CITY OF SOUTH ST. PAUL
MEETING AGENDA

HOUSING & REDEVELOPMENT AUTHORITY

Council Chambers
125 3rd Avenue North
South St. Paul, MN 55075

Monday, August 11, 2025
IMMEDIATELY FOLLOWING THE CONCLUSION OF THE 7:00 P.M. MEETING OF THE CITY COUNCIL

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **APPROVAL OF AGENDA**
4. **GENERAL BUSINESS**

   A. Update on Project Development Agreement w/ Johnson Controls (Energy Conservation Measures @ High Rises)

5. **ADJOURNMENT**

HOUSING & REDEVELOPMENT AUTHORITY AGENDA REPORT

DATE:	August 11, 2025
DEPARTMENT:	Housing
PREPARED BY:	Tiffany Greene, Ryan Garcia
AGENDA ITEM NUMBER:	4.A.

MEETING TYPE
Regular Meeting

AGENDA ITEM
Update on Project Development Agreement w/ Johnson Controls (Energy Conservation Measures @ High Rises)

ACTION TO BE CONSIDERED OR DESIRED OUTCOME

- Update Board on current standing and next steps relating to our Project Development Agreement (PDA) Contract with Johnson Controls, Inc. for the John Carroll and Nan McKay Highrises

- Discuss entering into new 20-year Energy Performance Contract (EPC) with HUD before year-end, which will be managed by Johnson Controls Inc. (JCI)

- Review updated plan for energy conservation projects, funding sources, rebate options, and application timeline for projects previously approved in the PDA Contract with Johnson Controls, and if supported, receive Direction to place on a future HRA agenda for approval to apply

OVERVIEW
The South St. Paul HRA has established a legacy of maintaining quality, affordable senior housing at the Nan McKay and John Carroll Highrise Buildings for more than a half-century. As aging facilities, the buidlings continue to require significant capital investment in the coming years. With this in mind, in late 2024 the EDA engaged Johnson Controls, Inc. (JCI) to develop a targeted capital investment strategy and infrastructure plan utilizing the most efficient resources possible, at the lowest cost to us, in order to complete targeted capital projects.

From the mid-2000s through 2024, the South St. Paul HRA had a twenty (20) year-long Energy Performance Contract (EPC) with HUD that was successfully managed by JCI throughout. This contract expired in 2024 along with the Rate Reduction Incentives (RRI) that the HRA had been receiving annually through this contract. The loss of financial incentives that the South St. Paul HRA had been receiving though our EPC contract is expected to significantly reduce the funds that we will receive through our Operating Subsidy, and staff’s opinion is that it is in the HRA's best interests to enter into a new EPC with HUD before year-end to retain our ability to appreciate savings and maximize our operating subsidy incentives.

While we have already applied for several grants, rebates, and forgivable loans for some of the larger projects that JCI suggested in an October 2024 Energy Performance Contract, the financial impact of not having an EPC in place before year end leads staff to conclude that the HRA should plan these projects in several phases, with the least costly projects planned in 2025. With these more affordable energy conservation projects approved this year, JCI can ensure that a new EPC is in place for the upcoming year so that we can begin again receiving these energy incentives from HUD in the 2026 Operating Subsidy.

The PDA with JCI was previously approved by the EDA in September 2024, and executed October 24, 2024.

The four energy conservation projects that are recommended to be included in the first phase of the application for a new EPC, through the PDA with JCI, are as follows:

- Water Conservation – Install low-flow aerators and upgrade outdated faucets
- Boiler Upgrades – Replace 20-year-old boiler with high-efficiency model
- LED Exterior Lights – Upgrade exterior lighting to long-lasting, energy efficient fixtures
- Solar PV – Complete solar project on Nan McKay Highrise

The attached "EPC Opportunity - SSP HRA" presentation document contains an outline of the EPC and its importance, what exact projects are being considered for the first phase of the EPC application, work items covered through the JCI Project Development Agreement, and financial savings and incentives projected for the next 20 years by entering into these contracts, and different loan and rebate options that are being reviewed for each project considered. In order for an EPC to be approved by HUD, there must be a debt associated with the conservation projects that HUD will fully pay back through the operating subsidy. Staff is exploring whether the City's Local Affordable Housing Aid, or the HRA's existing Fund Balance, can be utilized as a source of loan financing for the projects to meet the HUD requirement, and will be prepared to discuss these options at the Meeting.

Staff recognizes that none of these projects are found in the Capital Fund Plan that the HRA approved at its annual meeting on October 28, 2024. Staff's opinion is that these projects are necessary in the very near future to ensure that the longevity of the buildings and its finances are not negatively impacted. As such, an amended CFP will be prepared for board consideration and approval in the very near future.

SOURCE OF FUNDS
Outside Grants and Rebates – Solar and Electrical
Outside Loan Repaid at 6 % – Paid in Full Through Operating Subsidy over 20-year term
SSP HRA's Capital Grant – 20% of Total Project Estimate

ATTACHMENTS

1. Proposed Board Resolution
2. Johnson Controls EPC Opportunity Presentation
3. PDA project development agreement SSPHRA (Fully Executed)

BOARD RESOLUTION
SOUTH ST. PAUL HOUSING & REDEVOLPMENT AUTHORITY

RESOLUTION NO.____

APPROVAL TO AUTHORIZE HUD SUBMISSION, SEEK FINANCING, USE OF CAPITAL FUNDS, ADOPT INDIVIDUAL RELIEF FOR AIR CONDITIONING, AND NEGOTIATE CONTRACT WITH JOHNSON CONTROLS

WHEREAS, The South St. Paul Housing & Redevelopment Authority (Known as SSPHRA) recognizes the need to implement energy, operational, and resident comfort improvements at their properties to enhance long-term sustainability and quality of life; and

WHEREAS, SSPHRA intends to submit a request to the HUD energy office for approval of the proposed project; and

WHEREAS, EPC can be supported by capital contributions not to exceed 20% of the total project cost as identified in ***Notice PIH 2024-27 dated August 9th, 2024***; and

WHEREAS, SSPHRA seeks to secure third-party financing or non HUD funding source to support the implementation of the project; and

WHEREAS, HUD regulations ***[24 CFR 965.508]*** specifically permit Public Housing Authorities (PHAs) to grant individual relief on reasonable grounds when the resident's utility consumption exceeds the PHAs' utility allowance and surcharge relief; and

WHEREAS, SSPHRA intends to enter negotiations with JCI regarding the terms and conditions of a final contract, which may include construction, energy efficiency improvements, as well as performance guarantees; and

THEREFORE, IT IS HEREBY RESOLVED that the SSPHRA Board authorizes the Executive Director to:

1. ***Submit all required documentation to HUD for review and approval of the proposed project***
2. ***Pursue and secure financing necessary to fund the project***
3. ***Commit a capital contribution not to exceed 20% of the total project cost***
4. ***Negotiate the terms and conditions of a contract with JCI***
5. ***Adopt and implement an air conditioning relief policy in accordance with HUD regulation [24 CFR 965.508] and update the utility allowance schedule accordingly***
6. ***Take all necessary actions to carry out the intent and purpose of this resolution***

BE FURTHER RESOLVED that the Executive Director will provide regular updates to the Board on the progress of negotiations, financing, and HUD submission, and will present the final contract with financing for board approval.

I certify that the above Resolution was adopted by the Board of Commissioners of the South St. Paul Housing & Redevelopment Authority at its Board Meeting held _________, 2025

___________________________________ Date:

Chairperson

______________________________ Date:

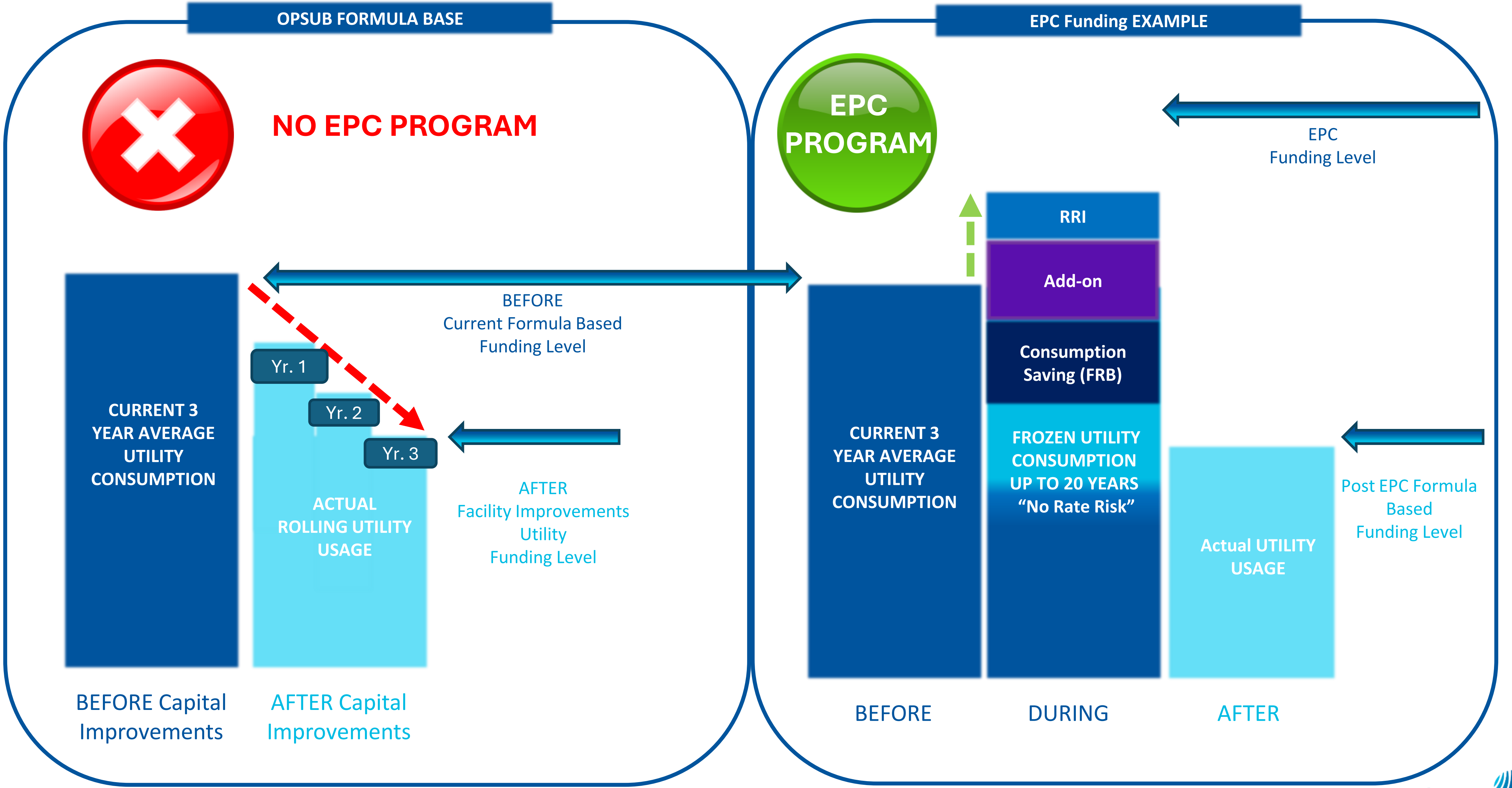
Executive Director

SEAL

EPC Opportunity for South St. Paul HRA

August 11th , 2025

EPC Funding Level



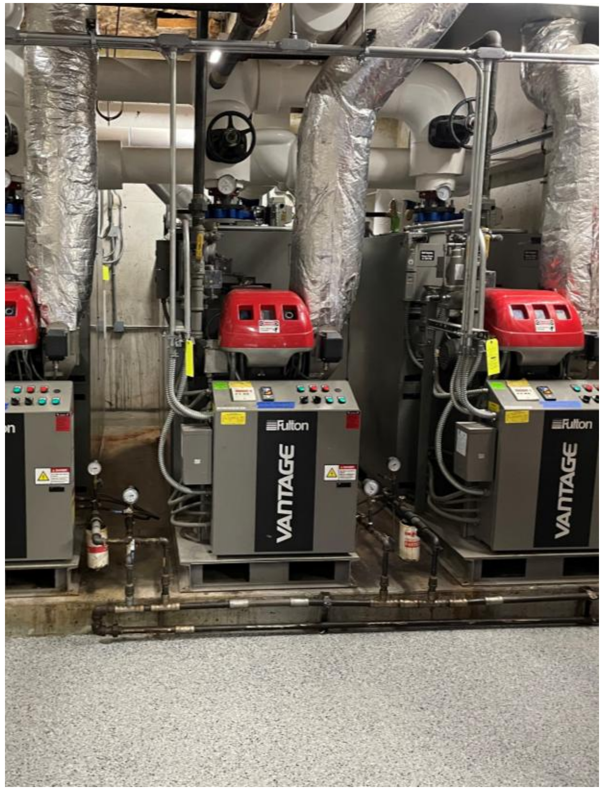
Investment Overview by Measure

Johnson Controls

FIMs	Investment	Grant	Rebate (SREC)	Actual Savings (Annual)	Net Value	Simple Payback	Windfall of Savings (Annual)
Water Conservation - By Installing low-flow aerators and upgrading outdated faucets, we'll reduce water usage and unlock $67,000 in windfall savings - utility cost reductions that would otherwise go unclaimed.	$ 124,530			$ 8,043	$124,530	15.48	$67,000
RRI (Boiler) Boiler upgrade - Replacing the existing boiler with a high-efficiency model will improve heating reliability and energy performance. This upgrade also positions SSPHRA to qualify for more Rate Reduction Incentive.	$ 255,600		TBD	$ 8,000	$255,600	31.95	$14,919
Electrical - LED Exterior Lights - Upgrade exterior lighting to long-lasting, energy efficient LED fixtures. This will improve visibility and safety at night while cutting electrical usage and reducing maintenance costs. **(Rebate is 75% of sell price)**	$ 491,272		$ 368,453	$ 29,118	$122,818	4.22	
Solar PV - This system will help offset utility bills, protect against rising energy rates, and supports sustainability initiatives.	$ 170,485	$ 72,000	$ 36,018	$ 9,860	$62,467	6.37	
Total	**$ 1,041,887**	**$ 72,000**	**$ 404,471**	**$ 55,021**	**$565,415**	**10.28**	**$81,919**

FIM Overview

Inefficient exterior lighting to be replaced with LED fixtures to increase energy savings.



Existing boiler system to be upgraded to a high-efficiency model to qualify for RRI.

Projected solar installation on Nan Mckay to help offset electrical load with renewable energy.

Old Plumbing fixtures contributing to water waste: targeted for replacement with low-flow models.

Professional Services

- Administrative
- Audit
- Legal
- Commissioning
- Construction Management
- Design Engineering
- Education and Training
- Energy Analysis and Modeling
- General Contracting Services
- HUD Submission and Approval
- Measurement & Verification
- Risk Mitigation

Other Costs

- Bonds/Insurance
- Overhead & Profit
- Risk - Contingency

SSPHRA – Internal Cashflow for City of SSP

Johnson Controls

Total Project Cost	$ 1,014,887		**Capital Buydown (20%)**	$ 202,977
Rate of Financing	6%		**Balance After Buydown**	$ 811,910
Term of Financing	20 YR		**Grant & Rebates**	$ 476,472
Months	4 MO		**City Finance**	$ 335,438

Year	Utility Savings/ HUD Incentives (52722 form)	M&V	Replacement Fund	Dedt Service	Total Program Costs	Excess Cashflow	RRI/Excess Water Savings (52722 form)
1	$ 55,021	$ 8,100	$ 3,800	$ 16,951	$ 28,851	$ 26,170	$ 81,919
2	$ 56,672	$ 8,343	$ 3,914	$ 18,245	$ 30,502	$ 26,170	$ 84,377
3	$ 58,372	$ 8,593	$ 4,031	$ 19,577	$ 32,202	$ 26,170	$ 86,908
4	$ 60,123	$ 8,851	$ 4,152	$ 20,949	$ 33,952	$ 26,170	$ 89,515
5	$ 61,927	$ 9,117	$ 4,277	$ 22,363	$ 35,757	$ 26,170	$ 92,201
6	$ 63,784	$ 9,390	$ 4,405	$ 23,819	$ 37,614	$ 26,170	$ 94,967
7	$ 65,698	$ 9,672	$ 4,537	$ 25,319	$ 39,528	$ 26,170	$ 97,816
8	$ 67,669	$ 9,962	$ 4,674	$ 26,863	$ 41,498	$ 26,170	$ 100,750
9	$ 69,699	$ 10,261	$ 4,814	$ 28,454	$ 43,529	$ 26,170	$ 103,773
10	$ 71,790	$ 10,569	$ 4,958	$ 30,093	$ 45,620	$ 26,170	$ 106,886
11	$ 73,944	$ 10,886	$ 5,107	$ 31,781	$ 47,774	$ 26,170	$ 110,092
12	$ 76,162	$ 11,212	$ 5,260	$ 33,520	$ 49,992	$ 26,170	$ 113,395
13	$ 78,447	$ 11,549	$ 5,418	$ 35,310	$ 52,277	$ 26,170	$ 116,797
14	$ 80,800	$ 11,895	$ 5,580	$ 37,155	$ 54,631	$ 26,170	$ 120,301
15	$ 83,224	$ 12,252	$ 5,748	$ 39,054	$ 57,054	$ 26,170	$ 123,910
16	$ 85,721	$ 12,620	$ 5,920	$ 41,011	$ 59,551	$ 26,170	$ 127,627
17	$ 88,293	$ 12,998	$ 6,098	$ 43,027	$ 62,123	$ 26,170	$ 131,456
18	$ 90,941	$ 13,388	$ 6,281	$ 45,102	$ 64,771	$ 26,170	$ 135,400
19	$ 93,670	$ 13,790	$ 6,469	$ 47,241	$ 67,500	$ 26,170	$ 139,462
20	$ 96,480	$ 14,203	$ 6,663	$ 49,354	$ 70,221	$ 26,259	$ 143,645
	$ 1,478,435	$ 217,650	$ 102,107	$ 635,188	$ 954,945	$ 523,489	$ 2,201,194

Excess plus RRI	**$ 2,724,684**

Why Act Now?

Johnson Controls

- Utility baselines are still high – this is the ideal time to freeze them and **maximize** long-term savings
- If we delay, consumption will trend down, and future savings opportunities shrink
- Capturing this moment means **more excess cash** and more reinvestment potential

Lock in Savings

- You've won the grant—but the funding is tied to completing the installation within the required time-period
- Delaying could jeopardize compliance with the grant agreement
- Installing this year **locks in savings** sooner and avoids future cost increases or delays

Solar on Public Buildings Deadline

What’s at Risk Without an EPC

Lose Access to Windfall Savings

- Miss the opportunity to capture $67K per year in water savings alone
- Once baselines drop, those savings are permanently lost
- Retain Solar Savings $5K per year

Reduced Eligibility for Utility Incentives

- Delaying the boiler upgrade will cause SSPHRA to miss out on the Rate Reduction Incentive
- Rate Reduction Incentive at 100% with EPC

Fewer HUD-Approved Savings in the Future

- EPC locks in a 3-year utility baseline. As consumption decreases, OpSub decreases
- Acting now increases the amount of cash flow for reinvestment

NEXT STEPS

BOARD APPROVAL BY RESOLUTIONS

- Submission to HUD
- Seek Financing
- Use of Capital Funds
- Negotiate Contract
- Air Conditioning Resolution

HUD APPROVALS

- EPC Program
- Rate Reduction Incentive
- Air Conditioning

RATIFICATION OF CONTRACTS

- Board Review & Approval
  - JCI Contract
  - Financing

NOTICE TO PROCEED

- Freeze Baselines for 2026
- Apply for RRI
- Proceed with Implementation

2 - 4 Wks.

Aug 2025

2

8 Wks.

Sept - Oct

2 - 4 Wks.

Nov

2 Wks.

Dec 2025

PROJECT DEVELOPMENT AGREEMENT
BETWEEN

City of South St. Paul HRA **125 Third Ave. No.** **South St. Paul, MN 55075**	**AND**	**Johnson Controls, Inc.** **3850 N. Main Street** **East Peoria, IL 61611**

The purpose of this Project Development Agreement (PDA) is to confirm the intent of Johnson Controls (JC) and the South Saint Paul Housing and Redevelopment Authority (Customer) named above to develop a proposed solution and infrastructure plan utilizing the Equalis Contract This agreement will provide the basis of the scope of the PDA, the obligations of both parties, the financial metrics to be met, the intended outcomes and timeline.

1. Scope of Services

It is the Parties' mutual understanding this Project Development Agreement will:

a. Provide for the development of Energy Conservation Measures (ECMs) at the Customer's facilities; where possible, assist the Customer by providing additional improvements to reduce a Customer's utility spend, deferred maintenance backlog or desired Energy Conservation Measures not affordable otherwise;
b. Assist the Customer in capitalizing on the Inflation Reduction Act, Energy Performance Contracting Program and any other funding sources identified and arranging for project financing;
c. Utilize the Customer's most recent 36 months of utility consumption data, generally covering the time period of 09/01/2020 to 09/30/2023. Consumption data will be utilized as part of this agreement and includes the following utilities that are applicable: electricity, natural gas, water, and sewer;

Housing Authority Locations:

1) Nan McKay Building
200 Marie Ave, South Saint Paul, MN 55075

2) John Carroll 300 Grand Ave
South Saint Paul, MN 55075

2. Development Schedule

It is the intent and commitment of all parties identified in this Agreement to work diligently, and cause others to work diligently under their direction to achieve the Milestone Schedule identified herein:

*These milestones may be modified by subsequent work plans mutually agreed upon by both parties.

Notify Minneapolis HUD Field Office of Intent to Enter into EPC Program	7/08/2024
Johnson Controls Notified Selected by South Saint Paul HRA	8/15/2024
Execution of Project Development Agreement (PDA)	8/22/2024
Customer Kick-off Meeting	9/6/2024
Start Field Audits at Selected Sites	9/6-10/30/2024
Weekly Coordination Meetings (as required)	TBD
Board Meeting Presentation and Update (if required)	9/2024
Final Scope Workshop	9/2024
Measurement and Verification Workshop	9/2024
Financial Workshop	9/2024
Final Scope and Contract Review Workshop	10/2024
JCHA Board Meeting Approval of Financing & JCI Energy Services	10/7/2024
HUD Submission For Approval	10/9/2024
HUD Approval Received	12/1/2024
Energy Services Agreement Approved	12/15/2024
3rd Party Financing & JCI Construction Contract Signed and Executed	12/20/2024
Notice to Proceed Issued	12/27/2024
Project Construction	12 months
Measurement & Verification Workshop and Reporting	Up to 20 years

3. Deliverables

Upon completion of the project development, JCI shall deliver to the Customer:

a. A written description of each ECM proposed to be implemented;
b. A financial pro forma cash flow documenting the proposed project. The pro forma will include applicable annual costs and savings that affect the project outcome such as financing, energy, water, sewer, labor and maintenance, incentives and rebates, and Redirected M&O Budget Savings Contribution values
c. A preliminary schedule for implementation of the project;
d. Comprehensive Energy Audit;
e. HUD submission documentation and package meeting 24 CFR 990.170 and 24 CFR 990.185
f. A summary of the Measurement & Verification for Annual OpSub Submission plan;
g. A firm offer by JCI to implement a project that meets the Energy Performance Contracting Program requirements including a positive cash flow at term.

4. Customer Priority ECMs

JCI will provide some Energy Conservation Measures (ECMs) that are essential to creating a project that meets the Customer's financial buying criteria. Examples of such ECMs may include but not be limited to ECMs such as lighting modifications, water saving fixture modifications, HVAC upgrades, Solar PV and control system modifications. Normally, in addition to those ECMs which are essential creating a project that provides a positive cash flow, JCI can include other

ECMs that help the Customer to achieve certain other desired results, such as building improvements (Windows) or implementing improvements from the Customer's deferred maintenance budget.

Listed herein is a list of Customer Priority ECMs. The Customer Priority ECMs are listed in priority order in terms of importance to the Customer achieving their objectives. JCI and the Customer acknowledge that JCI will provide as many of the Customer Priority ECMs listed as possible while still meeting achieving the criteria listed in the Deliverables paragraph.

The Customer acknowledges that the project may or may not include all the Customer Priority ECMs listed:

1. HVAC Upgrades to more efficient Heat Pump units
2. New HVAC MUA for Common Areas
3. Lighting Upgrades to LED
4. Efficient Water Fixtures
5. Solar Photovoltaic
6. Building Envelope Efficiency
7. Others to be considered

5. Records and Data

During the project development, the Customer will furnish to JCI upon its request, accurate and complete data concerning current; equipment performance data if available, costs, budgets, facilities requirements, future projected loads, facility operating requirements, collective bargaining agreements, etc.

JCI will provide a separate document with a formal request for the required data shortly after touring the Customer facilities. The Customer shall make every effort to provide that information within 10 days of request.

6. Preparation of Implementation Contract

JCI will develop the framework of the subsequent Implementation Agreement and the Financing Agreement. JCI and Customer shall work diligently during the project development to complete and populate contract documents. The form of the documents will vary depending on Customer requirements, state statute where applicable and JCI requirements, but where prudent shall utilize JCI standard documents.

7. Project Development Cost and Payment Terms

Customer agrees to the cost for JCI to provide project development services identified here in is $19,500.00 and is payable within 60 days after JCI provides the Deliverables identified herein.

a. Obligation to pay if JCI satisfies requirements - Customer shall pay the amount indicated if JCI satisfies the requirements set forth in Paragraph 3 "Deliverables" and the Customer elects not to implement a project with JCI.

However, Customer will have no obligation to pay this amount if:

a. JCI and the Customer enter into the Implementation Agreement, (outlined in Paragraph 6) within 60 days after JCI provides the Deliverables. Costs for project development will be transferred to the total cost of the Implementation Agreement and be subject to the payment terms outlined in the Agreement.

b. The project fails to provide a set of ECMs with a positive cash flow, (outlined in Paragraph 3) in which case the Customer is not obligated to pay JCI for the development services.

8. Indemnity

JCI and the Customer agree that JCI shall be responsible only for such injury, loss, or damage caused by the intentional misconduct or the negligent act or omission of JCI. To the extent permitted by law, JCI and the Customer agree to indemnify and to hold each other, including their officers, agents, directors, and employees, harmless from all claims, demands, or suits of any kind, including all legal costs and attorney's fees, resulting from the intentional misconduct of their employees or any negligent act or omission by their employees or agents. Neither JCI nor the Customer will be responsible to the other for any special, indirect, or consequential damages.

9. Disputes

If a dispute arises under this Agreement, the parties shall promptly attempt in good faith to resolve the dispute by negotiation. All disputes not resolved by negotiation shall be resolved in accordance with the Commercial Rules of the American Arbitration Association in effect at the time, except as modified herein. All disputes shall be decided by a single arbitrator. A decision shall be rendered by the arbitrator no later than nine months after the demand for arbitration is filed, and the arbitrator shall state in writing the factual and legal basis for the award. No discovery shall be permitted. The arbitrator shall issue a scheduling order that shall not be modified except by the mutual agreement of the parties. Judgment may be entered upon the award in the highest State or Federal court having jurisdiction over the matter. The prevailing party shall recover all costs, including attorney's fees, incurred as a result of this dispute.

10. Confidentiality

This agreement creates a confidential relationship between JCI and Customer. Both parties acknowledge that while performing this Agreement, each will have access to confidential information, including but not limited to systems, services or planned services, suppliers, data, financial information, computer software, processes, methods, knowledge, ideas, marketing promotions, current or planned activities, research, development, and other information relating to the other party ("Proprietary Information"). Except as authorized in writing both parties agree to keep all Proprietary Information confidential. JCI may only make copies of Proprietary Information necessary for performing its services. Upon cessation of services, termination, or expiration of this Agreement, or upon either party's request, whichever is earlier, both parties will return all such information and all documents, data and other materials in their control that contain or relate to such Proprietary Information.

JCI and Customer understand that this is a confidential project and agree to keep and maintain confidentiality regarding its undertaking of this project. JCI shall coordinate its services only through the designated Customer representative and shall provide information regarding this project to only those persons approved by Customer. JCI will be notified in writing of any changes in the designated Customer representative.

11. Miscellaneous Provisions

Any evaluation or implementation of disinfection or related technology is intended to be used as a tool for helping Customer manage its response to the unknown and challenging environment in which Customer is working to address the unprecedented COVID-19 pandemic, or to be prepared for future outbreaks of COVID-19 or other pandemics. JCI cannot guarantee that the products provided will prevent the spread of COVID-19 or any other disease or keep any person safe. JCI EXPRESSLY DISCLAIMS ANY WARRANTY THAT THE PRODUCTS WILL ELIMINATE, PREVENT, TREAT OR MITIGATE THE SPREAD, TRANSMISSION, OR OUTBREAK OF COVID-19 OR ANY OTHER PATHODEN, DISEASE, VIRUS, OR OTHER CONTAGION.

This Agreement cannot be assigned by either party without the prior written consent of the other party. This Agreement is the entire Agreement between JCI and the Customer and supersedes any prior oral understandings, written agreements, proposals, or other communications between JCI and the Customer. Any change or modification to this Agreement will not be effective unless made in writing. This written instrument must specifically indicate that it is an amendment, change, or modification to this Agreement.

This document represents the business intent of both parties and should be executed by the parties who would ultimately be signatory to a final agreement.

JOHNSON CONTROLS, INC.	CUSTOMER
By Bradford G. Estadt	**By** Ryan Garcia
Signature [signature]	**Signature** [signature]
Title Area General Manager	**Title** Executive Director ~~Director of Economic and Community Development~~
Date 10/24/2024	**Date** October 23, 2024