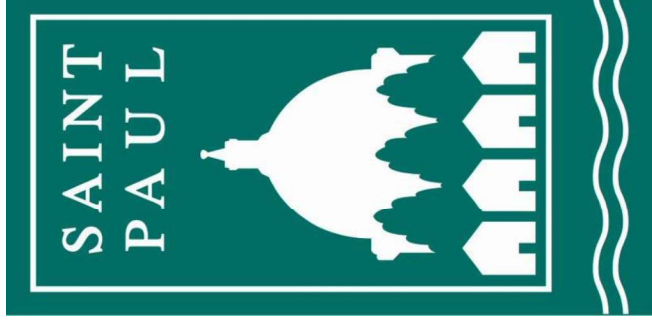


Housing and Redevelopment Authority

Planning and Economic Development

2021 Budget Proposal



Reflecting on 2020

CHALLENGES

- **Department leadership changes**
 - Director position vacant for over a year
 - Deputy Director essentially doing both jobs
 - New Director hired in August 2020
- **COVID 19**
 - Staff shifted to working from home
 - Focus and efforts shifted to quickly standing up Bridge Fund
- **George Floyd murder and civil uprising**
 - Emotional and physical impacts

Reflecting on 2020

HIGHLIGHTED EFFORTS

- **Bridge Fund**
 - Successfully deployed \$4.1m in grants to 1265 families and 380 small businesses.
- **Housing Trust Fund**
 - New wealth building and housing stability policy focus and program investments including **4d NOAH preservation, Community Land Trust, Families First** school stability housing pilot, **Downpayment Assistance**, expanded scope for **Rental Rehab**
- **Cultural Destination Areas**
 - Increased investments to Cultural Destination Areas through Neighborhood STAR and Cultural STAR
- **Data systems inventory and development**
 - PED/HRA currently lacks central data management systems for most of our work, relying on spreadsheets for investment tracking. In 2019 and 2020 we worked with OTC and a consultant to thoroughly assess our needs.

Criteria guiding 2021 budget process

Pillars and Values:

- Lifelong learning
- Economic justice and inclusion
- Community first public safety
- Equity
- Innovation
- Resilience

COVID-19 Response and Recovery

- Serve the immediate needs of all residents and businesses
- Protect the physical and financial health of employees
- Reduce and stop the spread of COVID-19

City Revenue COVID Impacts

Approximately 65% of City General Fund revenues are Property Taxes and Local Government Aid

COVID impacts to other major sources of City revenue and:

- **Parking system revenues** – down 60% in 2020 due to cancelled events and office worker parking contracts
- **Sales Tax revenues** – impacts to PED-administered Neighborhood and Cultural STAR programs
- **Parking Meters** - April meter collections only 12% of budget
- **Franchise Fees** - significantly impacted by reduced commercial energy use
- **Building Licenses** - 52% below budget in April

HRA-PED COVID Revenue Impact

- Several PED revenue streams have been negatively impacted by the COVID-19 pandemic.
 - Some impacts are immediate, such as a significant drop in **sales tax** and **parking revenues**.
 - Others, including **property taxes**, could be impacted over the next few years if there is a more protracted economic downturn.
- Given these dynamics and significant community needs, we have identified strategic reductions in department operating expenses, starting in 2020, as well as areas where we can increase revenues.

Civil Uprising: Economic Justice and Equity

Influenced budget proposal

Added emphasis on

- community wealth building
- community ownership
- community-driven reimagining and rebuilding

Department Priority Services

- **Engagement** to define strategy and policy to build generational community wealth
- **Policy work** to advance equity, resilience, innovation and economic justice
- **Regulatory review** supporting real estate development investments
- **Investments** in business and job growth
- **Investments** in housing affordability – production, preservation, and protections

Budget Strategies

- Maintain core operations without eliminating positions
- No increase in HRA levy from 2020 level
- Reduce operating expenses
- Increase operating revenues through increases in grant management fees

No Increase in HRA Levy

- The Housing and Redevelopment Authority (HRA) levy supports capital investments and staffing for the HRA and the Department of Planning and Economic Development
- **As with the City levy for 2021, the HRA levy will be held at the 2020 levy amount.** This is not a time to increase property taxes for families and small businesses struggling with multiple crises.

Reduce Operating Expenses

- To reduce operating expenses, **PED delayed hiring for eight vacant staff positions for all or part of 2020 and will hold two high level positions vacant in 2021** (Supervisor of Loan Servicing, Housing Principal Project Manager)
- In determining vacancies to fill, we prioritized key operations functions such as accounting and community service roles.
- **Other reductions:**
 - Scaled back intern budget for up to 4 part time interns in 2021 rather than up to 10
 - Reduced need for printed materials and postage by going digital with Planning Commission and Heritage Preservation Commission

Increase Revenues

To defray staff grant management expenses:

- Increase grant administration fees for pass through redevelopment grants
- Recoup eligible staffing costs connected to Federal grant investments when applicable

How is the HRA funded?

HRA revenues include:

- Property tax levy
 - Conduit bond fees
 - TIF administration fees
 - Property sale revenues
 - Parking fund revenues
-
- HRA revenues flow into a number of different accounting funds. HRA revenues that are not budgeted for operations or investments are saved in the fund and referred to as fund balance.
 - Between **75-80% of PED operations budget** and about **half of the investment funds for affordable housing and business growth** are funded with HRA unrestricted revenues
 - HRA unrestricted revenues are also used to support other City functions. **Nearly \$4 million of HRA transfers to the City General Fund** and to other entities are proposed in 2021
 - One-time revenues in the HRA funds have sustained operations and continued investments for years. However, **annual expenses exceed revenues between \$4-6 million annually** and the fund balance is being rapidly depleted

2021 HRA Proposed Budget Summary

Revenue Sources	2021 Proposed	Expenses	2021 Proposed
HRA General Fund	8,506,060	HRA General Fund	10,172,265
HRA Loan Enterprise Fund	4,412,725	HRA Loan Enterprise Fund	11,030,060
Palace Theatre Special Revenue Fund	295,823	Palace Theatre Special Revenue Fund	295,823
HRA Debt Service Fund	4,421,338	HRA Debt Service Fund	5,830,677
HRA Dev. Capital Projects Fund	5,295,823	HRA Dev. Capital Projects Fund	6,295,823
HRA Parking Enterprise Fund	16,348,841	HRA Parking Enterprise Fund	22,707,734
HRA World Trade Center Parking Ent. Fund	2,379,486	HRA World Trade Center Parking Ent. Fund	2,379,486
Total	41,660,096	Total	58,711,868
		Use of All Fund Balances	(17,051,772)
		Est. Fund Balances Available 12/31/2020	23,873,774
		Est. Fund Balances Available 12/31/2021	6,822,002
		2021 Funds Supporting Other City Departments and non-PED activities	3,992,717

Snippet from document "2021 HRA PED Proposed Summary by Fund 9-21-20"

2021 HRA General Fund Summary

HRA General Fund (flexible funds)*			
Revenue Sources	2021 Proposed	Expenses	2021 Proposed
Budgeted HRA Tax Levy	4,410,938	PED Administration	6,575,000
Conduit bond fees	1,672,872	Services	1,028,602
Other fees	50,000	Property Maintenance	941,000
TIF Admin. Advance Repayments	47,250	Materials & Supplies	5,000
Investment Interest	25,000	TIF Admin. Advances	110,000
Transfers from Loan Enterprise Fund	2,300,000	Transfers Out	474,797
Total	8,506,060	Support for Other City Functions	1,037,866
Use of Unrestricted Fund Balance	1,666,205	Total	10,172,265
Total	10,172,265		

Snippet from document "2021 HRA PED Proposed Summary by Fund 9-21-20"

2021 HRA Loan Enterprise Fund Summary

HRA Loan Enterprise Fund (flexible funds)*		
Revenue Sources	2021 Proposed	2021 Proposed
Expenses		
Grants/Contributions	1,035,000	206,500
Loan/Advance Principal & Interest	1,273,409	145,719
Fees and Services	571,500	200,000
Investment Interest	25,000	1,667,000
Transfers In	1,472,816	30,000
Intrafund Transfers In	35,000	50,000
Total	4,412,725	1,710,000
Use of Unrestricted Fund Balance	6,617,335	50,000
Total	11,030,060	253,566
		100,000
		50,000
		300,000
		250,000
		250,000
		496,953
		909,661
		333,059
		580,000
		120,143
		35,000
		867,459
		2,300,000
		125,000
		11,030,060

Snippet from document "2021 HRA PED Proposed Summary by Fund 9-21-20"

2021 HRA Funds Supporting Other City Functions

Description	2018	2019	2020	2021
Staff				
City Council: Policy Analyst	\$84,322	\$84,322	\$84,322	\$84,322
General Staff: Citizen Participation	\$18,486	\$18,486	\$18,486	\$18,486
HREEO: Contract Compliance	\$841,787	\$539,966	\$539,966	\$539,966
HRA Board of Commissioners	\$183,233	\$183,233	\$183,233	\$183,233
Mayor's Office: Policy Analyst/IGR	\$145,422	\$145,422	\$145,422	\$145,422
OFE	N/A	\$88,646	\$121,909	\$121,135
Right Track	\$191,437	\$241,437	\$191,437	\$191,437
Non-HRA Use	\$1,583,000	\$1,944,150	\$5,182,327	\$2,708,716
TOTAL	\$3,002,687	\$3,245,662	\$6,467,102	\$3,992,717

HRA fund balance depletion

- Local Gov't Aid cuts in the early 2000s, combined with City levy freezes, required turning to other sources; PED was removed from any General Fund support for operations at that time
- Business model for PED was to survive on revenues, this business model requires saving those revenues for future operations costs and investments
- Heavy reliance on HRA sources for:
 - PED operations, which inflate every year given salary and fringe increases
 - Other city functions including program operations for Right Track and staff in HREEO, the Mayor's Office, City Council and the Office of Financial Empowerment
- Property sale revenues, fees from issuing revenue bonds and the HRA levy have held off the deficit
- **Annual spending exceeds revenues \$4-6m**, depleting prior year revenues held in fund balance

How is PED funded?

- PED is funded primarily with revenues generated by the Housing and Redevelopment Authority, including an HRA levy
 - Annually, **between 75% and 80% of the PED operating budget is funded with HRA resources**
- Other revenues to PED include:**
- **Federal HUD grant administration dollars** connected to CDBG and HOME grants to the City
 - Project-specific project management staffing costs covered by **STAR program sales tax dollars**
 - **Fees** for zoning actions and pass through development grant management

2021 PED Operations Proposed Budget Summary

PED Operations Internal Service Fund			
Revenue Sources	2021 Proposed	Expenses	2021 Proposed
HRA Tax levy and Other Sources	5,317,017	Salaries & Fringe Benefits	9,478,577
HRA Conduit Bond Fees	2,225,000	Services	2,015,837
HRA Parking & TIF Admin.	1,390,850	Materials & Supplies	81,750
Federal Grants Admin.	1,869,597	Capital Outlay	30,000
Star Admin.	475,000	Transfers Out	186,200
PED-Other Fees	514,900	Total Expenditures	11,792,364
Total Revenues	11,792,364		

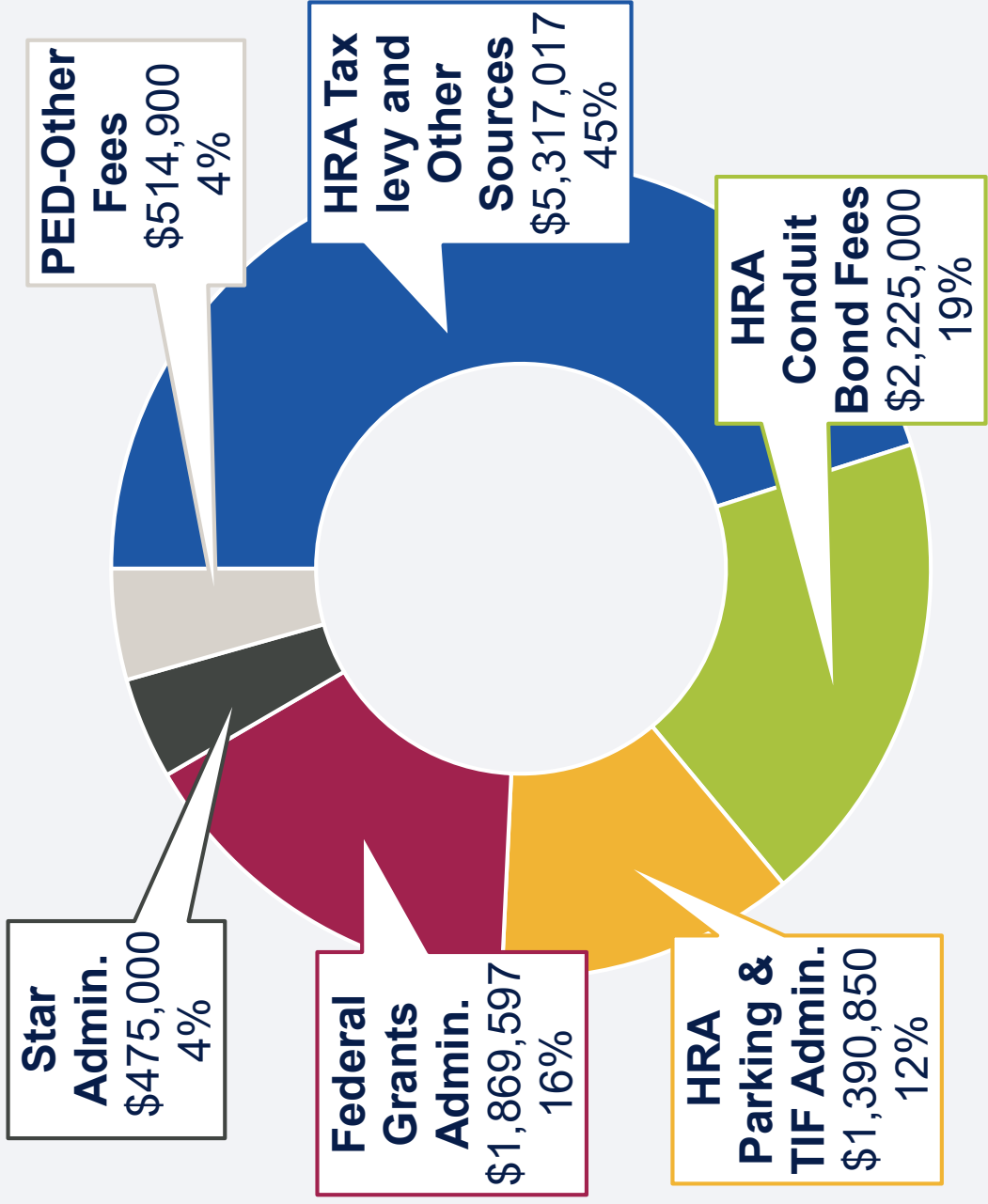
Snippet from document "2021 HRA PED Proposed Summary by Fund 9-21-20"

2021 PED Operations Proposed Budget Summary

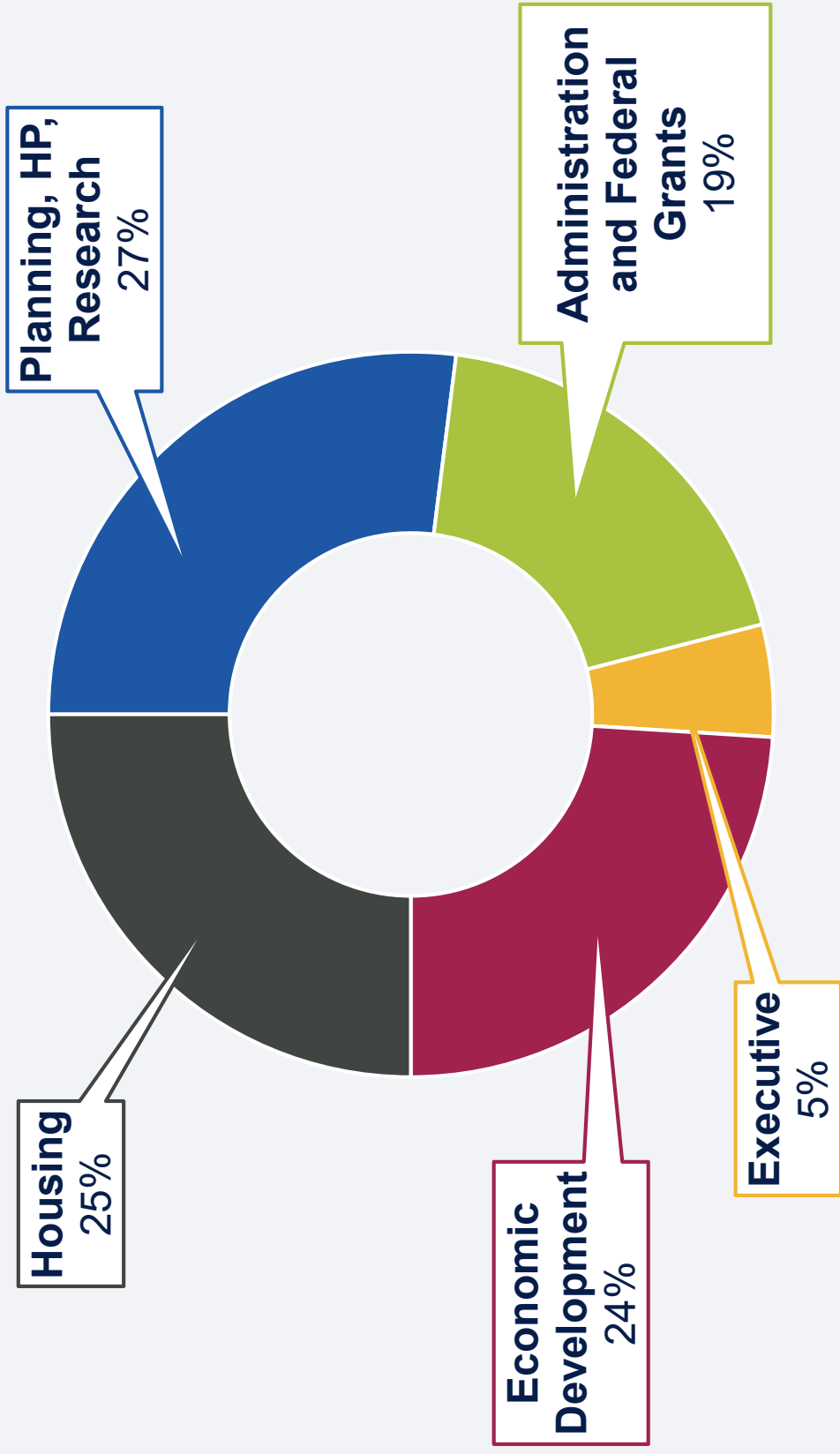
Total Funding

Sources:

- \$11.792 Mill.
- \$8.933 M (76%) funded by the HRA



PED FTE breakdown by business division



2021 Proposed Program Investments

Investments in recovery, reimagining and rebuilding:

- **\$5 million:** 3rd year commitment to Housing Trust Fund
- **\$1 million:** 2020 civil uprising business assistance
- **\$710,000:** Citywide business assistance
- **\$460,000:** Permanent supportive housing for unsheltered residents
- **\$250,000:** BIPOC-owned business technical assistance
- **\$250,000:** BIPOC small developer growth program
- **\$25,000:** New community engagement methods

Other investments:

- **\$300,000:** Continued investment in Full Stack
- **\$200,000:** Data management system
- **\$15,000:** Citywide wetlands inventory and plan

Housing Trust Fund

2021 PROPOSED INVESTMENT: \$5 million

The Housing Trust Fund is designed to:

- deepen housing affordability to meet the needs of those with the lowest incomes,
- build wealth for residents and communities, and
- pursue innovative approaches to meeting housing needs.

2021 is the 3rd year commitment to the Housing Trust Fund:

- **\$3 million** in current and advance revenues from the World Trade Center Ramp
- **\$1.4 million** from STAR sales tax revenues
- **\$600,000** from the HRA Loan Enterprise Fund

Housing Trust Fund

2021 PROPOSED INVESTMENT: \$5 million

- **Overview**
 - **Total upfront commitment:** \$10 million, over 3 years
 - **Committed to date:** ~\$6 million
 - **Disbursed to date:** ~\$500k, not including Bridge Fund
 - Disbursements will continue in steady increments through new 4d, Downpayment Assistance, Families First and Community Land Trust programs.
- **Additional funding secured (\$1.8 mill. total):**
 - **\$1 mill.:** Minnesota Housing
 - **\$300,000:** Pohlad Foundation
 - **\$225,000:** Saint Paul and Minnesota Foundation
 - **\$165,000:** McKnight Foundation
 - **\$100,000:** Family Housing Fund

Housing Trust Fund

2021 PROPOSED INVESTMENT: \$5 million

- **Investment Outcomes To Date:**
 - **Families First:** 36 families enrolled; goal of 250 by end 2022
 - **4d:** 1,138 NOAH units preserved
 - **Downpayment Assistance:** 3 homeowners assisted, goal of 60
 - **Community Land Trust:** 11 units funded to be produced/preserved
- **2021 Proposed New Investments:**
 - **Inspiring Communities:** RFP to be released late 2021/early 2022, including ADU demonstration project
 - **NOAH Preservation:** Create guidelines to purchase/preserve at-risk NOAH units
 - **Homeowner Resilience and Stability:** Explore needs of low-income homeowners to increase stability/resilience

2020 civil uprising business assistance

2021 PROPOSED INVESTMENT: \$1 million

- Unlike for COVID impacts, there are no resources that have been identified by the state, and limited resources from the Federal government, to assist businesses impacted by the civil uprising following the murder of George Floyd. Many of these impacted businesses were under- or uninsured and/or displaced.
- New ownership models and wealth building opportunities for BIPOC community members will be prioritized.
- **Proposed approach:** We will work with our community partners on how best to deploy these funds to support small business recovery and vitality. It's likely that the money will have the greatest impact if invested as grants and/or forgivable loans to small, independently-owned businesses.

Citywide business assistance

2021 PROPOSED INVESTMENT: \$710,000

- The base annual HRA budget allocates \$150,000 annually from HRA reserves for business assistance to recruit, retain, and support the expansion of Saint Paul businesses.
- Even before COVID, there has been an increased demand for business capital, and consistent gaps in conventional lending particularly for start up, early-stage and very small businesses. With COVID business impacts there are greater needs for capital investment in new business models, services and retrofits.
- This fund of flexible dollars has supported business recruitment and expansion including Upsie, MISCO and Alula, all within the tech sector and La Michoacana's expansion to East 7th Street.
- These flexible dollars will allow for investments in reinventing business to survive COVID and thrive after.

Permanent supportive housing for unsheltered residents

2021 PROPOSED INVESTMENT: \$460,000

- Investments along the housing continuum are important to reducing homelessness in our community. Producing and preserving deeply affordable permanent housing, including permanent housing with supportive services, is important to provide sufficient suitable housing options to allow people to move out of homelessness and to reduce the burden on shelter system.
- **Proposed approach:** Incentivize production of permanent supportive housing, in partnership with priorities established through the City/County unsheltered working group and Ramsey County's newly-announced housing trust fund.

BIPOC- owned business technical assistance

2021 PROPOSED INVESTMENT: \$250,000

- Small businesses across Saint Paul are feeling deeply stretched and vulnerable due to the impact of COVID and the recent civil uprising. Many need to invent new business models and methods for engaging and serving customers.
- **Proposed approach:** Support free access for Saint Paul businesses to consultants with a variety of expertise.
- **Example:** Contract with NCXT to provide digital platform consulting to restaurants to drive customer traffic

BIPOC small developer growth program

2021 PROPOSED INVESTMENT: \$250,000

- Real estate development provides an opportunity to meet community goals and needs through development of the physical landscape and physical structures. Further, the business of real estate development itself is an opportunity for workforce development and wealth building.
- Nationwide and regionally, the real estate development industry has maintained homogeneity given several barriers to entry, including:
 - Specialized skill set and training
 - Significant upfront capital requirements
 - Reliance on networks and relationships, and past developer track record

Proposed approach: Work with partners who have existing training and financing programs for developers to support access for BIPOC developers working in Saint Paul.

Examples:

- Urban Land Institute - Real Estate Diversity Initiative
- National Development Council training
- LISC BIPOC developers initiative
- Minnesota Housing's Capacity Building grants
- Mentorship by established developers

New community engagement methods

2021 PROPOSED INVESTMENT: \$25,000

- COVID has significantly impacted the way people interact and communicate. This combined with an increased emphasis on community-driven decision making crucial to shape a just and equitable city, demand new community engagement methods.
- **Proposed approach:** test several tools, some with a price tag
 - Existing technologies - e.g. Microsoft Teams Live Events, Web-ex, ArcGIS Story Maps
 - New technologies with robust Q&A, small breakout discussion groups, instant input features, and follow-up engagement
 - Enhanced, socially-distanced pop-up tools
 - Funds for boosted social media posts
- **Key uses**
 - **Recover, Reimagine, Rebuild** - develop community-driven strategies that focus on BIPOC-owned businesses and community wealth
 - **Large site redevelopment projects** – e.g. Sears site, Snelling Midway
 - **Citywide zoning studies** to remove regulatory barriers to investment

Full Stack

2021 PROPOSED INVESTMENT: \$300,000

- Continue an ongoing annual investment of \$300,000 of HRA funds for scholarships to tech sector accelerated training and placement programs and investments in entrepreneurial tech sector business growth.
- This is a proven strategy to address disparities in unemployment disproportionately impacting BIPOC and low-income residents.
- Tech training gives residents transferrable job skills in a sector in particularly high demand due to COVID driven economic shifts and access to jobs less vulnerable to COVID exposure than other sectors with low barriers to entry such as hospitality

Data management system

2021 PROPOSED INVESTMENT: \$200,000

- Due to decades of little to no investment in data management systems within the department, PED currently manages all of our investment and client data primarily in several uncoordinated Excel spreadsheets and a handful of single-purpose systems.
- In 2018, PED engaged an IT business analyst to assess the department's systems for tracking and reporting investments and outcomes. The primary recommendation was to develop a unified investment data management system.
- In 2019 and 2020, PED has worked to develop system requirements and OTC has recommended an iterative build approach for the system.
- **Proposed approach:** We plan to begin work on building the tracking system with OTC and a Business Analyst consultant in late 2020. \$200,000 additional funds proposed will support the completion of that system, system testing and documentation and user protocols and staff training.

Citywide wetlands inventory and plan

2021 PROPOSED INVESTMENT: \$15,000

- The last wetlands plan done in 2008. The inventory is incomplete and the plan didn't focus on strategies to preserve these natural features as an asset while facilitating redevelopment.
- An inventory and plan would better position the City for future development projects - streamlining planning and clarifying public-private expectations for land use and wetland impacts
- Cost ~ \$100,000, Capitol Region Watershed District to fund half the cost. City sources:
 - Public Works - up to \$30,000 via the adopted City Local Surface Water Plan
 - PED recommends \$15,000 in 2021
 - Parks to contribute use of their parkland areas

Parking Fund Stability

- Parking revenues have been significantly impacted by the COVID-19 pandemic, due to losses in event parking and office worker parking contracts.
- To maintain stability in the parking fund:
 - Retain \$1.5m in revenues from the 2019 sale of the Spruce Tree Ramp
 - Make strategic capital improvements and defer some large capital projects to 2022
 - Lesser demand for uses of funds not connected to maintaining the HRA parking system
- The Parking Fund has sufficient reserves for operations and debt service

STAR Programs

- The STAR program is an important resource for neighborhood capital investments and funding for cultural events.
- STAR is sourced with a half-cent local option sales tax, which has been significantly impacted by COVID.
- Proposals for the STAR program budgets will be presented to the City Council on October 21st.

Going forward

2021 Focus Areas

- Emphasize equitable development strategies, programs and projects
- Implement systems for organization and efficiency, including investment tracking system
- Address and propose solutions to the long standing imbalance in the budget