

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: APRIL 1, 2020

REGARDING: APPROVAL OF GUIDELINES FOR THE BRIDGE FUND FOR FAMILIES; APPROVAL OF THE GUIDELINES FOR THE BRIDGE FUND FOR SMALL BUSINESSES GRANT PROGRAM; AND ALLOCATION OF \$3,300,000.00 OF HOUSING AND REDEVELOPMENT AUTHORITY RESOURCES TO THE SAINT PAUL BRIDGE FUND.

Requested Board Action

1. Approval of the Saint Paul Housing and Redevelopment Authority (“HRA”) Bridge Fund for Families Program Guidelines (the “Families Program Guidelines”).
2. Approval of the Saint Paul Housing and Redevelopment Authority (“HRA”) Bridge Fund for Small Businesses Program Guidelines (the “Business Program Guidelines”).
3. Approval of allocation of \$1,000,000 of Housing and Redevelopment Authority Housing Trust Fund Dollars.
4. Approval of allocation of \$2,300,000 of Housing and Redevelopment Authority Business program resources, including: \$623,854 Business Assistance, \$118,256 Pre-Development, \$408,602 Strategic Investment Fund (SIF), \$291,472 Job Opportunity Fund, and \$857,816 Neighborhood Parking.
5. Approval of a Budget amendment.

Background

The Saint Paul Bridge Fund is designed to provide emergency relief in response to the economic impacts of COVID-19. While adapting to the rapidly changing COVID-19 situation, the City of Saint Paul has a duty to ensure not only the health and safety of residents, but also a responsibility to ensure all of us can find relief amid the economic impact of the pandemic. The

Saint Paul Bridge Fund will provide emergency relief for both families and small businesses in the city that need it most.

Bridge Fund for Families

The Saint Paul Bridge Fund for Families (“Families Program”) intends to prevent displacement of households impacted by COVID-19 job losses by providing immediate temporary housing assistance to complement state and federal funds, and to fill the urgent need until this aid is deployed. At a time when the traditional classroom has transitioned to a virtual one, and where “home” is a necessary ingredient for maintaining health - ensuring housing stability is even more critical. Families with school-aged children earning low incomes are already particularly vulnerable to increased housing instability and homelessness, and the COVID-19 crisis will have a magnified impact. Research shows housing instability and homelessness are disruptive to a child’s educational experience and ability to focus on learning, and have lasting negative impacts.

The impact of business closures in Saint Paul is likely to disproportionately impact low-income families including many service workers. According to Minnesota Housing Partnership’s analysis of the COVID-19 pandemic’s housing impact, average wages for nearly 20 impacted jobs in service and retail fall within income targeting criteria proposed for the Families Program.

The Families Program will provide qualified families with grants of \$1,000 for immediate housing assistance, including, but not limited to: rent/mortgage payments; utilities; or other expenses. Assistance is limited to one payment per household. A \$1,000 grant is expected to help support a family’s ability to cover one month of median housing expenses for both renters and homeowners—\$935 and \$1,558, respectively.

The grant is designed to provide bridge support for families to meet their housing needs until additional resources are available at the state and federal levels, and to complement these sources. In order to successfully bridge federal and state aid to support families in crisis, this approach requires speed and simplicity. Providing a flat grant of \$1,000 to each of the 1,000 families will allow staff to award grants quickly and provide families with immediate relief.

In light of the Federal COVID-19 Response package anticipated to be passed by Congress and signed into law, staff's intent is to propose a level of assistance complementary to federal assistance levels, while also acknowledging the high level of need for low-income families. As such, staff have revised an initial proposed level of assistance equivalent to two month's housing expenses, but are now recommending an amount equivalent to one month of assistance.

Eligibility requirements are defined in the attached Family Program Guidelines. Families issued a grant must meet all of the following, among other criteria defined in the Family Program Guidelines:

- Be a renter or homeowner in the City of Saint Paul
- Have a minor child present in the household
- Have a gross household income at or below 40% of Area Median Income prior to change in employment due to COVID-19, for a family of four 40% Area Median Income is currently \$40,000
- Have experienced a significant loss of income due to COVID-19

Staff plans to accept applications beginning April 8, 2020 and ending April 19, 2020. If on April 19 the HRA has received more applications than funding available, a lottery will be implemented to randomize all applications received. The first 1,000 applications will be considered for eligibility determination. Any applications not selected during the lottery process (i.e., assigned a number greater than 1,000) will be placed on a waiting list and considered for future eligibility determination, dependent on remaining program funds. The application requests: basic information regarding income and household composition; eligibility information; demonstrated wage losses due to COVID-19; intended use of grant funds.

Bridge Fund for Small Businesses

The Saint Paul Bridge Fund for Small Businesses ("Business Program") intends to serve businesses affected by the COVID-19 pandemic who are most vulnerable to permanently closing during this crisis. These businesses are small 'mom and pop' shops that rely on retail traffic,

sales to the general public, and are not deemed essential businesses by Minnesota State Executive Orders in 2020.

Executive Orders 20-04 and 20-08 closed or significantly altered the operations of some of Saint Paul's most vulnerable businesses, including restaurants, food courts, coffeehouses, cafes, taverns, clubs, salons, barbershops and other places of public accommodation, and community gathering spaces offering food and beverage services. According to the DEED quarterly Census of Employment and Wages, and Minnesota Department of Revenue Sales and Use Tax Statistics, there are over 700 businesses of these types in Saint Paul, and, in better times, they employ almost 15,000 workers. Such businesses also make up the fabric of the neighborhoods of Saint Paul.

The Business Program will provide qualified businesses with grants of \$7,500 for immediate business expenses, including, but not limited to: rent/mortgage payments; employee health benefits; leave payments and payroll; and payments due to suppliers.

According to research by JP Morgan Chase, half of all small businesses have only 27 or fewer days of cash on hand. Extended temporary closures threaten the ability of the businesses to avoid permanent closure. The average restaurant only has 16 days of cash on hand. A typical independent micro-business has monthly revenues of \$8,000 - \$12,000 and take-home profits of only \$2,000 (source: Metropolitan Consortium of Community Developers). A grant of \$7,500 will make a significant impact on those business owners' ability to survive a few months without needing to abandon their business to make ends meet. A flat amount for all businesses greatly simplifies the application process for applicants and staff, reducing city expense and accelerating the speed to award the grants to eligible businesses.

Eligibility requirements are defined in the attached Business Program Guidelines. Businesses issued a grant must meet all of the following, among other criteria defined in the Business Program Guidelines:

- Be a for-profit business located in the City of Saint Paul that serves the general public
- Have had twenty full-time-equivalent (FTE) employees or fewer
- Have less than \$2 million in annual gross revenue
- Have a physical establishment that has operated and conducted business within the City of Saint Paul for at least six months
- Have experienced a significant loss of revenue due to COVID-19

Staff plans to accept applications beginning April 8, 2020 and ending April 19, 2020. If on April 19 the HRA has received more applications than funding available, a random lottery will be implemented for qualified applicants. The application requests: basic business and ownership information; eligibility information; an estimate of losses due to COVID-19; intended use of grant funds; and a business's plans for reopening. Applicants will be required to provide appropriate documentation, and commit to reporting on use of the grant funding, employees retained or rehired, and sales information.

Budget Action

The attached Financial Analysis amends the 2020 HRA budget by allocating sources previously budgeted in the Housing Trust Fund, HRA Loan Enterprise Fund and HRA Parking Enterprise Fund. If the resolution is approved, the balances in the HRA Loan Enterprise Fund and HRA Parking Enterprise Fund will be as follows:

HRA Loan Enterprise: Business Assistance Activity: \$0

HRA Loan Enterprise: Pre-Development Activity:\$0

HRA Loan Enterprise: Strategic Investment Fund (SIF):\$0

HRA Loan Enterprise: Job Opportunity Fund (JOF):\$100,000

Neighborhood Commercial Parking Program:\$29,068

Future Action

Future budget actions are expected related to private donations to the Saint Paul Bridge Fund.

Financing Structure

Bridge Fund for Families

\$1,000,000 will be used to make \$1,000 one-time emergency relief grants to families to be used for housing expenses, including, but not limited to: rent, mortgage payment, or utilities. Assistance is limited to one payment per household. Housing Trust Fund resources will fund direct assistance for families, and administrative expenses will be covered through PED's administrative budget.

Bridge Fund for Small Businesses:

\$2,250,000 will be used to make 300 one-time emergency relief grants of \$7,500 to small businesses for any immediate business expenses, including, but not limited to: rent, mortgage payments, utilities, employee health benefits, leave payments and payroll, and accounts payable.

\$50,000 is planned to support outreach and application assistance work provided to community business assistance partners.

PED Credit Committee Review - N/A

Compliance - N/A

Given the nature of the Bridge Fund, the use, size and source of funds, compliance requirements do not apply.

Green/Sustainable Development – N/A

Environmental Impact Disclosure - N/A

Historic Preservation - N/A

Public Purpose/Comprehensive Plan Conformance:

The Families Program Guidelines and requested allocation meet objectives of the Housing Plan, adopted as part of the City’s Comprehensive Plan. The Resident Program would support both Strategy 2: Preserve and Promote Established Neighborhoods, and Strategy 3: Ensure the Availability of Affordable Housing Across the City. Direct assistance to be used for housing payments will support the preservation of private affordable housing at deep levels of affordability for those most burdened by the cost of rent, in turn alleviating pressures leading to displacement and homelessness.

The Business Program Guidelines and requested allocation meet objectives of the Land Use Plan, adopted as part of the City’s 2030 Comprehensive Plan, Section 1, Strategy 19: “Promote conditions that support those who live and work in Neighborhood Centers, including frequent transit service, vibrant business districts, a range of housing choices, and community amenities.” and Strategy 28: " Promote conditions that support those who live and work along Mixed-Use Corridors, including frequent transit service, vibrant business districts, and a range of housing choices.” Specifically, the Business Program will help retain businesses that create “vibrant business districts” throughout the City.

Statement of Chairman (for Public Hearing) - N/A

Recommendation:

The HRA Interim Executive Director recommends that HRA commissioners approve the Bridge Fund for Families Program Guidelines; approve the Bridge Fund for Small Businesses Program Guidelines; approve the allocation of \$3,300,000 to the Bridge Fund: \$1,000,000 for the Bridge Fund for Families and \$2,300,000 for the Bridge Fund for Small Businesses; approve the 2020 HRA Budget Amendment; and authorize and direct the HRA Interim Executive Director, staff, and legal counsel to take all actions necessary to execute any agreements, documents, instruments in connection with Family Program and the Business Program.

Sponsored by: Chair Chris Tolbert

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Attachments

- **Family Program Guidelines**
- **Business Program Guidelines**
- **Financial Analysis**