



STPAUL.GOV

**Housing and Redevelopment Authority  
Department of Planning and Economic Development**

# **2022 Budget Proposal**



## Reflecting on 2021

### **PED Director hired at the end of budget season last year**

- 6 months into the pandemic, amid plunging revenues in parking and other sources
- 3 months after the murder of George Floyd and resulting civil unrest
- More than a year after the previous PED Director resigned, who had only been in the position for 18 months
- Entire tenure thus far has been with staff and colleagues working remotely

### **Immediate needs during the 2021 budgeting process were**

- COVID-19 response and recovery
- Serving the immediate needs of all residents and businesses
- Protecting the physical and financial health of employees



## Budget strategy overview

### Primary budget strategies for last year

- **No increase in HRA levy** from 2020 level
- Two critical positions held open and then cut in 2021

### Primary budget strategies for 2022

- **Increase the HRA** levy by \$609,791, utilizing approximately 93.7% of the projected total capacity under the State law maximum cap
- Add **\$500,000 in City General Fund** support
- **Reinstate** two positions cut last year - **Grants Manager and Loan Servicing/Real Estate Manager**
- **Add** two positions - **Multifamily Team Lead and Loan Specialist Assistant**
- **Modify** open vacancy of Supervisor of Rehabilitation to **Single Family Team Lead**
- **No new programs. Focus on implementing programs already in place and tightening up processes for what we already do.**



## What I've learned this year

- We have an amazing team in PED, but staffing issues and lack of processes and procedures have led to longstanding operational deficits and associated **risks and opportunity costs**.
- Since the early 2000s, the department has lost 27 positions or 22% of the department, including mid-level manager roles and core operations roles. The results of these long-standing staffing cuts include but are not limited to:
  - We are **missing key operations positions** to manage assets and oversee compliance with Federal, State and local laws and ordinances
  - The department **organizational structure is too flat**, with each division director having between 14 and 18 direct reports
  - Staff are exhausted from doing more with less, year after year. **Three staff recently gave notice in a single week.**



## Risks and opportunity costs

There are **enormous risks and opportunity costs** connected to these low staffing levels and systems deficits, including but not limited to:

- **Audit findings and significant financial penalties**
  - **Failure to meet compliance requirements** including eligibility review, contract oversight, and ongoing outcomes reporting have already resulted in State Auditor and HUD audit findings.
  - Persistent failures carry a **risk of financial penalties** including **repayment of investment funds** and **loss of future grant funds**.



## Risks and opportunity costs

### Loss of Federal grant funds

- HUD requires that we spend a significant portion of our annual allocation of HUD CDBG dollars each year, and if we do not meet the spending requirements, we are at **risk of HUD reducing the funding allocation**
- Due to limited staffing to develop strong ongoing investment strategies and to manage programmatic and project investments, every year we are **dangerously close to not meeting the spending requirements**, and therefore at risk of a funding reduction



# Risks and opportunity costs

## Loan repayments not received

- Our loan portfolio is comprised of **just under 1,400 loans** for affordable housing and business expansion with a **value of over \$160 million**
- The **Loan Servicing/Real Estate Manager** position has been vacant since 2018. The position was cut in 2021 when the decision was made to make temporary 2020-2021 cuts permanent.
- We routinely have **many loans past due and many that require workouts**, but we do not have the staff capacity to regularly pursue payments or collections
- Given the minimal expertise of staff working with the loan portfolio, it is **not clear whether we are meeting compliance requirements**



## Risks and opportunity costs

Property assets remain undeveloped, off the tax rolls and cost an average of \$1 million annually to maintain

- **The HRA owns nearly 200 properties for redevelopment.** Most are vacant single-family lots or parcels that have been assembled to form larger redevelopment sites. We have not had the staff capacity to research the types of funding involved in the acquisitions of many of the parcels, which often creates restrictions on disposal. **Some of them have been owned by the HRA for decades.**
- The **estimated market value** for these properties, even undeveloped, is more than **\$14 million dollars**. The property tax value of these properties if redeveloped would be **orders of magnitude larger**.
  - For example, a single-family lot at 685 Rivoli had an estimated market value before it was developed of \$4,900 in 2017. Now, with a newly constructed single-family home, the assessed value is \$238,500.
- The **costs to maintain this property are significant**. The property management costs, including snow shoveling, mowing, special assessments and PED staff time is approximately **\$1 million each year**.





# 2022 Budget Proposal

Continue our important work in **housing stability and affordability, business support and innovation, and equitable development/community wealth building**, while investing in PED department organizational structure, staffing and systems required **to achieve the department's mission and to minimize risks and exposure.**

- **Increase the HRA** levy by \$609,791, utilizing approximately 93.7% of the projected total capacity under the State law maximum cap
- Add **\$500,000 in City General Fund** support
- **Reinstate** two positions cut last year - **Grants Manager and Loan Servicing/Real Estate Manager**
- **Add** two positions - **Multifamily Team Lead and Loan Specialist Assistant**
- **Modify** open vacancy of Supervisor Rehabilitation to **Single Family Team Lead**
- **No new programs. Focus on implementing programs already in place and tightening up what we already do.**



## 2022 Major HRA Program Investments

- **\$2 million** 4th year commitment for the Housing Trust Fund
- **\$300,000** Ongoing Full Stack Saint Paul
- **\$200,000** Ongoing Strategic Investment Fund (SIF)
- **\$150,000** Ongoing Citywide Business Assistance Fund
- **\$300,000** Data Management system build out

**All are ongoing programs and investments. No new programs are proposed for this year.**



# Housing Trust Fund

## 2022 PROPOSED INVESTMENT: \$2 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.
- **2022 ongoing programs and initiatives**
  - **Inspiring Communities:** RFP to be released late 2021/early 2022; Accessory Dwelling Unit demonstration project proceeding
  - **NOAH Preservation:** Create financing tool and guidelines to purchase/preserve at-risk Naturally Occurring Affordable Housing units
  - **Homeowner Resilience and Stability:** Explore needs of low-income homeowners to increase stability/resilience



# Housing Trust Fund

- **Investments to date**
  - 2019: \$6 million, 2020: \$5 million, 2021: \$5 million
- **Allocations to date**
  - 4(d): \$192,000
  - CLT Pilot & Rondo CLT Capacity: \$1,100,000
  - Downpayment Assistance: \$1,500,000
  - Permanent Supportive Housing: \$460,000
  - Families First Housing Pilot: \$3,000,000
  - Saint Paul Bridge Fund for Families: \$540,000
- **Outcomes to date**
  - Preserved 1,749 units through the 4(d) Program
  - Funded 32 new low-income homebuyers with our Downpayment Assistance Program
  - Supported housing stability for 51 extremely low-income families through the Families First Housing Pilot
  - Assisted 1,265 families through the Saint Paul Bridge Fund



# Full Stack Saint Paul – Budget Proposal

**2021 estimated carry forward \$107,661 2022 PROPOSED INVESTMENT: \$300,000**

## 2022 Proposed Budget

### Proposed Sources - \$525K

\$107,661	Estimated carry forward balance from 2021 budget
\$300,000	Annual investment request (HRA)
<u>\$117,339</u>	New private sector fundraising and/or state or federal grant resources
<b>\$525,000</b>	

### Proposed Uses - \$525K

\$260,000	Scholarships for tech training via MSP Tech Hire, including new UX Academy
\$55,000	Communications and marketing staffing on social media, website, public relations
\$60,000	Event sponsorship of tech and innovation events in community
\$100,000	New Tech Fund investment program such as potential tech/startup business recruitment, accelerator/incubator growth and development, tech training center development,
<u>\$50,000</u>	Specialized technical assistance for brick-and-mortar businesses
<b>\$525,000</b>	



# Full Stack Saint Paul - 2021 Highlights

**Mission: Full Stack leverages the power of tech and innovation to drive sustainable, equitable economic development in Saint Paul.**

- Funded 26 tech training scholarships through MSP Tech Hire including:
- Developed new UX Academy with Right Track, Prime Digital, Ramsey, DEED focused on young BIPOC leaders
- Approved two more rounds of Restaurant Resiliency Project
- Completed technology implementation and onboarding for 16 more restaurants; Engaged additional public and private stakeholders; Researched and published restaurant tech resources here [ncxt.co/restaurant-technologies](https://ncxt.co/restaurant-technologies); Now leveraging services from Unilever, Land O Lakes with priority outreach in cultural districts and civil unrest impacted corridors
- Launched a new Full Stack Saint Paul website at [FullStackSaintPaul.com](https://FullStackSaintPaul.com) as well as social media, newsletter, and public relations support to advance storytelling, engagement, and education
- Recruited and oriented seven new Steering Committee leaders and reengaged continuing members



# Strategic Investment Fund

## 2022 PROPOSED INVESTMENT: \$200,000

- The base annual HRA budget allocates \$200,000 from HRA resources for the Strategic Investment Fund (SIF) program to **recruit targeted jobs to Saint Paul.**
- The guidelines for this program target forgivable loans to businesses that are profitable and currently operating outside of Saint Paul. Requests are scored to determine an amount per job created, ranging from as little as \$500 up to \$3,000.
- Since 2014 (including current year) we have spent an average of \$68K per year, with a total of 6 businesses recruited, with the largest loan for \$175,000 in 2019 for Alula (and 125 new FTE jobs to Saint Paul). Average loan size is \$1,310 per pledged job.
- Proposed allocation will cover the potential for another project of the scale of Alula, while also providing the flexibility for multiple recruits.
- All loans awarded through this program require HRA Board approval.



# Citywide Business Assistance

**2021 estimated carry forward \$610,000\*    2022 PROPOSED INVESTMENT: \$150,000**

- 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.
- This flexible program is essential for assisting worthwhile projects that don't fit the guidelines or timing of our other programs (for example, STAR; SIF; CDBG).
- Since 2014 (including current year) we have spent an average of \$184K per year, with 3 to 4 projects in a typical year. Largest use was in 2020 with \$402K spent on six projects (such as Upsie, La Michoacanta Purepecha, and Five Star Café).
- Annual allocation will cover most of an average year's use and maintaining a reasonable balance will allow for above-average variances.
- We currently seek to structure all deals as repayment loans in order to create more long-term solvency.

\* The Citywide Business Assistance program was recapitalized in 2021, after balances were allocated to the Bridge Fund





# Data Management System

**2021 (updated) est carry forward: \$100,000    2022 PROPOSED INVESTMENT: \$300,000**

- PED currently maintains investment data mostly in spreadsheets and lacks process documentation to ensure consistent protocols and training materials for new staff.
- In 2020, system requirements for completed and reviewed by OTC and PED leadership
- In 2021, wireframes, data fields, use and test cases have been developed and feedback incorporated, along with alignment of ITS requirements with a new HRA property tracking ArcGIS database.
- We are currently working with OTC and HREEO to preparing and RFQ for release by the end of 2021
- Up to \$400,000 will be invested in 2022 in building the system, establishing protocols for system use, and training staff.



## HRA Funds: Requirements for reserves or fund balances

Whether there are restrictions on uses or on reserves of the fund balances varies by fund type.

- **HRA General Fund** and **Loan Enterprise Fund** are the only dollars that are unrestricted.
- While there is no formal policy, we retain a **15% operating reserve** for the **HRA General Fund** and **Loan Enterprise Fund**, including the HRA portion of the PED Operations budget.
- The **Parking Fund** includes a number of reserves – both required by lenders and best practices – including reserves to cover debt service, repairs and operations.



# 2022 HRA Proposed Budget Summary

Revenue Sources		2022 Proposed	Expenses		2022 Proposed
HRA General Fund		10,378,873	HRA General Fund		11,005,097
HRA Loan Enterprise Fund		906,744	HRA Loan Enterprise Fund		8,223,627
Palace Theatre Special Revenue Fund		178,278	Palace Theatre Special Revenue Fund		178,278
HRA Debt Service Fund		4,479,160	HRA Debt Service Fund		4,374,550
HRA Dev. Capital Projects Fund		2,778,278	HRA Dev. Capital Projects Fund		2,778,278
HRA Parking Enterprise Fund*		15,190,854	HRA Parking Enterprise Fund*		20,502,013
HRA World Trade Center Parking Ent. Fund		2,184,523	HRA World Trade Center Parking Ent. Fund		2,184,523
<b>Total</b>		<b>36,096,710</b>	<b>Total</b>		<b>49,246,366</b>
*Includes \$6,565,546 that is shown in both revenue and expense for budgeting purposes (intrafund transfers and parking meter revenue transferred back to the City).			Use of Fund Balance Including use of HUD Rental Rehab Funds		(13,149,656)
			Est. Unrestricted & HUD Rental Rehab Fund Balance Available 12/31/2021		15,239,240
			Est. Unrestricted Available 12/31/2022		2,089,584
			2023 Est. Use of Fund Balance**		(8,910,554)
			Est. Unrestricted Available 12/31/2023		(6,820,970)
			<b>Total HRA Funds Supporting Other City Departments in 2022</b>		<b>2,699,967</b>
			** 2023 Assumptions: Parking NOI \$4 million, no change in FTEs or HRA tax levy, 2% personnel increases.		



## 2022 HRA General Fund Summary

HRA General Fund (flexible funds)*					
Revenue Sources		2022 Proposed	Expenses		2022 Proposed
HRA Tax Levy		5,054,007	PED Administration		7,200,146
Conduit bond fees (ongoing)		2,223,147	Services		908,540
Other fees		50,000	Property Maintenance		941,000
TIF Admin. Advance Repayments		26,719	Materials & Supplies		5,000
Investment Interest		25,000	TIF Admin. Advances		210,000
Transfers from Loan Enterprise Fund		3,000,000	Transfer for PED Operations		847,967
Total		10,378,873	Transfer for HRA Board of Commissioners		183,233
Use of Unrestricted Fund Balance		626,224	Support for Other City Functions		709,211
Total		11,005,097	Total		11,005,097



# 2022 HRA Loan Enterprise Fund Summary

Revenue Sources		2022 Proposed	Expenses		2022 Proposed
Grants/Contributions		515,000	Services		18,535
Loan/Advance Principal & Interest		321,744	PED Data Management		300,000
Fees and Services		10,000	Homebuyer/Homeowner Rehab Programs		675,000
Investment Interest		25,000	Marketing		30,000
Transfers In		-	Business Assistance		150,000
Intrafund Transfers In		35,000	Business Assistance Budget Carryover from Prior Year		610,000
<b>Total</b>		<b>906,744</b>	Pre-Development		50,000
Use of Unrestricted Fund Balance & HUD Rental Rehab Funds		7,316,883	Pre-Development Budget Carryover from Prior Year		-
<b>Total</b>		<b>8,223,627</b>	Strategic Investment Fund (SIF)		200,000
			SIF Identified Project Budget Carryover from Prior Year		-
			Innovations Cabinet/Full Stack		300,000
			Innovations Cabinet/Full Stack Budget Carryover from Prior Year		95,161
			HUD Rental Rehab Program		909,661
			Rental Rehab Program		364,067
			Victoria Theatre Budget Carryover from Prior Year		412,000
			Loan Principal & Interest		121,744
			Intrafund Transfers Out		35,000
			Transfers Out		827,459
			Transfer Out to HRA General Fund		3,000,000
			Support for Other City Functions		125,000
			<b>Total</b>		<b>8,223,627</b>



## 2022 PED Operations Proposed Budget Summary

Revenue Sources	2022 Proposed	Expenses	2022 Proposed
HRA Tax levy and Other Sources	5,942,125	Salaries & Fringe Benefits	10,290,402
HRA Conduit Bond Fees (includes prior year accumulated)	2,225,000	Services	1,993,016
HRA Parking & TIF Admin.	1,387,444	Materials & Supplies	81,750
Federal Grants Admin.	1,580,521	Capital Outlay	30,000
Star Admin.	400,000	Support for Other City Departments	154,822
City General Fund	500,000	Total Expenditures	12,549,990
PED-Other Fees	514,900		
Total Revenues	12,549,990		
		PED Operations Supporting Other City Departments in 2022	154,822

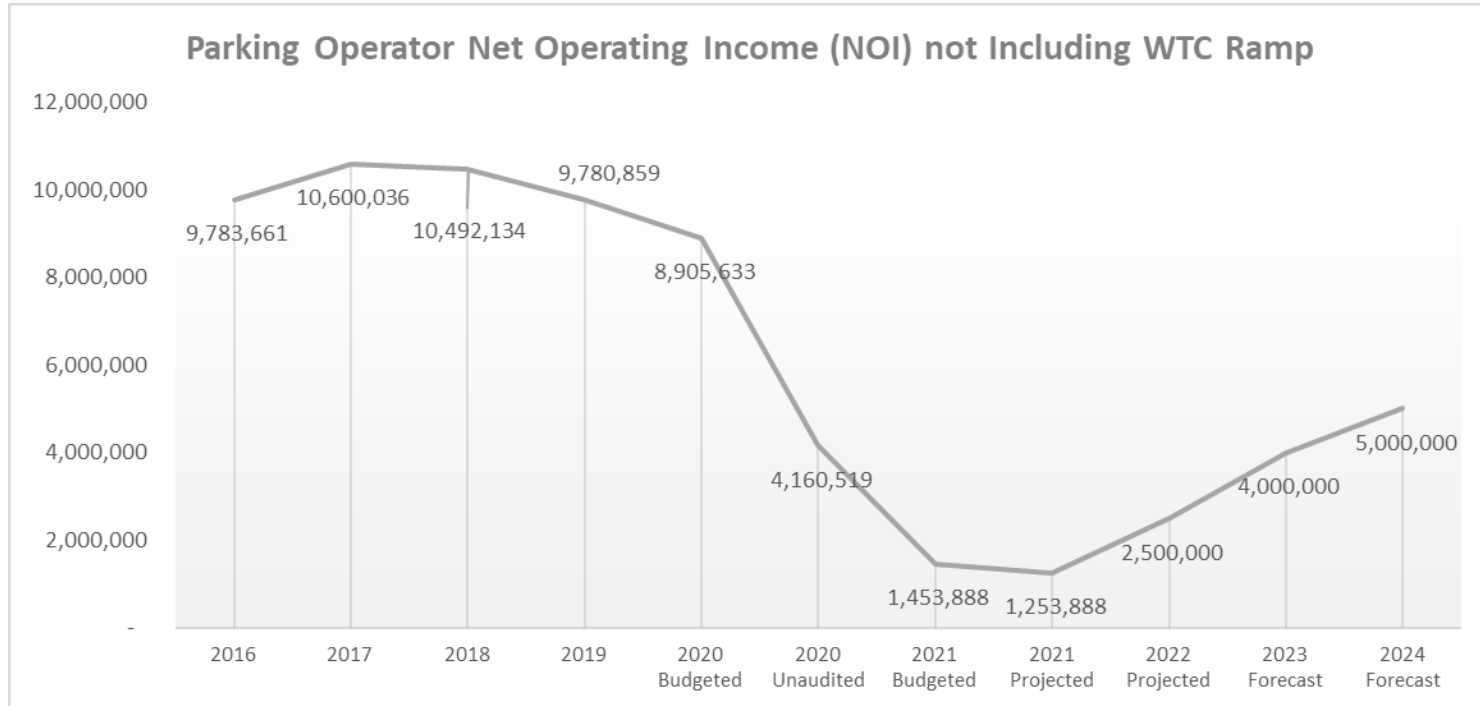


## Parking Fund

- Parking revenues continue to be significantly impacted by the COVID-19 pandemic, due to losses in event parking and office worker parking contracts.
  - **Pre-pandemic**, our parking system generated net operating income of **nearly \$10 million** in 2019 (excluding WTC Ramp);
  - **2020** net operating income was **only \$4.1 million** (excluding WTC Ramp);
  - 2021 actuals are not keeping pace with the adopted budget, which had anticipated a phased recovery for the second half of this year. We are **now anticipating less than \$1.5 million** of net operating income (excluding WTC Ramp);
  - Although the Parking Fund has sufficient reserves for debt service, repairs and operations in 2021 and under the 2022 proposal, the **continuing deficits in revenue due to COVID are straining the reserves.**



# Parking Fund





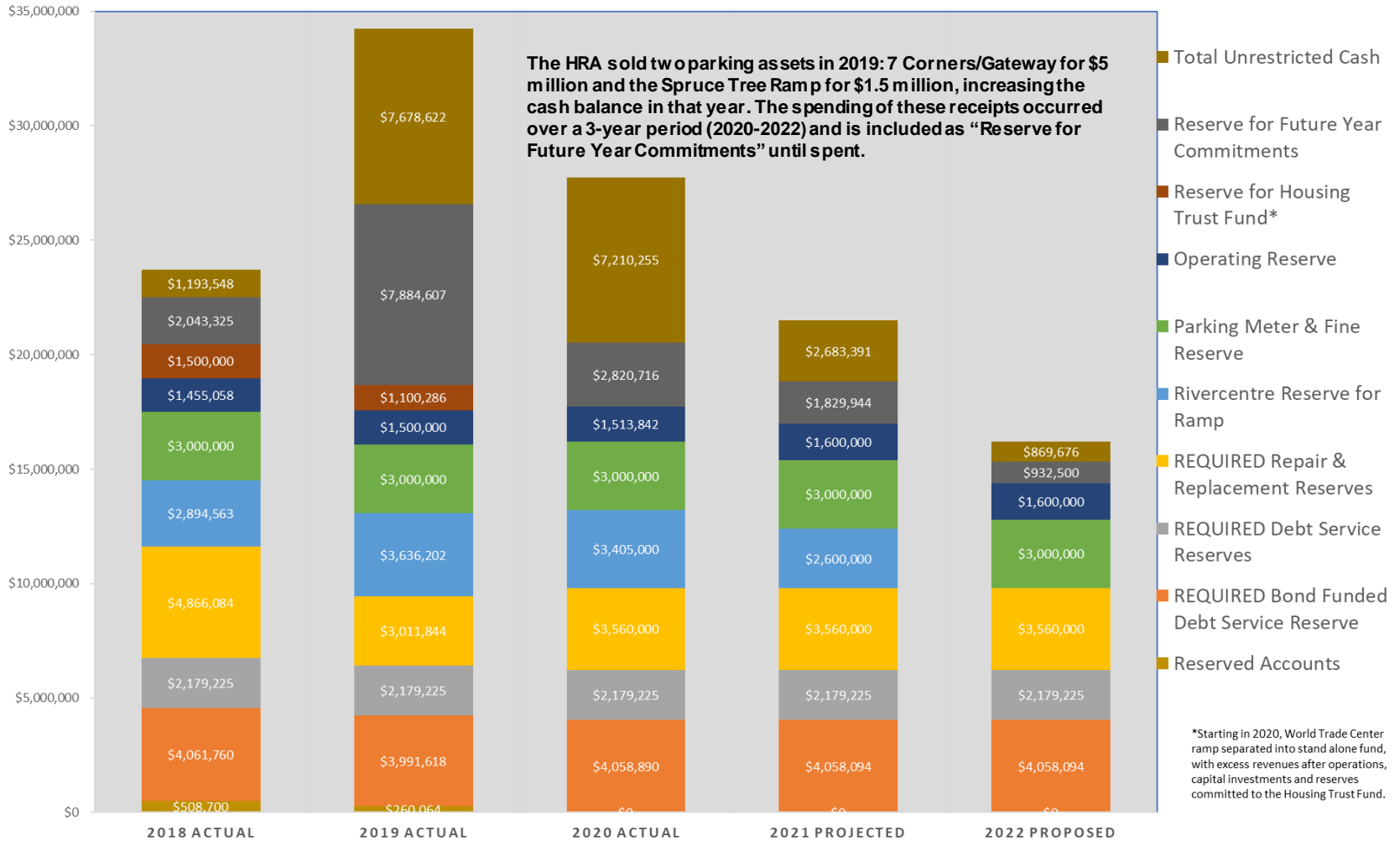


## Best practices to maintain parking system stability

- Ensure ample reserves
  - **Debt service reserves** are required
  - **Repair and replacement reserves** are required for parking facilities financed with bonds
  - While not required, an **operating reserve** is prudent to cover costs if revenues decline below the costs to operate. The proposed reserve in 2022 is \$1.6m, just under half of the 2020 system operating costs of \$3.8m.
- Maintain quality facilities and operations, including timely completion of **capital repairs**



# HRA NET PARKING FUND CASH BALANCE AS OF 12/31 (EXCLUDES WORLD TRADE CENTER AFTER 2019\*)



\*Starting in 2020, World Trade Center ramp separated into stand alone fund, with excess revenues after operations, capital investments and reserves committed to the Housing Trust Fund.



## Parking Fund Forecast (Excluding WTC Ramp)

	Projected 2022	Forecast 2023	Forecast 2024
<b>Beginning Fund Balance</b>	20,563,210	15,585,984	10,836,865
<b>Total Income Sources</b>			
Parking Operations NOI	2,500,000	4,000,000	5,000,000
Other: Rent and Tax Increment Rev	1,257,938	1,270,000	1,300,000
<b>Total Net Income</b>	<b>3,757,938</b>	<b>5,270,000</b>	<b>6,300,000</b>
<b>Uses of Cash</b>			
Total Debt Service	(4,054,244)	(4,054,244)	(4,054,244)
Total Capital Repairs	(2,203,000)	(3,463,000)	(2,253,000)
Total Admin/Services	(1,095,420)	(1,119,375)	(1,119,375)
Total Net* Transfer Out/Other Uses	(1,382,500)	(1,382,500)	(1,382,500)
<b>Total Uses of Cash</b>	<b>(8,735,164)</b>	<b>(10,019,119)</b>	<b>(8,809,119)</b>
<b>Annual Deficit/Use of Fund Balance</b>	<b>(4,977,226)</b>	<b>(4,749,119)</b>	<b>(2,509,119)</b>
<b>Ending Fund Balance</b>	<b>15,585,984</b>	<b>10,836,865</b>	<b>8,327,746</b>
<b>Desired Fund Balance to Adequately Cover Reserves**</b>	<b>15,329,819</b>	<b>15,329,819</b>	<b>15,329,819</b>

\* Net of One Time Source

\*\*Debt Service and Capital Repair reserves are required. Significant operating reserves are prudent in case of decline in revenues (such as with COVID).



## 2022 Budget Proposal - Summary

- **Increase the HRA** levy by \$609,791, utilizing approximately 93.7% of the projected total capacity under the State law maximum cap
- Add **\$500,000 in City General Fund** support
- **Reinstate** two positions cut last year - **Grants Manager and Loan Servicing/Real Estate Manager**
- **Add** two positions - **Multifamily Team Lead and Loan Specialist Assistant**
- **Modify** open vacancy of Supervisor Rehabilitation to **Single Family Team Lead**
- **2022 Major Investments (No new programs)**
  - **\$2 million** 4th year commitment for the Housing Trust Fund
  - **\$300,000** Ongoing Full Stack Saint Paul
  - **\$200,000** Ongoing Strategic Investment Fund (SIF)
  - **\$150,000** Ongoing Citywide Business Assistance Fund
  - **\$300,000** Data Management system build out



# Appendix

- Requested information regarding TIF Districts



## Requested Information on Tax Increment Financing (TIF)

- There are 58 Tax Increment Financing (TIF) districts generating tax increment for Pay 2021:
  - **44 are HRA TIF districts expected to generate \$30,168,297 in tax increments**
  - 14 are Port TIF districts expected to generate \$6,607,556 in tax increments
- For Pay 2021, the **total percent of the City's tax capacity captured in TIF districts is 8.48%**, a slide follows with additional detail
- Regarding expiring (or decertifying) TIF districts, and projected added tax capacity from approved TIF districts, with added captured tax capacity, staff **projects the captured percentage to increase to 9.14% in Pay 2023** before declining with expiring districts, a slide follows with detail on expiring districts



## Requested Information on Tax Increment Financing (TIF)

*Cont'd*

**Tax Capacity Captured in TIF:** The table below includes a five-year history as well as the Pay 2022 preliminary(\*) amounts provided by the County:

<b>Pay Year</b>	<b>Total Tax Capacity</b>	<b>Total % Change</b>	<b>TIF Tax Capacity</b>	<b>TIF % Change</b>	<b>% Captured</b>
2017	258,127,364	8.0%	20,845,546	-5.6%	8.08%
2018	284,641,990	10.3%	24,444,410	17.3%	8.59%
2019	305,708,468	7.4%	26,379,672	7.9%	8.63%
2020	322,743,625	5.6%	26,923,820	2.1%	8.34%
2021	351,910,499	9.0%	29,833,031	10.8%	8.48%
<b>2022*</b>	<b>362,057,937</b>	<b>2.9%</b>	<b>30,616,899</b>	<b>2.6%</b>	<b>8.46%</b>



# Requested Information on Tax Increment Financing (TIF)

*Cont'd*

This table includes a list of TIF districts and their captured tax capacity for Pay 2021, in order of their final collection year:

TIF No.	TIF Name	Final Year	Pay 2021 Captured Tax Capacity	Subtotal by Year
282	MN Events District	2023	7,044,934	<b>7,049,622</b>
303	Gerdau - Port	2023	4,688	
194	1919 University	2024	147,468	<b>147,468</b>
312	Southport-Gerdau - Port	2025	5,163	<b>55,947</b>
215	Superior Street Cottages	2025	50,784	
198	Williams Hill - Port	2026	1,357,600	<b>3,796,073</b>
212	MN Mutual	2026	1,494,016	
213	Block 39/Lawson	2026	944,457	
224,233,241,260,268	North Quadrant	2027	779,786	<b>779,786</b>
225, 261-265	Riverfront Renaissance	2028	3,441,795	<b>5,952,175</b>
228, 266-267	Emerald Park	2028	1,266,047	
232	Straus Apts	2028	70,290	
234, 269	Phalen Village	2028	737,733	
236	JJ Hill/Great Northern	2028	330,726	
237	Osceola Park	2028	105,584	