

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

CORRECTED

FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR

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

DATE August 23, 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Here are the major milestones:

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

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

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

JMG/AJH/FAH

Attachments:

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

RAD APPLICATION SUMMARY

	AMP 8
Total Units	560
Rental Revenue	4,270,440
Vacancy/Bad Debt	(213,522)
Other Income	<u>47,711</u>
Total Operating Income	<u><u>4,104,629</u></u>
Operating Expenses	3,225,205
Annual Replacement Reserve Deposit	<u>269,148</u>
Total Operating Expenses	<u><u>3,494,353</u></u>
Net Operating Income/(Loss)	<u><u>610,276</u></u>
Immediate Capital Needs	6,852,621
Other Development Expenses	3,848,302
Initial Deposit to Replacement Reserve	-
Funding Source - Remaining Capital Funds	1,323,623
Funding Source - FHLBDM Grant	750,000
Funding Source - First Mortgage	8,627,300
Net Overage/(Shortfall) - Year 1	610,276

RAD Meeting Notes: Resident Comments and PHA Responses
July 11, 2017, 2:00 p.m.
Dunedin Hi-Rise Community Center
AMP 8

Recorder: AZ Jones Jr.

PHA Staff Present: Robyn Brewin, AST; AZ Jones Jr., Human Services Coordinator; Bee Vang, Housing Manager; Jordan LaSota, Project Leader; and Al Hester, Housing Policy Director.

Presenters: Al Hester and Jordan LaSota

Interpreters provided: Hmong, Spanish, and Oromo

Residents attending: 35

Questions and concerns:

1. Q: The number of people who need subsidized housing is increasing. So why are the federal dollars for public housing decreasing?
A: The short answer is politics and taxes. HUD gets its funding from Congress and the dollar amounts are determined every year. In terms of funding, public housing appears to be of a lesser priority than section 8 over the past several years. In addition, keeping up with the demand for public housing would require an increase in taxes, which is a politically charged issue. RAD has been around for several years and appears to be a more stable source of funding.
2. Q: Has a survey been sent out for residents to give their opinion?
A: No. The PHA is conducting site meetings for residents in order to present information and receive feedback. We will also be presenting to resident councils after their summer break.
3. Q: Why did the PHA start thinking and talking about RAD?
A: In general PHAs have been looking at RAD for 2 primary reasons:
 - Stabilized long term funding that does not have all of the restrictions associated with the two funding streams for public housing that have to be determined annually;
 - The ability to borrow money for building repairs based upon a 20 year guarantee verses a year to year wait and see what the dollar amount will be.
4. Q: Is RAD under the PHA?
A: No, in a sense it's the other way around. RAD is a more stable funding structure for the agency based upon a 20 year contract. We would still own and manage our properties. We will still be the Saint Paul Public Housing Agency and will still manage the units that we own.
5. Q: Will people's rent still stay the same under RAD?

A: In general the rent will still be based upon no more 30% of household income. However, households that are on flat rent would be impacted because RAD does not allow flat rent. And any increase would be phased in over 3-5 years.

6. Q: What is flat rent?

A: Flat rent is way for people who make a lot of money to stay in public housing, without paying 30% of their income.

7. Q: Will the remaining townhomes be remodeled under RAD?

A: No. The remodel is a part of a separate 5 year plan and the PHA has submitted a grant application to the State of Minnesota for a small portion of the remodel.

8. Q: Has the PHA talked with the State of Minnesota about this change?

A. No, the PHA is federally funded. However the St. Paul PHA needs approximately \$100 million in building repairs and we have applied for state grants in the past. We have also talked with and /or met with State Senators.

9. Q: Is there a downside to RAD?

A: We are asking the same question as we explore this opportunity. We have had conversations with agencies around the country that have been a part of RAD, and they are reporting that it has worked well for them. This is a long process and we are looking for potential hidden surprises. We want to insure that the standing lease protections remain.

10. Q: How many PHAs apply to RAD every year?

A: Not sure about how many PHAs have applied. However, you can go to the hud.gov website and find the list of agencies that have done successful RAD conversions.

11. If RAD is approved how soon will it be in place?

A: We are at the very start of a long process. There will be a presentation/proposal to the Board at their August Board meeting. We have also submitted an "Intent to Apply" for RAD, however, we are not sure if we will get an invite to apply or not. Either way we are going to submit the application because it is a long process and other agencies may back out for any number of unforeseen reasons, creating an opportunity. In the mean time we will continue to operate as we do now working with the funding that is available. We think our application is strong based upon agency history as a high performer and we have consulted others in the process.

12. Q: What are the guidelines for being invited?

1. A: There are primarily 2 pools of people who are applying; those looking for a more stable source of long-term funding in general and those that are looking to obtain long-term funding as

leverage for bank loans to rehab their properties. We're not sure where the priority will be for the decision makers.

A: Yes

RAD Meeting Notes: Resident Comments and PHA Responses
July 12, 2017, 10:00 a.m.
Montreal Hi-Rise Community Room
AMP 8

Recorders: Brenda Hibbard and Beth Forest

PHA Staff Present: Mike Winston, Resident Services Director; Ron Moen, Finance Director; Holly Gray Assistant Controller; Michelle Kallenbach, Accounting Manager; Brenda Hibbard, Assistant Housing Manager; Jordan LaSota, Project Leader; Al Hester, Housing Policy Director; Dave Lang, Construction Program Manager; Melonie Hagman, CHSP Manager; Beth Forest, Human Services Coordinator.

Presenters: Al Hester

Interpreters provided: Amharic (2 residents), Russian (1), Spanish (0)

54 residents present

Questions asked:

1. Q: Is this Section 8 program the same as this voucher program?
A: Al Hester explained the differences of the 2 types and that this would be Project Based Voucher.
2. Q: Who would own the property?
A: PHA would still own it and there would be no "Deed of Trust" with HUD.
3. Q: What about the No Smoking HUD policy?
A: There are no plans to go back on making public housing buildings smoke free.
(At this point Al Hester fielded several questions relating to the Smoke Free policy outside the scope of the RAD discussion, which was of great interest to some residents)
4. Q: Would rent stay the same?
A. Yes, 30% of your adjusted income
Q: And utilities?
A. All that would remain the same—included.
5. Q: Would we have to renew our lease annually?
A: Yes, the same way you do now.
6. Q: If HUD is out of the picture, who calls the shots?
A: We would still be funded by HUD, but we would be under a different wing than the Public Housing department with different, most likely less restrictive rules. Other cities operate both programs (RAD and PH) and do so with great success in each.

7. Q: If something happens and I want to go back (to PHA) can I?
A: No. This is not an individual choice, this is a change made by the agency—but again, it is primarily about funding, you may not even notice any change in your individual situation.
8. Q: Is there a time limit for residents to sign this new lease?
A: It would likely happen over the course of months at different buildings, or at the regular ACO time.
9. Q: Do residents have a choice whether or not to sign the new lease?
A: If the conversion happens, the choice would be to take it or leave it. Again, you may not notice changes, and we can deal with any concerns on an individual basis.
10. Q: Will HUD still say what we can and can't do?
A: Yes, HUD will still be the governing body, though rules may be slightly different.
11. Q: Rent still goes to PHA?
A: Yes.
Q: Inspections still the same?
A: Yes.
12. Q: HUD says we can't use the kitchen, can CHSP cook in the kitchen?
A: That's a question for CHSP and the Dept. of Health – talk with Melonie and Brenda later.
13. Q: Who will own the properties?
A: They will still be owned by St. Paul Public Housing.
Q: Who can buy and sell the properties?
A: The Board of Commissioners could make that determination and approval would still go through HUD, but we are not looking to sell any of the hi-rises.
14. Q: Who runs PHA?
A: PHA is totally funded by HUD, runs according to state laws, and is an independent non-profit agency.
15. Q: Are you planning to sell or close any properties?
A: That is not the plan. Under the RAD contract, properties cannot be sold. We have sold individual family homes that we own and operate, but would not look at that for hi-rise.
16. Q: Would this mean any changes for the CHSP program?
A: No, RAD doesn't affect that program.

17. Q: (directed to AI) Are you representing PHA as a lawyer?

A: I have been a practicing attorney, but no, I do not work for PHA as a lawyer.

18. Q: There was a Frontline video from a PBS program that painted a bad picture of HUD. Do you know about that?

A: Yes, (AI speaking) I saw that, and it had to do with "tax credits" which is a very different program in HUD and I'd be happy to talk with you after since it wasn't about RAD.

19. Q: Will the criminal background check be the same?

A: Yes, criminal background check, and all the systems currently in place for housing residents will remain the same.

20. Q: Can we still transfer from hi-rise to hi-rise?

A: Yes, that would also be the same process.

21. Q: Could Public Housing expand its numbers under RAD?

A: That is not likely as we would not have new money for that—we're just looking to maintain.

AI then closed the meeting and offered to stay and take individual questions after the meeting so others who wished to leave could do so.

RAD Meeting Notes: Resident Comments and PHA Responses
July 12, 2017, 1:00 p.m.
Cleveland Hi-Rise Community Room
AMP 8

Recorders: Brenda Hibbard and Beth Forest

PHA Staff Present: Jon Gutzmann, Executive Director; Brenda Hibbard, Assistant Housing Manager; Jordan LaSota, Project Leader; Angie Holm, Budget & Reporting Manager; Lisa Fiedler, Rental Administrator; Beth Forest, Human Services Coordinator.

Presenters: Angie Holm and Jon Gutzmann

Interpreters provided: Russian and Amharic

40 residents present

Questions asked:

1. Q: When would we be eligible to apply for a [Section 8] voucher?
A: A two-year wait period would start with a new RAD conversion lease.
2. Q: Since Congress may be cutting the HUD budget, how would we still get the same amount from HUD?
A: They are both HUD, but different programs and it appears there is a way to “lock in” to a reasonable amount that will continue for a period of years.
3. Q: Is this a loan?
A: Most of the needed money would still come from HUD but we would have access to short terms loans in the event of an emergency – access that we don’t currently have.
4. Q: Would any loan repayment affect rent?
A: No, a loan repayment would not change the rent.
5. Q: Since HUD does not seem dependable, have you explored other funding options?
A: We’ve been exploring other options for years as we’ve seen the HUD income decline. The Public Housing program has been losing bi-partisan support for years. Section 8 is more popular across party lines and for that reason is a more stable funding source.
6. Q: Would Resident Councils continue to be funded?
A: Yes, that would stay the same.
7. Q: Are you recommending the Board of Commissioners approve your application?
A: Yes.

8. Q: Is there a time risk to current residents and are there a number of RAD units available?
A: There is no risk to current residents of losing housing and there are 40,000 new units scheduled to be made available, and we hope to be approved in that number.

9. Q: If there's a Section 8 shortage, how can we get vouchers?
A: There will be a tiny number available – by lottery – to PH residents, just as it is now.

10. Q: Will we be notified of the process and approval?
A: Yes, residents will be informed of any approval, and possibly other information along the way.

11. Q: Can residents express disagreement with the plan?
A: Yes, that's why we're holding this meeting. These and future meetings are your opportunity to hear information, ask questions, and express your thoughts.

12. Q: Do we have a choice in accepting a Section 8 voucher or not?
A: Vouchers are a separate program that you would still have to apply for.

13. Q: Is there any reason residents would have to move out of current housing?
A: No, unless you get a voucher and choose to move out.

14. Q: For those on flat rent, what if their income goes down?
A: They can go off flat rent if income decreases, just as they can now.

15. Q: Does this affect lease terms?
A: To our knowledge thus far, nothing will change in the lease.

16. Q: How often can PHA apply for RAD?
A: Until we get approved, though hopefully that will happen the first time.

17. Q: Will there be the same background check for resident applicants?
A: Yes, there will be no difference in the admission process.

18. Q: How do PHA residents get a [Section 8] voucher?
A: Currently, residents can apply for a voucher and be chosen by lottery when the waiting list is open. With RAD, there may be about 50 vouchers a year available to thousands of residents.

19. Q: How long will the RAD process take?
A: We think somewhere between 3-12 months.

20. Q: Who can stop the renewal of the 20-year contract?

A: Currently the law reads that the contract "must be renewed" by HUD and the agency.

RAD Meeting Notes: Resident Comments and PHA Responses
July 17, 2017, 6:00 p.m.
Dunedin Hi-Rise Community Center
AMP 8

Start time: 6:00 PM

Recorder: AZ Jones Jr.

PHA Staff Present: AZ Jones Jr., Human Services Coordinator; Paul LaBelle, Asst. Housing Manager; Michelle Virnig, Asst. Housing Manager; Bee Vang, Housing Manager; and Jordan LaSota, Project Leader.

Presenters: Jordan LaSota

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

Residents attending: 46

Questions and concerns:

1. Q: If approved for RAD, how soon can you use the choice mobility voucher?
A: Under a PBRA conversion, two years after the signing of your new lease, if a voucher is available. There are only a limited number to be distributed. If there are none available you will be placed on a waiting list. However, the waiting list is different and separate from the traditional section 8 voucher waiting list. The last time the traditional Section 8 (tenant based) list opened up, 12,000 people applied. The RAD Section 8 housing choice voucher would only be for those who are public housing residents already.
2. Q: Can the PHA apply for RAD without residents voting for approval?
A: Yes. We are providing awareness and information for residents. And as one means of doing that, the PHA is conducting site meetings. We are sharing what the leadership of the PHA believes to be the best option for stabilizing funding for the next 20 years. RAD is a more stable funding based upon a 15- 20 year contract and is beneficial for the agency and residents. The PHA is looking to apply for the 20 year contract and would still own and manage our properties.
3. Q: What happens if the PHA's application is not approved for RAD?
A: The PHA will continue to look for alternative streams of funding in order to maintain and manage our current properties. However, we're hopeful that we will be accepted

and would like to be ready to submit our application as soon as possible. We are at the very start of a long process. And in the mean time we will continue to operate as we do now working with the funding that is available.

4. Q: Has there been a pattern of funding for PHAs based upon whether Democrats or Republicans are in power?

A: No, both parties have favored and supported Section 8 over public housing for the past several years.

5. Q: Will people be pressured to move from public housings into the market place with their choice voucher and what happens to other PHA residents?

A: In general the day-by-day operations of the agency will not change. The requirements for being accepted into public housing will be generally the same. Move-in and move-out guidelines will be the same. The rent will still be based upon no more 30% of household income. However, households that are on flat rent would be impacted because RAD does not allow flat rent. For households currently on flat rent, any rent increase of more than 10% or \$25 would be phased in over 3-5 years. Anyone who wants to stay in public housing can remain in accordance with their lease.

6. Q: How long can you keep your choice mobility voucher?

A: There will still be annual reviews and income guidelines, but you should be able to keep a voucher as long as you are in compliance with program rules.

7. Q: If you receive a choice voucher and move out of public housing; can you come back to public housing if things don't work out?

A: Yes. However, you would be applying with the general public and be on the waiting list.

Jordan was approached with a number of questions after the meeting. Those questions and answers were not recorded.

**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.

MN001000008

DUNEDIN TERRACE

Development Number

Name of Development

Public Housing Agency of the City of St Paul

062643556

Public Housing Agency (PHA) Name

Data Universal Numbering System (DUNS) #

Jon M. Gutzmann

6512985664

Jon.Gutzmann@stpha.org

Executive Director

Telephone Number

Email

Section 2: Background Information on the PHA and the Project

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

Angela Holm

Assistant Controller

651/ 292-6159

angela.holm@stpha.org

PHA Contact Name

Title

Telephone Number

Email

Type of Conversion: PBV (Project Based Vouchers)

Is this Project an existing Mixed Finance Project? No

Is this Project an existing Mixed Finance Project? No

The formulaic result from FASS data

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		
0	466	29	30	36	12	0	573	1.43

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		
0	470	28	30	36	12	0	576	1.42

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		470	18	24	36	12		560
Market Rate								0
Other Affordable								0
Total	0	470	18	24	36	12	0	560

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	\$121	\$141	\$155	\$179	
Reasonable Rents		\$669	\$817	\$1,076	\$1,213	\$1,399	

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
576	560	16	29	0

A within de minimis reduction in number of assisted units is proposed. No further explanation 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
16	Partial conversion
16	Total

16 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	Non-Amortizing Forgiv. State	Per Unit	\$3,616
Other		Per Unit	\$0
Other		Per Unit	\$0
Total	\$2,025,000	Per Unit	\$3,616

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)	\$6,852,621	Per Unit	\$12,237
Years 2-5 (Short-term)	\$0	Per Unit	\$0
Years 6-20 (Long-term)	\$5,113,807	Per Unit	\$9,132

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)	\$269,148	\$269,148

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 (%)	0.16%	3.00%
Bad Debt Rate (%)	0.04%	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 to AMP 5
Damage charges		Explanation
Laundry / Vending	\$43,078	Per 2018 Budget--Laundry and all other
Adjust Rents to 2017	\$179,749	Based on 2014 Contract Rents + OCAFs for 2015, 2016, 2017
Excess Utilities Reimb.	\$15,940	To be added to contract rents
Cell Site	\$207,980	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	\$1,125,601	\$1,069,321
Asset Management Fee Explanation	\$0	\$0
Tenant Services Explanation	\$135,884	\$135,884
Utility Expense Explanation	\$673,520	\$572,492
Ordinary Maint and Ops Explanation	\$898,889	\$764,056
Protective Services Explanation	\$85,961	\$85,961
Real Estate Taxes Explanation	\$93,382	\$93,382
Property Insurance Explanation	\$121,580	\$121,580
Liability Insurance Included above	\$0	\$0
Other General Expenses Explanation	\$425,033	\$382,530
Total Operating Expenses	\$3,559,850	\$3,225,205

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

1900 AFS	2010 AFS	2011 AFS
\$3,344,757	\$3,170,029	\$3,250,831

PHA Corrected 3 Year Historical Expenses:

2009 AFS	2010 AFS	2011 AFS	3 Year Average
\$3,580,327	\$2,328,720	\$3,524,788	\$3,144,612

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	\$4,270,440	560 Units	\$7,626 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	(\$213,522)	5.0% weighted average	
Other Income	\$47,711		
Effective Gross Income	\$4,104,629		
Total Operating Expenses	(\$3,225,205)	\$5,759 PUPA	
Annual Reserve Deposit	(\$269,148)	\$481 PUPA	
Net Operating Income	\$610,275		

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>4.500%</u>
Mortgage Insurance Premium %	<u>0.500%</u>
Amortization Term	<u>40</u>
Maturity Term	<u>40</u>
Debt Service Coverage Ratio	<u>1.20</u>
Maximum Supportable Mortgage Loan	<u>\$8,627,300</u>
Proposed Mortgage Loan Amount	<u>\$8,627,300</u>
Calculated Annual Debt Service	<u>\$508,558</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>\$0</u>
Payoff Existing Loans	<u>\$2,025,000</u>
Other Costs	<u>\$0</u>
Construction Costs	<u>\$6,852,621</u>
Relocation Costs	<u>\$401,100</u>

Professional Fees

Architecture & Engineering	\$111,000
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	\$5,000
Survey	\$10,300
Other Costs	\$0

Loan Fees and Costs

FHA MIP	\$72,791
FHA Application Fee	
FHA Inspection Fee	\$37,000
Financing Fee	\$192,586
Organizational Costs	\$500
Title Insurance/Exam Fee	\$21,837
Recordation Fee	\$57,357
Closing Escrow Agent Fee	\$5,000
Prepayment Penalty/Premium	\$0
Payables	\$0
Construction Interest	\$388,229
Construction Loan Fees	\$37,000
Cost of Bond Issuance	\$0
Other Costs	\$0

Reserves

Initial Deposit to Replacement Reserve	\$0
Initial Operating Deficit Escrow	
Operating Reserve	\$1,612,603
Tax and Insurance Escrow	\$0
Other Costs	\$0

Developer Fees

	\$695,000
--	-----------

aka Total Uses of Funds

Total Development Cost \$12,725,923

Section 12: Total Sources of Funds

Enter sources of funds for the proposed conversion.

New First Mortgage Loan	\$8,627,300
Public Housing Operating Reserves	\$0
Public Housing Capital Funds	\$1,323,623
Replacement Housing Factor	
Low Income Housing Tax Credit Equity - 4%	
Low Income Housing Tax Credit Equity - 9%	
Other/Local <u>Forgiveable State Loans</u>	\$2,025,000
Other/Local <u>FHLB AHP -- Montreal</u>	\$750,000
Other/Local	

Total Sources of Funds \$12,725,923

LIHTCs are not proposed; skip to Section 14

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

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

Do you have a LIHTC reservation?

No

Complete the rest of Section 13

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

Discussion of QAP timing

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

Demonstration of recent success obtaining 9% LIHTCs

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

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

Efforts to secure letter from credit-issuing authority

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

Likelihood of obtaining 9% LIHTCs

Section 14: Ranking Factors

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

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

(a) Are you receiving choice-mobility vouchers?

(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.

This AMP has 3 hi-rise communities: Cleveland is a 12-story building constructed in 1970, renovated in 2000. Cleveland has a computer room, library, religious services, pool table, and weekly grocery bus (JCC). Dunedin Terrace is a 10-story building constructed in 1966 and renovated in 1991. Dunedin has Presbyterian Homes Creative Senior Dining; beauty shop, senior support program, and a pool table. Montreal is an 18-story building constructed in 1970 and completely renovated in 1997. Montreal has Congregate Services assisting with meals, laundry and housekeeping. It also has Presbyterian Homes Creative Senior Dining, Accessible Space Program for brain-injured adults. Other services include Meals on Wheels, and a beauty shop. All 3 sites have emergency call cords, security-controlled entry, free parking, laundry facilities, community room and patio. All sites have resident councils, recycling programs, mobile post office, and bookmobile services. A police officer resides at each of these sites to provide police presence and community policing services. Each site is located near major bus routes. Cleveland and Montreal have 24/7 remotely monitored fire alarm system and were retrofitted with sprinkler systems. Dunedin has a fire alarm and sprinkler system. Each site is near shopping, banking, churches and health-care facilities.

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/repaired. 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 licensed 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-CAN, 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 budget includes an allowance for relocation, should the renovation scope of work require anything other than very short-term relocation. To the extent needed and practical, the authority will build up vacancies in anticipation of the renovations so that relocation can be handled on the property itself.

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 detailed 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. 17-8/23-08**

**APPLICATION FOR RENTAL ASSISTANCE DEMONSTRATION (RAD) PROGRAM FOR
DUNEDIN TERRACE (FAMILY) & DUNEDIN, MONTREAL & CLEVELAND HI-RISES
EXCEPT WEST SIDE DUPLEXES, AMP 8; MN001000008; 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, MN001000008, 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 DUNEDIN TERRACE

AMP No:	MN001000008
Units	576

Type of Conversion	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
	560	16	29
Explanation for de minimis reduction			Unit Count
Partial conversion			16

Pro Forma Sources and Uses		
Sources of Funds	Amount	Per Unit
New First Mortgage Loan	\$8,627,300	\$15,406
Public Housing Operating Reserves	\$0	\$0
Public Housing Capital Funds	\$1,323,623	\$2,364
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	\$2,025,000	\$3,616
FHLB AHP -- Montreal	\$750,000	\$1,339
Other	\$0	\$0
Total Sources of Funds	\$12,725,923	\$22,725
Uses of Funds	Amount	Per Unit
Acquisition Costs	\$2,025,000	\$3,616
Construction Costs	\$6,852,621	\$12,237
Relocation Costs	\$401,100	\$716
Professional Fees	\$327,300	\$584
Loan Fees and Costs	\$812,300	\$1,451
Reserves	\$1,612,603	\$2,880
Developer Fees	\$695,000	\$1,241
Total Uses of Funds	\$12,725,923	\$22,725

4.500% + 0.500% MIP / 40.0 years

Stabilized Cash Flow Pro Forma		
	Total	PUPA
Gross Potential Rents for RAD Units	\$4,270,440	\$7,626
Gross Potential Rents for Other Apartment Units	\$0	\$0
Gross Potential Rents for Commercial	\$0	N/A
Vacancy Loss and Bad Debt Loss	(\$213,522)	-\$381
Other Income	\$47,711	\$85
Effective Gross Income	\$4,104,629	\$7,330
Total Operating Expenses	(\$3,225,205)	(\$5,759)
Annual Deposit to Replacement Reserve	(\$269,148)	(\$481)
Net Operating Income	\$610,275	\$1,090
First Mortgage Debt Service	(\$508,558)	(\$908)
Operating Cash Flow	\$101,717	\$182

PHA's Explanation of Any Relocation of Tenants (Estimated Relocation Cost is \$401,100)
 The budget includes an allowance for relocation, should the renovation scope of work require anything other than very short-term relocation. To the extent needed and practical, the authority will build up vacancies in anticipation of the renovations so that relocation can be handled on the property itself.

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 DUNEDIN TERRACE

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
	\$3,344,757	\$3,170,029	\$3,250,831	\$3,255,206	\$3,225,205
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 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,

Jon Gutzmann
Executive Director

JMG/FAH

Attachment 1B: Financing Letter of Interest/Intent

Public Housing Agency of the City of St Paul RAD Application for DUNEDIN TERRACE

AMP No:	MN001000008
Units	576

Type of Conversion
PBV (Project Based Vouchers)

Pro Forma Sources and Uses		
Sources of Funds	Amount	Per Unit
New First Mortgage Loan	\$6,527,534	\$11,656
Public Housing Operating Reserves	\$0	\$0
Public Housing Capital Funds	\$0	\$0
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	\$2,025,000	\$3,616
FHLB AHP -- Montreal	\$750,000	\$1,339
Other	\$0	\$0
Total Sources of Funds	\$9,302,534	\$16,612
Uses of Funds	Amount	Per Unit
Acquisition Costs	\$2,025,000	\$3,616
Construction Costs	\$3,523,721	\$6,292
Relocation Costs	\$401,100	\$716
Professional Fees	\$327,300	\$584
Loan Fees and Costs	\$717,810	\$1,282
Reserves	\$1,612,603	\$2,880
Developer Fees	\$695,000	\$1,241
Total Uses of Funds	\$9,302,534	\$16,612

4.500% + 0.500% MIP / 40.0 years

Stabilized Cash Flow Pro Forma		
	Total	PUPA
Gross Potential Rents for RAD Units	\$4,270,440	\$7,626
Gross Potential Rents for Other Apartment Units	\$0	\$0
Gross Potential Rents for Commercial	\$0	N/A
Vacancy Loss and Bad Debt Loss	(\$213,522)	-\$381
Other Income	\$47,711	\$85
Effective Gross Income	\$4,104,629	\$7,330
Total Operating Expenses	(\$3,225,205)	(\$5,759)
Annual Deposit to Replacement Reserve	(\$269,148)	(\$481)
Net Operating Income	\$610,275	\$1,090
First Mortgage Debt Service	(\$384,782)	(\$687)
Operating Cash Flow	\$225,493	\$403

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
		\$3,344,757	\$3,170,029	\$3,250,831	\$3,255,206
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

Attachment 1B: Financing Letter of Interest/Intent

Demonstration of recent success obtaining 9% LIHTCs

N/A

Likelihood of obtaining 9% LIHTCs

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: