and Public Housing be different?  
A: Yes, in certain parts, but generally it will contain the same provisions.
  
4. Q: Would I have to sign a new lease under RAD?  
A: Yes, you would have to sign a new lease.
  
5. Q: How much rent will I have to pay?  
A: Income-based rent will remain 30% of income. PHA will have to further discuss any impact to those residents that pay flat rent.
  
6. Q: Is everyone going to Section 8?  
A: No. There are 3,856 units affected by this possible change. Realistically, there will not be enough and/or the turnover of Section 8 Vouchers will not be significant enough to accommodate all who wish to receive a Section 8 Voucher once a resident has been deemed eligible to receive one.
  
7. Q: Will staffing levels change?

A: Conversion not expected to significantly affect the levels of staffing. However, particular duties may shift and/or change.

8. Q. Can I review the new lease before I sign it?

A: Yes

**RAD Meeting Notes: Resident Comments and PHA Responses**  
**July 14, 2017, 1:00 p.m.**  
**Ravoux Hi-Rise**  
**AMP 7**

Recorder: Julianna Quast and Eileen Tittle

PHA Staff Present: Jon Gutzmann, Executive Director; Angie Holm, Finance Manager; John Newton, Accounting Clerk; Tori Plaisance, Accounting Technician; Eileen Tittle, Human Services Coordinator; Julianna Quast, Assistant Housing Manager; Jordan LaSota, Project Leader

Presenter: Jordan LaSota and Jon Gutzmann

Interpreters provided: Somali, Hmong, ASL, Oromo, Khmer (Cambodian)

Residents present: 45 Ravoux Hi-Rise residents, 1 Edgerton Hi-Rise resident

**Questions asked:**

1. Q: Will there be a Section 8 lease? Will it change to a yearly lease?  
A: Yes, everyone would sign a new lease but it will remain a month to month lease.
  
2. Q: Do you have to be on a waiting list for Section 8? How do I get on that list?  
A: There will be a separate waiting list for the choice mobility voucher which the PHA will need to develop. This will include establishing the criteria that will be used to administer the waiting list and distribute the choice mobility vouchers. Currently a waiting list does not exist. You must be a lease compliant resident to be eligible for a mobility voucher.
  
3. Q: Will Wilder ALP and CHSP services continue under RAD?  
A: Yes. Angie Holm confirmed that CHSP funding would still be available. Wilder ALP operates and receives funds independently.
  
4. Q: I live here so do I as an individual have to fill out any special paperwork?  
A: Other than a new lease, no.
  
5. Q: Will my rent rebate go away?  
A: No. Rebates are through the State of Minnesota. RAD is a program involving federal funds.
  
6. Q: Do you see any cutbacks in employees?  
A: PHA may lose five or so.
  
7. Q: Can I review the new lease before I sign it?  
A: Yes

8. Q: What type of funding will be used?  
A: HAP (Housing Assistant Payment) under RAD will be more flexible. Currently the PHA utilizes Capital Funds (CF) and Operating Funds (OF). These funds can vary from year to year. HAP will replace CF & OF. Under RAD, yearly funds will be more predictable than in the past; the PHA will be able to confidently plan future projects.
  
9. Q: Is there a deadline to request this program?  
A: Yes, but there is a limited number of units available on a national level.
  
10. Q: Will I sign a Section 8 lease?  
A: Yes. It will be under the rules and regulations applicable to project based Section 8 rather than public housing.
  
11. Q: Would the lease term change?  
A: The term of the lease would remain month to month.
  
12. Q: Do you have to be on a waiting list to get a choice mobility voucher?  
A: Yes. There will be a separate waiting list for the choice mobility vouchers.
  
13. Q: If we convert to RAD, will the PHA provide a list of places to use a choice mobility voucher?  
A: The PHA will have information available about how and where to use choice mobility vouchers.
  
14. Q: What if RAD is not accepted?  
A: The PHA will continue to fight decreases in funding. The PHA would have to operate with far less money. Congress has increased the number of housing authorities eligible for RAD.
  
15. Q: Is RAD another way to get Section 8?  
A: Somewhat, but the availability of choice mobility vouchers will be limited.
  
16. Q: Can I move to another PHA property under RAD?  
A: The assistance under RAD is project based. Residents wanting to move to another unit owned by the St. Paul PHA must go through the regular transfer process that is currently in place.
  
17. Q: Will the name of the agency change since it will no longer be called "public housing"?  
A: No, it will still be called the Public Housing Agency of the City of Saint Paul.

**RAD Meeting Notes: Resident Comments and PHA Responses**  
**July 14, 2017, 9:00 a.m.**  
**Central Hi-Rise**  
**AMP 7**

Recorder: Leah Blair

PHA Staff Present: Eileen Tittle, Human Services Coordinator; Jordan LaSota, Project Leader; Leah Blair, Assistant Housing Manager; Phung Nguyen, Housing Manager; and Angie Holm, Finance Manager

Presenters: Jordan LaSota

Interpreters Provided: Cambodian, ASL, Somali, Hmong and Vietnamese

32 Residents Present

**Questions asked:**

1. Q: Is the money that the government pays to PHA for one person?  
A: No, this is money that the government pays to PHA to operate and maintain the buildings. This is one payment one time/year.
2. Q: If RAD was established five years ago, why didn't PHA switch over sooner?  
A: At the time, in 2012, we were receiving \$6M/year for capital improvements and \$11-12M/year for operating expenses and we were still able to operate despite the decline in funding. We believed in the public housing model, but congress puts more money towards the Section 8 model than to public housing. We see this as a more stable source of income.
3. Q: Can you explain Section 8?  
A: There are different forms: Individuals or families can receive a voucher to use at a private rental place. You can't use a voucher in a Project Based unit or another form of rental assistance. With the conversion, the money from HUD goes to the agency, not the individual. Your day to day experience with St. Paul PHA will not feel any different.
4. Q: Where does the 3% of the money come from out of the \$703/unit?  
A: It is interest and other income.
5. Q: What happens if we don't get the \$7M/year?  
A: We are confident in our acceptance into the RAD program and then the \$7M will be guaranteed once we complete the conversion.

6. Q: Is the PHA guaranteed the money? What if they don't give it?  
A: If we convert to RAD, we are guaranteed a contracted amount and have a contract with the government. If they don't give us the money, our lawyers would go to Washington to fight for it.
  
7. Q: Is time of the essence? Do we need to do this now under the current administration?  
A: Yes. Prior to seeing the decrease in the proposed budget, we put our name on the waitlist for RAD. It's only open to 40,000 units at this time. Nationwide, there are about 1 million units and only 40,000 can convert. Once we can apply, we will be submitting our application.
  
8. Q: Will we be able to borrow from an outside lender?  
A: Yes.
  
9. Q: How will the rules change?  
A: We would have to operate under the Section 8 regulations, but many rights that you're accustomed to will remain.
  
10. Q: Does the PBRA provide a voucher?  
A: Yes, after two years. We're hoping to convert almost 4,000 units. The choice mobility voucher will come from 30% of the tenant-based voucher turnover. There is an average of 300/year. We would estimate 50-100 choice mobility vouchers will be available/year and a waiting list will be created to distribute these.
  
11. Q: How confident are we to be approved?  
A: We are on a waiting list, we will continue to evaluate and whether or not we receive an invitation, we will still apply. We are working with experienced RAD consultants who say that we have a very strong application because our buildings are in good shape and we have \$0 in debt. We are also consulting with other agencies that have received the RAD funding.
  
12. Q: Do residents have any input on the application or are this just informative? Why are we having this meeting?  
A: Both-this is an informational meeting. It is a requirement in the process. We are required to have two meetings with resident but we are having 23 to ensure ample opportunities for a Q&A session and these are being recorded as part of our application to prove that we've taken it all into consideration.
  
13. Q: What's our next step on our behalf as residents? Will there be a follow up meeting?  
A: This is required before we submit our application. We will be coming back to update before we submit a financing plan, as to where we are at in the process and update any changes. You will be hearing back from us one to two more times.

14. Q: Who can apply for the choice mobility voucher?

A: It is available to anyone in the converted units which potentially is all 16 hi-rises and all four family sites). Anyone that signed the new lease under RAD will have the opportunity to request a voucher after either one or two years. If one is available, we are required to provide it or put you on the waitlist. This will be separate from the other Section 8 waitlist.

15. Q: Worst case scenario: we would have to operate under the proposed budget, what will happen?

A: We could end up at \$2M/year for our capital fund. We would do our best to operate with that amount, explore other opportunities in funding, and ask the city and state for help.

16. Q: Are there other alternatives?

A: Yes and we will explore all of them. We all want to maintain and preserve public housing and we believe in affordable housing and want to provide services.

17. Q: You mentioned talking to other RAD recipients. Can you please give more info on that?

A: We've spoken to four or five other agencies, including Scott County locally. They converted 50 units under the RAD program. They are helping us with the process and paperwork. We've also consulted with agencies in Massachusetts and North Carolina.

18. Q: Can you please talk more about the relocating process? If we decide that we don't want to live here, but we want to stay within PHA, can we relocate?

A: The transfer requirements will not change. You must be in your current unit for one year and be lease compliant.

19. Q: Will the new lease be with St. Paul PHA or RAD?

A: The new lease will be with St. Paul PHA and will still operate the same. There will just be a different financial operation structure. RAD is just a separate form of funding, not a different housing agency.

20. Q: Would RAD be on the lease?

A: It may reference Section 8, but your lease will still be with St. Paul PHA.

**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.

MN00100007  
Development Number

RAVOUX HI-RISE  
Name of Development

Public Housing Agency of the City of St Paul  
Public Housing Agency (PHA) Name

062643556  
Data Universal Numbering System (DUNS) #

Jon M. Gutzmann  
Executive Director

6512985664 Telephone Number  
Jon.Gutzmann@stpha.org 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  
PHA Contact Name Title

651/292-6159 Telephone Number  
angela.holm@stpha.org Email

Type of Conversion: PBV (Project Based Vouchers)

Is this Project an existing Mixed Finance Project? No *The formulaic result from FASS data*  
Is this Project an existing Mixed Finance Project? No *Corrected PHA entry (if applicable)*

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		
71	390	2	13	8	22	0	506	1.14

Is the above PIC information correct? 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		
73	392	3	12	8	22	0	510	1.13

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	73	392	3	0	0	0	0	468
Market Rate								0
Other Affordable								0
<b>Total</b>	<b>73</b>	<b>392</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>468</b>

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	\$0	\$0	\$0	\$0	
Reasonable Rents	\$574	\$679	\$827	\$1,087	\$1,223	\$1,409	

**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
510	468	42	26	16

A beyond de minimis reduction in number of assisted units is proposed. Indicate how many above de minimis units apply to each reduction reason below. Do not count the units more than once. An explanation for each of these units is required.

	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
42	Partial conversion
42	Total

Please provide an explanation of each unit above de minimis in re each affected category.

42 units are being excluded from this RAD conversion. These are separate, adjacent, duplex buildings, and they will be addressed outside of RAD, potentially through a homeownership conversion effort.

**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>\$177,592</b>	Per Unit	<b>\$379</b>
Years 2-5 (Short-term)	<b>\$970,690</b>	Per Unit	<b>\$2,074</b>
Years 6-20 (Long-term)	<b>\$5,652,534</b>	Per Unit	<b>\$12,078</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.

	Formula Amount	Your Proposal
Initial Deposit to Repl. Reserve (IDRR)	<u>\$0</u>	<u>\$0</u>
Annual Deposit to Repl. Reserve (ADRR)	<u>\$348,591</u>	<u>\$348,591</u> <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.

	3 Yr Historical Avg	Proposed
Vacancy Rate (%) <span style="float: right;">?</span>	<b>0.13%</b>	<u><b>3.00%</b></u>
Skip; no explanation necessary		
Bad Debt Rate (%) <span style="float: right;">?</span>	<b>0.24%</b>	<u><b>2.00%</b></u>
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	<b>\$32,559</b>	Laundry and all other, from 2018 Budget
Adjust Rents to 2017	<b>\$417,501</b>	Based on 2014 Contract Rents + OCAFs for 2015, 2016, 2017
Excess Tenant Utilities	<b>\$11,030</b>	To add to Contract Rents
Cell Site	<b>\$38,340</b>	Explanation

**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>\$855,166</u>	<u>\$812,407</u>
Asset Management Fee Explanation	<u>\$0</u>	<u>\$0</u>
Tenant Services Explanation	<u>\$98,054</u>	<u>\$98,054</u>
Utility Expense Explanation	<u>\$501,096</u>	<u>\$501,096</u>
Ordinary Maint and Ops Explanation	<u>\$872,381</u>	<u>\$872,381</u>
Protective Services Explanation	<u>\$70,076</u>	<u>\$70,076</u>
Real Estate Taxes Explanation	<u>\$76,075</u>	<u>\$76,075</u>
Property Insurance Explanation	<u>\$79,442</u>	<u>\$79,442</u>
Liability Insurance Included Above	<u>\$0</u>	<u>\$0</u>
Other General Expenses Explanation	<u>\$357,165</u>	<u>\$321,449</u>
<b>Total Operating Expenses</b>	<b>\$2,909,455</b>	<b>\$2,830,980</b>

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

1900 AFS	2010 AFS	2011 AFS
<u>\$2,571,404</u>	<u>\$2,808,347</u>	<u>\$2,830,052</u>

**PHA Corrected 3 Year Historical Expenses:**

2009 AFS	2010 AFS	2011 AFS	3 Year Average
<u>\$2,730,693</u>	<u>\$2,646,068</u>	<u>\$2,765,538</u>	<u>\$2,714,100</u>

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

3-Year Historic 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.

<b>Apartment Gross Potential Rent:</b>			
RAD Units	\$3,244,752	468 Units	\$6,933 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	(\$162,238)	5.0% weighted average	
Other Income	\$499,430		
<b>Effective Gross Income</b>	<b>\$3,581,944</b>		
Total Operating Expenses	(\$2,830,980)	\$6,049 PUPA	
Annual Reserve Deposit	(\$348,591)	\$745 PUPA	
<b>Net Operating Income</b>	<b>\$402,373</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	?	
Mortgage Insurance Premium %	?	
Amortization Term	?	
Maturity Term	?	
Debt Service Coverage Ratio	?	
Maximum Supportable Mortgage Loan		\$0
Proposed Mortgage Loan Amount	?	
Calculated Annual Debt Service		\$0

**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	?	
Payoff Existing Loans		\$0
Other Costs	?	
<b>Construction Costs</b>	?	\$177,592
<b>Relocation Costs</b>	?	

**Professional Fees**

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

**Loan Fees and Costs**

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	?	

**Reserves**

Initial Deposit to Replacement Reserve	?	\$0
Initial Operating Deficit Escrow	?	
Operating Reserve	?	
Tax and Insurance Escrow	?	
Org; PNA; Environ.	?	\$44,500

**Developer Fees**

<b>Total Development Cost</b>		<b>\$222,092</b>
-------------------------------	--	------------------

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		\$222,092
Replacement Housing Factor		
Low Income Housing Tax Credit Equity - 4%		
Low Income Housing Tax Credit Equity - 9%		
Other/Local		
Other/Local		
Other/Local		
<b>Total Sources of Funds</b>	?	<b>\$222,092</b>

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.

There are two hi-rises in this partial AMP conversion: Central is a 13-story building with 144 apartments (1964), renovated in 1989. Neill is a seven-story building with 104 apartments (1964), renovated in 1991. PHA's storeroom facility is located at this site. Central features air conditioning and private balconies. Both sites have free parking, laundry facilities, Community Rooms and outdoor patio areas. Fire alarm and fire suppression sprinklers have been installed. City police officers reside at both sites to provide a police presence and some community policing services. Programs and Services include: Resident Council, recycling program, emergency call cords, security-controlled entry system, postal van, and holiday parties. Central also has: Nutrition Program for Seniors (NAPS), The Food Group - Mobile Food shelf. Neill has: Accessible Space Incorporated (ASI) Program for brain-injured adults needing assistance, Bingo, entertainment, pool table, exercise equipment, grocery bus Bookmobile, Meals on Wheels, and on-site voting. Both sites are located in the Summit-University neighborhood. Central Hi-Rise is located near Midway Shopping Center, Martin Luther King Center, Model Cities Health Center, churches and health care facilities. Neill Hi-Rise is located near the St. Paul Cathedral and the St. Paul Technical College. Both sites are 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 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 0.4%. 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. 17-8/23-07**

**APPLICATION FOR RENTAL ASSISTANCE DEMONSTRATION (RAD) PROGRAM FOR  
RAVOUX, NEILL, AND CENTRAL HI-RISES EXCEPT CENTRAL DUPLEXES, AMP 7;  
MN001000007; 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, MN001000007, 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 RAVOUX HI-RISE

AMP No:	MN001000007
Units	510

<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
	468	42	26
Explanation for de minimis reduction			Unit Count
Partial conversion			42

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	\$222,092	\$475
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>\$222,092</b>	<b>\$475</b>
Uses of Funds	Amount	Per Unit
Acquisition Costs	\$0	\$0
Construction Costs	\$177,592	\$379
Relocation Costs	\$0	\$0
Professional Fees	\$0	\$0
Loan Fees and Costs	\$0	\$0
Reserves	\$44,500	\$95
Developer Fees	\$0	\$0
<b>Total Uses of Funds</b>	<b>\$222,092</b>	<b>\$475</b>

Stabilized Cash Flow Pro Forma		
	Total	PUPA
Gross Potential Rents for RAD Units	\$3,244,752	\$6,933
Gross Potential Rents for Other Apartment Units	\$0	\$0
Gross Potential Rents for Commercial	\$0	N/A
Vacancy Loss and Bad Debt Loss	(\$162,238)	-\$347
Other Income	\$499,430	\$1,067
<b>Effective Gross Income</b>	<b>\$3,581,944</b>	<b>\$7,654</b>
Total Operating Expenses	(\$2,830,980)	(\$6,049)
Annual Deposit to Replacement Reserve	(\$348,591)	(\$745)
<b>Net Operating Income</b>	<b>\$402,373</b>	<b>\$860</b>
First Mortgage Debt Service	\$0	\$0
<b>Operating Cash Flow</b>	<b>\$402,373</b>	<b>\$860</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.

# Attachment 1A: Board Approval Form

Public Housing Agency of the City of St Paul RAD Application for RAVOLUX HI-RISE

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
	\$2,571,404	\$2,808,347	\$2,830,052	\$2,736,601	\$2,830,980
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)

Signature: \_\_\_\_\_

Date: August 23, 2017



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:

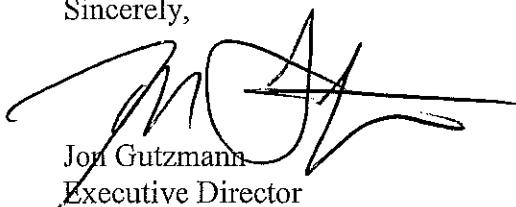
Please accept this letter as evidence of the St. Paul Public Housing Agency's ability to administer Project-Based Voucher (PBV) contracts.

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,



Jon Gutzmann  
Executive Director

JMG/FAH