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Intro to the Housing and Redevelopment Authority (HRA) Budget Process

Primary Funding Sources and Uses

Federal Entitlement Grants
(CDBG, HOME, ESG)

- CDBG: Housing, Real Estate, Acquisition, Citywide Economic Development, Business Support
- HOME: New Construction and/or Rehab (Multi-family only)
- ESG: Shelter Operations, Rapid Re-Housing, Outreach (JPA with Ramsey County)

STAR - Sales Tax
(long-standing state legislation)

- Cultural STAR
- Neighborhood STAR
- Year-Round Neighborhood STAR
- Housing Trust Fund

HRA General Fund
(HRA levy, conduit bond fees)

- PED/HRA Staff
- HRA Program Administration
- Property Maintenance

HRA Loan Enterprise Fund
(grants, loan repayments and interest, land sales)

- Rental Rehab
- Business Assistance
- Full Stack Saint Paul
- Housing Trust Fund

Housing Trust Fund
(STAR, Loan Enterprise, Parking Fund)

- Downpayment Assistance
- Homeowner Rehab
- NOAH Programming
- Inspiring Communities

City Funds

HRA Funds

Flexible Funds

- Loan Enterprise Fund (2024 adopted budget)
  - Business Assistance Fund ($350K)
  - Rental Rehab ($115K)
  - Full Stack ($300K)
  - Housing Trust Fund ($600K)

- Housing Trust Fund (2024 adopted budget)
  - Down Payment Assistance/Homeowner Rehabilitation ($2.5M)
  - NOAH Program ($3M)
  - Inspiring Communities ($2M)

HRA Funds: Requirements for reserves or fund balances

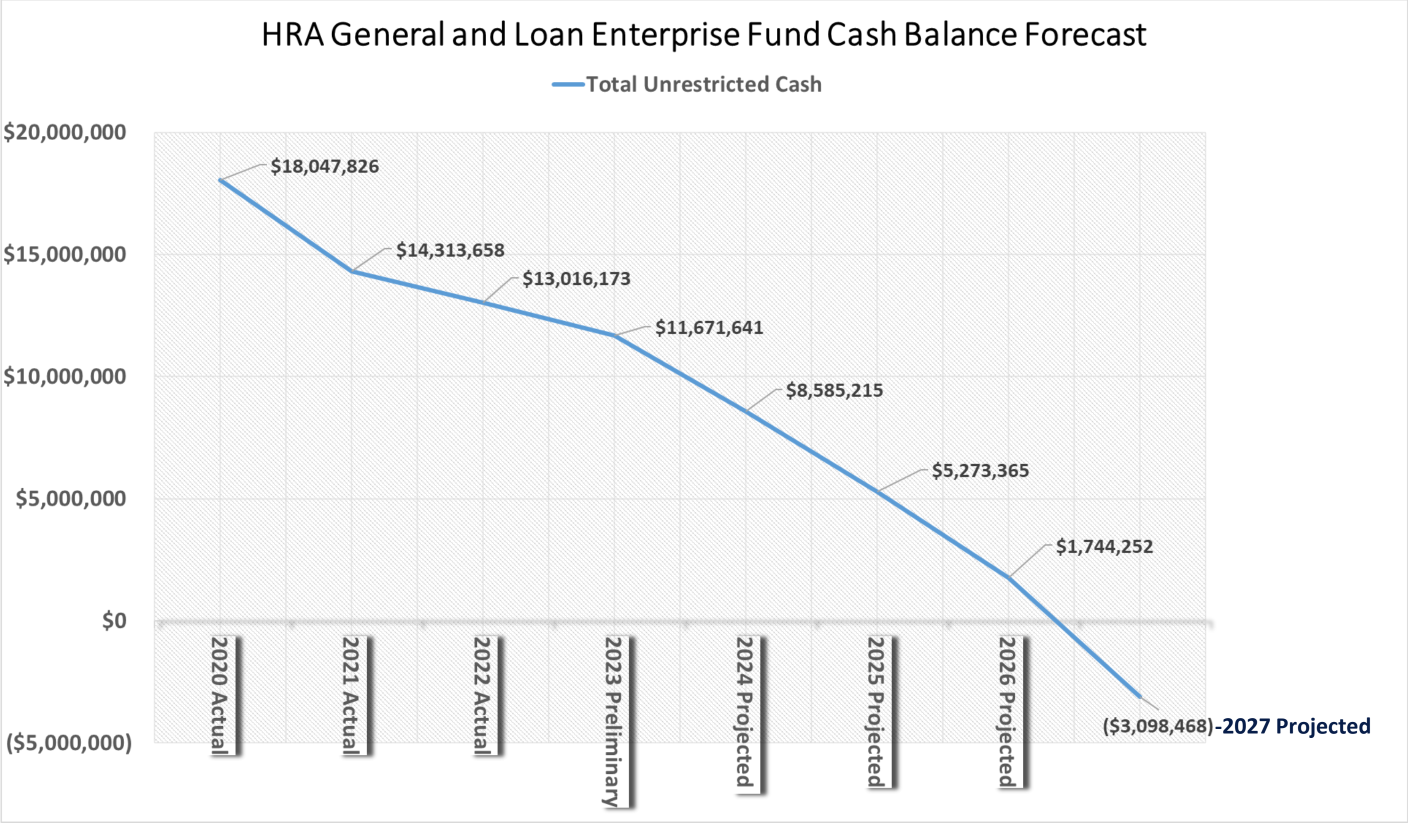
- Whether there are restrictions on uses or on reserves of the fund balances varies by fund type.

- **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.

2024 HRA General Fund/Loan Enterprise Fund Likely Scenario (as of May 2024)



Risks and Opportunity Costs

Over the past few years, we have identified and outlined several **risks and opportunity costs related to HRA operations**

- A large loan portfolio with **many loans past due or requiring workouts** and concerns about compliance requirements

- 250 HRA properties for redevelopment, some owned by the HRA for decades, **costing approximately $800K a year to maintain, and not increasing the tax base** as they should be

- A parking system with multiple operators, long standing contracts and no regular system of auditing

2024 Budget Strategy-Minimize Risks and Opportunity Costs

- Adding a **Deputy Director level position to function as Chief Financial Officer**
    - The Department of Planning and Economic Development is responsible for a more than **$140M Housing and Redevelopment Authority/PED budget** consisting of multiple local, state and federal funding sources, dozens of programs and projects, the municipal parking ramp system, and hundreds of loans.
    - This complicated financial system needs the ongoing expertise of a Deputy Director/Chief Financial Officer to oversee **financial accounting, budgeting and reporting**, examine and implement **internal controls**, and **ensure compliance** with local, state and federal regulations

2023/24 Actions to Minimize Risks and Opportunity Costs

- **Outsource loan servicing**
  - Service provider selected, vendor currently investigating loan files, and working with borrowers/developing recommendations
  - Initial assessment to be complete by 6/1/24

- **RFPs released and more to come. Disposition policy update is in development.**
  - **Hamm's Site** - Awarded JB Vang Tentative Developer Status 1/11/23
  - **1570 White Bear** - Awarded Gloria Wong Tentative Developer Status 5/10/23
  - **1170 Arcade** - Awarded Face to Face Tentative Developer Status 6/28/23
  - **Inspiring Communities**
    - Proposals received on 11 of 12 properties
    - Several awardees had participated in our emerging developer bootcamp and/or the LISC Developers of Color initiative, including Kali Terry, Dalton Outlaw and Michael Williams

- **Audit HRA owned parking system**
  - Vendor selected in July and draft report complete. Report to be finalized in Q2 of 2024
  - Prioritized control system replacement in alignment with ARPA project

- **Renewed collaboration with OTC on Investment Tracking System software**
  - Vendor selected in Q1 of 2024 for final platform recommendation, due in Q2 of 2024

Budget Process Summary

- HRA Executive Director presents proposed 2025 PED/HRA budget mid-September to HRA Board
- September – December – Mayor's Office, OFS and City Council negotiate budget
- HRA adopts 2025 HRA budget in December of 2024

New City Source-Local Affordable Housing Aid

- Funded by a $0.25 metro wide sales tax
- Estimated allocation to the City of Saint Paul in the first year: **$4,928,000 (as of early May)**
- Funds are given directly to the City from the MN Department of Revenue
- Allocations made to metro cities with 10,000 or more population
- Allocations based on city's relative share of housing cost burdened households
- Will be paid in two equal installments: July 20 and December 26, beginning in 2024
- Funds must be spent by December 31 of the fourth year after the aid was received
- Annual reporting to Minnesota Housing is required

Questions?