

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Mt. Airy Family Exterior Modernization;
Architectural & Engineering Services;
AMP 5; Contract No. 15-033

DATE September 24, 2014

Staff requests Board approval to enter into a contract with Braun Intertec Corporation, Minneapolis, Minnesota in an amount not to exceed \$281,705 for architectural and engineering services for investigating and repairing structural damage and replacing roofing, exterior trim and windows at 272 family public housing units at Mt. Airy Homes (AMP 5, MN 1-3).

The \$281,705 fee will be broken down as follows:

- 1) \$14,450 for inspection and testing of a representative number of the 272 dwelling units throughout the site;
- 2) \$11,660 for developing solutions and estimating their costs;
- 3) \$88,730 for developing construction documents for bidding and providing construction administration in 2015;
- 4) \$53,985 for bidding and construction administration in 2016;
- 5) \$55,610 for bidding and construction administration in 2017; and
- 6) \$57,270 for bidding and construction administration in 2018.

Staff asked for costs to spread the repair work over four years (2015-2018) due to anticipated limited funding from Capital Fund Program grants.

The work is necessary due to unexpected damage to walls, roofs and windows found during exterior trim replacement by Minnesota Construction on the first 14 buildings at Mt. Airy Homes (Contract No. 14-092). Staff authorized additional investigation and repairs and stopped the exterior trim replacement when the previously hidden damage was discovered. Staff believe the damage is due to several factors including the following:

- 1) Installation of first floor security screens on the original 1959 wood window frames without proper head flashing sometime in the early 1980's;
- 2) Improper flashing of aluminum trim in the 1990's; and
- 3) Normal wear and tear of items such as roof shingles.

The cost to correct the damage will not be known until Braun Intertec completes their investigation and submits their recommendations.

Braun Intertec provided construction documents and construction administration for the trim replacement on the initial 14 buildings (Contract No. 14-011). Staff stopped Braun Intertec's work and decided to issue a new request for proposals for consulting services when the scope of work was determined to be greater than originally thought.

Two engineering firms submitted proposals to provide the necessary architectural and engineering services. After evaluating the written proposals staff interviewed both firms on the basis of related experience, technical competence, M/W/DBE participation, Section 3 action plan and cost. Braun Intertec received the highest interview score and the highest overall evaluation score. Braun Intertec's fee is in line with staff's estimate for the work. It was discovered during the interview that the proposal from the second firm, Palanisami & Associate, did not include work in 2016, 2017 and 2018 nor the number and frequency of inspections and progress meetings required in the request for proposal. A summary of the proposal ratings is attached.

Braun Intertec Corporation has previously performed work satisfactorily for the PHA. A copy of the EEO Employer Information Reports for Braun Intertec Corporation and Palanisami & Associates are attached. Braun Intertec will perform the work with their current staff and will

contribute 2.5% of the contract amount to the PHA's Section 3 Training Fund. There is sufficient Capital Fund Program funding available for this contract.

DAL/mlp

Attachment: Summary of Proposal Evaluations
EEO-1 Employer Information Reports

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Vinyl Flooring at PHA Properties
Contract No. 15-035

DATE September 24, 2014

Staff requests approval to award a contract for furnishing and installing vinyl tile and accessories in all PHA buildings, on an as-needed basis, to the lowest responsible bidder, Natus Corporation, Saint Paul, Minnesota, at the unit bid prices indicated on the attached copy of the September 4, 2014 bid tabulation. The low bidder was determined by a formula (stated in the bid specifications), which included weighting factors for the various bid items based on past experience. Using this formula Natus Corporation was the lowest bidder with a bid of \$1,433.75; the second low bidder was Floors by Beckers with a bid of \$1,581.79.

This contract is for as-needed replacement or installation of vinyl composition tile, vinyl base and stair treads at PHA properties. While this contract will remain in effect for one year, there is a contract provision allowing the PHA to extend this contract by one additional year, up to a total of two years, if mutually agreeable to both the PHA and Natus Corp. Natus Corporation's unit prices are within staff's estimates for the work.

Natus Corp. has performed satisfactorily under previous PHA contracts for similar work. Copies of the Employer Information Report for Natus Corporation and Floors by Beckers are attached. Because this is a unit-price contract, it is not subject to the PHA's requirements of submitting a Section 3 Action Plan or contributing to the Section 3 Training Fund. Natus Corp. is a women-owned business enterprise (WBE). Staff expects to spend approximately \$200,000 per year under this contract. There are sufficient Operating Budget and Capital Fund Program funds available for this contract.

Attachments: Bid Tabulation; EEO-1 Reports

MIS/mlp

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Miscellaneous Concrete Work at
Various PHA Sites
Contract No. 15-036

DATE September 24, 2014

Staff requests approval to award a two-year contract for miscellaneous concrete work at various Agency sites (multiple AMPs) to the sole bidder, Joseph Construction, of Saint Paul, Minnesota, for the unit bid prices indicated on the attached September 11, 2014 bid tabulation. The low bid was determined by a formula stated in the bid specifications which weights the individual bid items on anticipated quantities for each type of work as illustrated in the bid tabulation. Using the formula, Joseph Construction's bid was \$83,650.

This is a service contract which includes work for replacement of concrete on an as needed basis, at all Agency locations. Joseph Construction was awarded the previous miscellaneous concrete contract (Contract No. 13-022) and their performance has been satisfactory. The unit bid price amounts stayed the same as the current contract prices.

Staff solicited bids by advertising in local newspapers and trade publications, and having the bid documents available via file download through our document services vendor, ARC. To encourage contractors to bid on this work, PHA staff contacted a number of select contractors directly to explain the scope of work and contract details. Despite these efforts, only Joseph Construction submitted a bid. Contractors who declined to bid informed staff they were currently too busy to take on the additional work and/or were too busy to prepare the bid documents.

**REPORT TO COMMISSIONERS – SEPTEMBER 24, 2014
MISCELLANEOUS CONCRETE WORK AT VARIOUS PHA SITES
CONTRACT 15-036
PAGE 2 OF 2**

The contractor is not a Section 3 business, but since this is a unit-price contract, they are not required to contribute to the Section 3 Training Fund or submit a Section 3 action plan. A copy of the Employer Information Report for Joseph Construction is attached.

BNF/mlp

Attachments

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Architectural Consultant Services
McDonough Homes Twelve-Plex
AMP 13; Contract No. 15-040

DATE September 24, 2014

Staff requests Board approval to enter into a contract with Adsit Architecture & Planning, Minneapolis, in an amount not to exceed \$126,982 for architectural and engineering services for the construction of twelve new units (two six-unit rowhouses) of public housing at McDonough Homes. Although McDonough Homes is identified as AMP 1 (previously MN 1-1), the new units would be reported as a separate asset management project (AMP 13) for their first year of operation. Then they could be merged into AMP 1.

The consultant will evaluate the site and develop construction documents for the two buildings after meeting with PHA and City staff and residents. The buildings will contain seven 2-bedroom two-story units and five 2-bedroom single-level units that will be accessible for persons with disabilities. The new buildings will be built near the intersection of Jackson Street and Timberlake Road on the McDonough Homes site (site plan attached). These units will replace some of the 36 McDonough Homes dwelling units that were lost when smaller units were combined to create larger family units.

The construction budget for the two new six-unit apartment buildings will be \$2,264,675 (\$188,723 per unit). This estimated cost was based on the 2013 construction cost of the new six-plex at Roosevelt Homes (total \$1,061,209; \$176,868 per unit) and the 2014 cost for constructing the new four-plex at Mt. Airy Homes (total \$845,500; \$211,375 per unit).

The projected \$188,723 per unit cost exceeds HUD's Housing Construction Cost (HCC) limit of \$142,408 for a 2-bedroom rowhouse unit. However, HUD will allow the PHA to exceed the HCC if the excess cost is paid from non-HUD funds. On June 10, 2014 staff submitted an application to Minnesota Housing (MHFA) for a \$1,080,000 loan under this year's Consolidated Request for Proposals (SuperRFP). The PHA Board approved submitting that funding application on May 28, 2014. The balance of the \$2,264,675 construction cost will be provided by the 2014 and 2015 Capital Fund Program grants. If Minnesota Housing does not approve the PHA's request, staff will investigate using other PHA Operating or Capital Fund Program resources. Staff expects that HUD's Minneapolis Field Office will approve the PHA's development application soon after the MHFA funding is secured, so the project can begin without delay.

Under the contract Adsit Architecture & Planning will provide all professional architectural and engineering services and a site survey. The contract will call for all construction documents to be completed to allow bidding in late winter of 2014, award of the construction contract at the February 2015 Board meeting, start of construction in March of 2015 and completion of construction by mid-December of 2015.

Three architectural firms submitted proposals to provide the necessary architectural and engineering services. Staff evaluated all of the proposals on the basis of related experience, technical competence, M/W/DBE participation, Section 3 action plan and cost. Adsit Architecture & Planning received the highest score. Adsit Architecture & Planning's estimated maximum fee was the lowest among the three proposals. A summary of the proposal ratings is attached.

Adsit Architecture & Planning has previously performed work satisfactorily for the PHA. A copy of the Equal Employment Opportunity Employer Information Report for Adsit Architecture & Planning and the second highest-rated firm, Blumentals Architecture, are attached. Adsit Architecture & Planning is a woman-owned business (WBE) that has committed to comply with Section 3 requirements in one of the following ways:

- Hire Section 3 employees
- Subcontract 25% of the work to Section 3 companies, or
- Contribute 2.5% of the contract amount to the PHA's Section 3 Training Fund.

There is sufficient FFY 2012 Capital Fund Program funding available for this contract.

DAL/mlp

Attachments

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS		FROM	JON M. GUTZMANN EXECUTIVE DIRECTOR
REGARDING	Funding Application to Minnesota Housing; Publicly Owned Housing Program (POHP); General Obligation (GO) Bond Funds; Dunedin Terrace Modernization Phase III, Hi-Rise Window Replacements, Hi-Rise Boiler Replacements, and Lighting Efficiency Upgrades at PHA Family Housing (AMP 1, 2, 3, 4, 5, 7, 8 & 9)	DATE	September 24, 2014

Staff requests Board approval of Resolution 14-9/24-03 authorizing staff to apply for up to \$13 million from Minnesota Housing (formerly known as Minnesota Housing Finance Agency - MHFA) under the Publicly Owned Housing Program (POHP), which is funded by General Obligation (GO) Bonds authorized by the Minnesota Legislature and signed by the Governor in the 2014 session. With the Board's approval staff will submit a total of 13 applications for loans to accomplish the following work that is necessary to preserve the public housing properties owned and managed by the PHA.

- 1) Complete the planned modernization of the Dunedin Terrace family housing development (AMP 8);
- 2) Replace windows at the Valley, Wabasha, Edgerton & Wilson Hi-Rises;
- 3) Replace sliding glass balcony doors at Wilson & Edgerton Hi-Rises;
- 4) Replace boiler systems at the Front, Iowa, Wilson, Ravoux, Hamline, Seal & Edgerton Hi-Rises; and
- 5) Improve lighting efficiency at PHA congregate and scattered site homes.

If approved by Minnesota Housing, the funds would come to the PHA in the form of 20-year forgivable loans. The State of Minnesota has allocated \$20 million of GO bond proceeds for the 2014 POHP program loans to preserve public housing. Applications must be submitted by November 5, 2014. Applications must commit PHA funds for a portion of the cost to accomplish the work as leverage. An attachment lists each of the 13 applications with estimated costs, proposed priority levels, and PHA

funds that can be leveraged. After the #1 project Dunedin Terrace modernization, the summary below is arranged by type of work, not in order of priority. The order of priority is found in the attached spreadsheet.

1. Dunedin Terrace Family Unit Modernization (Phase III - Final): Staff seeks Board approval to apply for \$2,918,888 under the POHP to complete the modernization of the remaining 36 family units in 9 buildings.

Dunedin Terrace contains 88 family units in 22 buildings that were built in 1966. One prototype building containing four family units was modernized in 2012 using Capital Fund Program (CFP) funds. Phase I modernized 36 family units in 9 buildings and was completed in 2014 using \$825,000 of 2012 MHFA POHP and HUD CFP funds awarded to the PHA. Phase II modernization is currently underway and is modernizing 12 units in three buildings using only CFP funds. To complete the modernization project staff proposes to match the POHP loan with \$1,000,000 of 2014 CFP funds for construction, \$136,500 of 2013 and 2014 CFP funds for architectural/engineering costs, and \$195,944 of 2014 and 2015 CFP funds for staff time to administer the loan and construction contracts. These CFP allocations will represent a leverage of approximately 34.0% of the requested POHP loan.

The planned work includes correcting sagging cantilevered floor joists on the second floor level, gutting and replacing bathrooms and kitchens, replacing windows, converting flat roofs to hipped roofs, removing damaged brick wing walls, replacing the original wood siding, improving ventilation and miscellaneous site improvements.

Staff considers this work to be the top priority for funding under this round of the POHP.

2. Window and Sliding Glass Balcony Door Replacement: Staff seeks Board approval to apply for \$2,291,276 under the POHP to replace the windows at the Valley, Wabasha, Wilson and Edgerton hi-rises and to replace the sliding glass balcony doors at the Wilson and Edgerton hi-rises.
 - Valley Hi-Rise has the original windows that were installed when the building was built in 1963. Staff considers replacing windows in this building to be the #2 priority project.

- Wabasha Hi-Rise has the original windows that were installed when the building was built in 1969. Staff considers replacing windows in this building to be the #4 priority project.
- Wilson Hi-Rise has the original windows and sliding glass balcony doors that were installed when the building was built in 1969. Staff considers replacing windows in this building to be the #6 priority project.
- Edgerton Hi-Rise has the original windows and sliding glass balcony doors that were installed when the building was built in 1974. All of the windows and sliding glass balcony doors in these four buildings are worn, energy inefficient and in need of replacement. Staff considers replacing windows in this building to be the #8 priority project.
- The PHA will provide \$173,515 of 2015 CFP funds for construction, \$148,727 of 2015 CFP funds for architectural/engineering costs, and \$123,939 of 2015 CFP funds for staff time to administer the loans and construction contracts for replacing hi-rise windows and sliding glass doors. These CFP allocations will equal a leverage of 18.7%.

Boiler and Domestic Hot Water System Replacement: Staff seeks Board approval to apply for \$7,298,890 under the POHP to replace the boiler and domestic hot water heating systems at the Front, Iowa, Wilson, Ravoux, Hamline, Seal and Edgerton hi-rises.

- Front Hi-Rise has the original boiler system that was installed when the building was built in 1969. Staff considers replacing the boiler in this building to be the #3 priority project.
- Iowa Hi-Rise has the original boiler system that was installed when the building was built in 1970. Staff considers replacing the boiler in this building to be the #5 priority project.
- Wilson Hi-Rise has the original boiler system that was installed when the building was built in 1969. Staff considers replacing the boiler in this building to be the #7 priority project.
- Ravoux Hi-Rise has the original boiler system that was installed when the building was built in 1970. Staff considers replacing the boiler in this building to be the #9 priority project.
- Hamline Hi-Rise has the original boiler system that was installed when the building was built in 1976. Staff considers replacing the boiler in this building to be the #10 priority project.

- Seal Hi-Rise has the original boiler system that was installed when the building was built in 1976. Staff considers replacing the boiler in this building to be the #11 priority project.
- Edgerton Hi-Rise has the original boiler system that was installed when the building was built in 1974. Staff considers replacing the boiler in this building to be the #12 priority project.
- All of the boiler systems in these seven hi-rise buildings are worn, energy inefficient, and in need of replacement. The PHA will provide \$401,850 of 2015 CFP funds for construction, \$741,520 of 2015 CFP funds for architectural/engineering fees, and \$401,850 of 2015 CFP funds for staff time to administer the loans and construction contracts. This works out to a leverage of approximately 18.7%.

Family dwelling unit lighting efficiency upgrades: Staff seeks Board approval to apply for \$440,970 under the POHP to implement energy-efficient lighting improvements in family dwelling units.

Staff have worked with the Center for Energy and Environment (CEE), a non-profit firm that recommends comprehensive lighting improvements at the PHA's family dwelling units that would cost an estimated \$979,490 and would have an energy savings payback of 1.5 years. If the PHA accomplishes the lighting improvements CEE will deliver \$538,520 of Xcel rebates to the PHA. The \$538,520 of rebates through CEE and Xcel would be counted for leverage of approximately 59.98%.

Staff considers the lighting improvement in family units to be the #13 priority project.

JMG/DAL/FAH

Attachments: Resolution No. 14-9/24-03
Cost Spreadsheet

SAINT PAUL PUBLIC HOUSING AGENCY

RESOLUTION NO. 14-9/24-03

**AUTHORIZATION TO SUBMIT APPLICATIONS FOR STATE
GENERAL OBLIGATION (GO) BOND FINANCING FROM
MINNESOTA HOUSING
FOR PUBLICLY OWNED HOUSING PROGRAM**

WHEREAS, Minnesota Housing (formerly known as Minnesota Housing Finance Agency) issued a Request for Proposals (RFP) on August 5, 2014 and will accept applications for State of Minnesota General Obligation (GO) Bond financing for public housing rehabilitation and preservation under their Publicly Owned Housing Program (POHP); and

WHEREAS, staff has determined that the following modernization work is needed to preserve the public housing units that are owned, managed and maintained by the Public Housing Agency of the City of Saint Paul (PHA):

- 1) Completion of the Dunedin Terrace family area modernization at 36 dwelling units contained in 9 buildings,
- 2) Replacement of the original windows at the Valley, Wabasha, Wilson and Edgerton hi-rises,
- 3) Replacement of sliding glass balcony doors at the Wilson and Edgerton hi-rises,
- 4) Replacement of original boiler systems at Front, Iowa, Wilson, Ravoux, Hamline, Seal and Edgerton hi-rises, and
- 5) Lighting efficiency improvements at PHA congregate and scattered site family units; and

WHEREAS, these projects have been included in the PHA's Agency Plan and Capital Fund Program budgets and plans; and

WHEREAS, staff has determined that applications to the Minnesota Housing in response to their August 5, 2014 Publicly Owned Housing Program (POHP) Request for Proposals should include requests for funding to allow the PHA to complete the projects listed above; and

WHEREAS, receipt of Minnesota Housing funding under POHP program will allow the PHA to complete the modernization and preservation work listed above; and

WHEREAS, the PHA has committed Capital Fund Program funding to act as leverage for the receipt of the POHP funding as requested by Minnesota Housing; and

NOW THEREFORE BE IT RESOLVED by the PHA Board of Commissioners of the PHA as follows:

1. Staff are authorized to prepare and submit the following applications for funding in response to Minnesota Housing's Request For Proposals for General Obligation (GO) Bond financing under their Publicly Owned Housing Program (POHP);
 - a. \$2,918,888 for completion of modernization in the remaining 36 dwelling units in 9 buildings at Dunedin Terrace.
 - b. \$2,291,276 for replacement of windows at the Valley, Wabasha, Wilson and Edgerton hi-rises and for replacement of sliding glass balcony doors at the Wilson and Edgerton hi-rises.
 - c. \$7,298,890 for replacement of boiler systems at the Front, Iowa, Wilson, Ravoux, Hamline, Seal and Edgerton hi-rises.
 - d. \$440,970 for installation of lighting efficiency upgrades at PHA congregate and scattered site homes.
2. The Executive Director, or his duly authorized agents, are authorized to execute all documents that are required to submit the funding applications to Minnesota Housing; and
3. The Executive Director, or his duly authorized agents, are authorized to execute the Minnesota Housing loan documents to accept the funding.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Revising Late Rent Payment Service
Fees in Public Housing; Admission and
Occupancy Policies; Amending Agency Plan

DATE September 24, 2014

Staff recommends Board approval of Resolution No. 14-9/24-01 to revise the late rent payment service fee for all public housing units effective October 1, 2014, as required by a recent decision of the Minnesota Supreme Court. This would be an amendment to the Agency Plan. The new late rent fee will be 8% of the overdue rent payment, replacing the late fee of \$20 that has been in the PHA's policies since February 2000. (A late rent fee of \$10 was first instituted in 1982.) The revised Admission & Occupancy Policy section is attached, with the old language ~~interlined~~ and the proposed new language double-underlined.

On August 27, 2014 the Minnesota Supreme Court struck down a \$25 late rent payment fee that the Duluth Housing & Redevelopment Authority charged public housing residents who failed to pay their rent when it was due. In the case of Duluth HRA vs. Brian Lee the Court held that the housing authority's \$25 late rent fee was prohibited by a Minnesota statute (M.S. §504B.177(a)) that limits late rent fees to "8% of the overdue rent payment". A copy of the court decision is attached.

The State statute at issue was effective January 1, 2011. However, the St. Paul PHA, like the Duluth HRA and other Minnesota housing agencies, continued to charge a flat fee for late rent payments, relying on a provision in federal law that says a public housing agency may charge a late rent fee that is "not unreasonable". The State statute says the 8% limit does not apply to agencies administering federal housing programs if it "conflicts with ... a federal statute,

regulation, or handbook”. However, the Supreme Court concluded that the State’s 8% limit does not conflict with the federal standard.

Following the 8% limit, the PHA will now calculate the late rent payment service fee separately for each resident whose rent payment is late. The fee will be lower than the current \$20 for many (lower income) residents and higher for others (who have higher incomes). For a resident paying the minimum rent of \$50, the late rent payment service fee would \$4 at the 8% rate, compared to the current \$20 fee. However, a resident whose “overdue rent payment” is higher than \$250 would face a fee of more than \$20.

Where residents pay some of their own utilities and receive a utility allowance, the 8% limit will apply only to the rent portion that they owe the PHA. For example, the “total tenant payment” is \$90 for a resident whose adjusted monthly income is \$300 (30% of adjusted income). If that resident lives in a unit with a \$60 utility allowance, the rent payable to the PHA is \$30, and the late rent fee would be \$2.40. A resident household whose utility allowance exceeds their total tenant payment receives a monthly check from the PHA for utility costs (a utility reimbursement or “negative rent”). In that case there would be no late rent payment service fee.

Staff is also recommending imposing no late rent payment service fee of less than \$1.00, which mean there is no fee on late rent balances under \$13.00.

On the advice of General Counsel Louise Seeba, the late rent fee on the “overdue rent payment” will be based on the actual overdue rent amount, so it will be lower if the resident has paid part of the month’s rent. For example, a resident whose rent is \$500 and who paid \$300 on time, still owing \$200, would be charged a late rent fee of \$16 (8% of \$200). Furthermore, the late fee will not accumulate month to month. For example, a resident whose rent is \$100 and who failed to

pay the entire \$100, would be charged a late rent fee of \$8 (8% of \$100). The following month, if the resident fails to pay the \$100 rent for a second month, the late rent fee would be \$8 (8% of \$100) and not \$16 (8% of \$100 for month one, plus 8% of \$100 for month two). It may be necessary to revise internal procedures to be sure that all possible late rent scenarios follow the new late rent service fee legal requirements.

Staff has identified the residents who have paid the late rent service fee since January 2011 and recalculated the amount they would have paid with the 8% limit. Current residents who overpaid will receive a rent credit or refund, and staff will send refunds to former tenants who have moved out. Residents paid \$121,880 in late fees from January 2011 to the present (out of \$48,076,181 rent charged). Staff's preliminary calculations show that refunds totaling approximately \$35,000 would be paid to about 2,500 households. Credits will be posted in October (to appear on November rent statements) for fees over 8% that were assessed for late payments of rent in prior months. This process will continue until the Agency's procedures and computer software can be revised.

Staff will print a notice to all residents on their rent statements for rent due October 1, 2014 and in the following months. Staff will also discuss the late rent changes with the Resident Advisory Board and at the public hearing on the Agency Plan amendments to be held in November.

FAH/

Attachments: Resolution No. 14-9/24-01
Public Housing Admission and Occupancy Policies Part 5 (excerpt)
Minnesota Supreme Court Decision in Duluth HRA vs. Brian Lee

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING Section 8 Housing Choice Voucher Program; Increase Payment Standards and Extend Shopping Time

DATE September 24, 2014

Staff requests Board approval of Resolution No. 14-9/24-02 to increase the payment standards for the Housing Choice Voucher Program as explained below, and to temporarily extend the “shopping time” for voucher holders. These measures would be amendments to the Admission and Occupancy Policies for the Section 8 Housing Choice Voucher Program and to the Agency Plan. If approved, the higher payment standards would take effect on October 1, 2014 for new voucher participants and current participants who are moving to new units, and beginning January 1, 2015 for current participants with annual recertifications of eligibility that are effective on that date or later. The temporary extension of the shopping time would be effective immediately. The proposed changes to the Admission & Occupancy Policies are attached, with the old language interlined and the proposed new language double-underlined.

Staff is recommending that the PHA make its payment standards equal to those used by the Metropolitan Council’s Housing & Redevelopment Authority (Metro HRA). Currently Metro HRA’s payment standards for most communities are as follows:

	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Metro HRA’s Current Payment Standards	\$ 651	\$ 800	\$ 970	\$ 1,305	\$ 1,530	\$ 1,760	\$ 1,990
% of 2015 FMR	101.6%	100.5%	97.4%	93.0%	92.4%	92.4%	92.4%

(Metro HRA uses a somewhat higher scale for select communities that have higher average rents. Staff does not believe it is necessary to match those payment standards.) Metro HRA’s staff is currently considering raising their payment standards and may decide on the new amounts before the PHA’s Board meeting.

Staff is recommending Board approval to raise the PHA’s payment standards to match Metro HRA’s at the amounts they set for the federal fiscal year beginning October 1, 2014. That will remove the current incentive for voucher holders in St. Paul to “port out” with their voucher to a suburban area in Metro HRA’s jurisdiction where the subsidy is higher. As of the end of August 2014, 538 of the PHA’s vouchers were being used in other jurisdictions, compared to only 93 that had “ported in” to St. Paul from elsewhere. Higher payment standards will also make more units in low-poverty areas of the City available to voucher holders, which may reduce current concentrations in some higher-poverty areas.

The PHA's current payment standards are as follows:

	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
PHA Current Payment Standards	\$640	\$754	\$925	\$1,282	\$1,455	\$1,673	\$1,892
2015 FMR 10/1/2014 (proposed)	\$641	\$796	\$996	\$1,403	\$1,656	\$1,904	\$2,153
PHA Payment Standards as % of 2015 FMR	100%	95%	93%	91%	88%	88%	88%

HUD regulations allow housing authorities to set their payment standards between 90% and 110% of the FMRs, so the current payment standards for the three largest unit sizes would not comply unless changed as proposed.

Raising the payment standards and extending the shopping time would help families with vouchers who are searching for a unit by giving them more access to units that have somewhat higher rents, allowing greater choice and mobility. It would also help the PHA utilize more of the annual budget authority approved by HUD for the voucher program.

The Section 8 payment standards are the maximum subsidy amount that the PHA can pay for each size of rental unit (by number of bedrooms). The participant pays 30% of monthly adjusted income (minus utility allowances for tenant-paid utilities) towards their rent and the PHA pays the difference up to the contract rent or the payment standard, whichever is lower. If the contract rent stated in the lease plus the utility allowance exceeds the payment standard, the tenant pays any additional costs over the payment standard (subject to the PHA's determination that the rent is reasonable for the unit). The tenant's total payment is limited to 40% of the family's monthly adjusted income at the time of initial move-in but there is no such restriction thereafter. That "40% affordability limit" is preventing many voucher holders from leasing new units in the current tight rental market with rising rents.

(Despite its terminology, HUD does not dictate to the rental housing market what the "fair" market value of a unit is. The FMR is simply a reference point used to define subsidy limits for the Section 8 voucher program and other HUD subsidy programs. It is statistically derived from surveys of large numbers of "standard" rental units in the private market, excluding new and luxury units. The FMRs are adjusted annually for inflation and other factors. For the Twin

Cities metropolitan area, HUD now sets the FMR at the 40th percentile of rents, meaning that 40% of standard rental units have rents including utilities at or below that amount. Since the PHA can set its payment standards only between 90% and 110% of the FMR's, at least half of all rental units have rent and utility costs higher than the FMR.)

The PHA did not change its payment standards last year, when the FMRs increased by 2.7% to 2.9%. Two years ago the Board approved increases for units with two to six bedrooms. This year the (proposed) FMR's will increase by 5.3% on October 1, 2014. It is possible but unlikely that the final published FMRs will differ from the proposed amounts.

If these recommended increases are approved, they will be implemented gradually for current participants remaining in the same units, as annual recertifications take place over the next year. Staff will continue to review the reasonableness of any requested rent increases, to prevent voucher subsidies from artificially inflating the market rents. Staff estimates that if the payment standards were raised to Metro HRA's current amounts, monthly HAP payments would increase by approximately \$39,584 or \$475,000 annually after all of the increases are implemented. The PHA's budget authority for Housing Assistance Payments (HAP) this year is more than adequate to cover this increase, since expenditures to date have been about \$500,000 below revenues.

HUD requires housing authorities to evaluate their payment standards as part of the annual SEMAP certification. Part of that evaluation is to determine the number of families who are "rent-burdened", meaning that they are paying more than 30% of monthly adjusted income toward their share of rent. If more than 40% of families in a particular unit size are rent-burdened, HUD can require the housing authority to raise their payment standards. When staff analyzed the rent burdens of current voucher participants this month, 875 families met the

definition of rent-burdened, ranging from 29% of households in three-bedroom units up to 36% of families in two-bedroom units. No families are paying more than 40% of their income.

Increasing the payment standards to Metro HRA's current levels would reduce the number of families paying more than 30% of income by approximately 200, and bring the percentage of rent-burdened families below 30% for all unit sizes.

Another test of the adequacy of payment standards is the "shopping success rate" of voucher holders who are "shopping" for a unit to rent. The shopping success rate of all new families continues to drop. For the applicants drawn from the waiting list from February through April of this year, the shopping success rate stands at 83% (106 of 127 families placed their vouchers in those months). Approximately 340 more vouchers were issued to eligible applicants on the waiting list in May, June, and July, and most of them are shopping for a unit. Allowing more shopping time as recommended should help some of them lease a unit with their voucher. However, current market trend data from GVA Marquette Advisors and HousingLink show decreasing vacancy rates in the metro area. That trend means that voucher participants are likely to have increasing difficulty finding units to rent. Increasing the payment standards would make more units available and affordable. Current HUD funding is adequate to cover the HAP costs under the recommended payment standards.

FAH/DJM

Attachment: Resolution No. 14-9/24-02
Admission & Occupancy Policies Part 2 (Excerpt on Shopping Time)

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL
RESOLUTION NO. 14-9/24-02

ADMISSION & OCCUPANCY POLICIES FOR THE SECTION 8
HOUSING CHOICE VOUCHER PROGRAM;
CHANGE IN PAYMENT STANDARDS;
TEMPORARY EXTENSION OF SHOPPING TIME

WHEREAS, the Public Housing Agency of the City of St. Paul (PHA) has in effect Section 8 Admission and Occupancy Policies, dated February 23, 2000 as amended; and

WHEREAS, the Policies set forth the Payment Standards which determine the amount of subsidies which can be paid for the Section 8 Housing Choice Vouchers; and

WHEREAS, HUD regulations require that payment standards be set between 90% and 110% of the Fair Market Rents (FMRs); and

WHEREAS, HUD published new Fair Market Rents for the Twin Cities effective October 1, 2014, increasing the FMRs for all unit sizes; and

WHEREAS, the low vacancy rate and rising rents in the Twin Cities area including St. Paul are making it difficult for holders of Housing Choice Vouchers to rent suitable units; and

WHEREAS, increasing payment standards and by extending the shopping time allowed to voucher holders to locate and lease a suitable unit may help voucher holders rent suitable units; and

WHEREAS, there has been considered at this meeting the staff's recommendation that the PHA make its payment standards equal to those used by the Metropolitan Council's Housing & Redevelopment Authority (Metro HRA), at the amounts that agency chooses for this coming federal fiscal year beginning October 1, 2014; and

WHEREAS, there also has been considered at this meeting the staff's recommendation to temporarily extend the "shopping time" for voucher holders, to increase their opportunities to rent suitable units;

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 Payment Standards for the Housing Choice Voucher Program are hereby revised to be equal to those used by the Metropolitan Council's Housing & Redevelopment Authority (Metro HRA), at the amounts that agency chooses for this coming year, and this action shall take effect on October 1, 2014 for new voucher participants and current participants who are moving to new units, and beginning January 1, 2015 for current participants with annual recertifications of eligibility that are effective on that date or later.

2. As a temporary measure to maximize voucher utilization during Calendar Year 2014, the PHA may grant an additional 30 days of shopping time in addition to what is stated in the Admission and Occupancy Policies, for the holder of an unexpired voucher that was issued between June 1, 2014 and September 30, 2014. The initial term plus any extensions may reach but not exceed a total period of 120 calendar days from the beginning of the initial term.
3. The Admission and Occupancy Policies for the Section 8 Housing Choice Voucher Program and the Agency Plan are amended accordingly.

PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

**FROM JON M. GUTZMANN
EXECUTIVE DIRECTOR**

REGARDING St. Paul – Ramsey County Health Services:
Statewide Health Improvement Program
(SHIP) Grant: SHIP 3 Contract Amendment

DATE September 24, 2014

Staff requests Board approval to amend the PHA's current contract with the St. Paul-Ramsey County Public Health Department (Public Health) to accept an additional \$39,040 in grant funding to implement programs and services under SHIP 3. This would be the first amendment to the contract.

Background: The PHA's current contract with Public Health (PHA Contract No. 15-017) is effective from May 1, 2014 – October 31, 2015. The contract provides \$90,000 to pay salary and benefits for a part-time (30 hour/week) SHIP Grant Coordinator to assist with the continued implementation of SHIP related activities in the areas of active living, nutrition and tobacco reduction. In May 2014, Betsy Christensen was hired as the PHA's part-time SHIP Grant Coordinator.

While staff has started the process of implementing some SHIP 3 activities, funding is still needed to pay for specific items such as purchasing additional bike racks and bike stations, hosting SHIP related events and workshops, purchasing gardening related supplies, and providing stipends to resident volunteers who assist with implementation and trainings. In addition to paying for SHIP 3 activities, a portion of these funds will also be used for the professional development of the SHIP Grant Program Coordinator. If approved, staff will amend the current contract with Public Health for the additional funds.

ANH

Attachment: Proposed Projected PHA 2014-2015 SHIP 3 Budget