

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 14, 2011

REGARDING: AUTHORIZATION TO ENTER INTO A DEVELOPMENT AGREEMENT, OBLIGATE NSP FUNDS AND APPROVE SALE AND CONVEYANCE OF LAND TO MARPE DEVELOPMENT LLC FOR PARCELS LOCATED IN FOURTH STREET PRESERVATION ISP/NSP AREA AS FOLLOWS:

- **PARCEL 314 BATES AVENUE, DAYTON'S BLUFF DISTRICT 4**
- **PARCEL 336 MAPLE STREET, DAYTON'S BLUFF DISTRICT 4**
- **PARCEL 868 FREMONT STREET, DAYTON'S BLUFF DISTRICT 4**

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

1. Authorization to enter into a Development Agreement with Marpe Development, LLC for the sale and rehabilitation of three (3) vacant residential structures located at 314 Bates Avenue, 336 Maple Street and 868 Fremont Street in Dayton's Bluff District 4 under the ISP/NSP Program.
2. Authorization to designate \$673,661.12 of NSP funds to provide both interim construction financing and value gap financing.

Background

HRA advertised 11 properties within the Fourth Street Preservation Area in 2009; no proposals were received. Staff continued to market the properties until late last year at which time it was decided that the HRA should begin the rehabilitation of these Fourth Street Preservation properties in stages, which might result in interest from other parties. HRA has awarded construction contracts on two properties at 685-587 & 693 Fourth Street; rehab is to commence this month. Staff presented two more houses (326 Maria and 695 4th) to the Heritage Preservation Commission in August and received approval of the preliminary scopes of work. Scopes of work for these two properties are being finalized for bidding this month.

Pollock Construction/Marpe Development, LLC was selected and awarded the construction contract on the HRA owned property at 1163 Ross after a formal bidding process; this property sold within one week of being on the market after the rehab was completed. Staff encouraged

Marpe Development, LLC to look at the properties in the Fourth Street Preservation area. Marpe Development, LLC went through a number of the properties and submitted a preliminary proposal for the purchase and rehabilitation of the properties at 314 Bates Avenue (single family), 336 Maple Street (single family), and 868 Fremont (duplex converted to single family). The properties had already gone through an RFP process with no interest and on April 13, 2011 by Resolution 11-731 HRA approved Marpe Development, LLC as tentative developer in order to finish Scopes of Work, complete the HPC review process, bid the work, identify financing needs, and ultimately move forward with the purchase and rehabilitation. (See **Attachment A – Plans**)

Marpe has completed the Scopes of Work, secured bids and is ready to move forward with purchase and rehabilitation. HRA/City is also under a time line for ½ of NSP 2 funds (\$9.0 million) to be expended by February 13, 2012. Staff is also trying to insure that ISP properties that HRA recommended for acquisition use NSP funds where possible to ensure sufficient ISP funding remains for the properties that are not located in NSP areas. Properties at 314 Bates and 336 Maple are located within the Lower Bluff Historic District and 868 Fremont is just outside the district. All properties will be sold for home ownership as required by NSP funding and the overall Fourth Street Preservation Project. District 4 Community Council is supportive of this action.

- Properties are zoned RT-1 and allow for the use intended (Single Family).
- Parks, schools and other HRA owned property are in the vicinity related to development (see **Attachment B**)
- Wilder planning district demographic profile is attached (see **Attachment E**)
- Acquisition of 314 Bates, 336 Maple and 868 Fremont were done under ISP.
- Properties were all foreclosed, vacant for more than 3 years with two being Category 2 vacant and one being a Category 3.

Budget Action

The properties are eligible under NSP 2 and HRA has also set aside ISP funding under the Fourth Street Preservation Project to assist with this activity. Staff is requesting that the Board obligate \$673,661.12 as interim construction funds and value gap. The source of funds would be \$632,661.12 from NSP 2 funds which have been set-aside for rehab activities under the NSP/ISP

Work Plan. The difference of \$41,000 is from the ISP-Fourth Street Preservation Fund previously approved by HRA. The \$41,000 will cover additional historic costs and provide for the contingency. If the contingency is not used, the funds will remain in Fourth Street Preservation account for use on other houses in the area. The acquisition costs total \$99,250 for all three properties and were purchased with ISP Strategic Acquisition funds and approved by HRA. The established sales prices could reimburse HRA \$365,478 which will go back into the NSP 2 account to be recycled for the same uses in accordance with the regulations. (See **Attachment D – Sources and Uses.**)

Future Action

No future action will be required. Once the HRA takes action allowing the sale of the property, staff will proceed to work with Marpe Development, LLC to complete all requirements as outlined and move forward with closing.

Financing Structure

Any financing assistance will need to comply with the NSP requirements. The acquisition costs of \$99,250 already paid from ISP will be secured by a mortgage/note and forgiven at the time of resale to a qualified home owner. The total development costs are \$773,183.83 and the estimated sales proceeds are \$465,000.00. The value gap is \$308,183.83 on all three properties. HRA should recapture \$365,478.12 in resale proceeds which will go back into the NSP account for use in accordance with NSP regulations.

HRA will provide an interim construction loan of \$673,661.12 to cover the rehabilitation and will be secured by a mortgage and note. All soft costs will be carried by the developer until time of resale and deducted from the resale prices.

PED Credit Committee Review

Not Applicable.

Compliance

Marpe Development, LLC will comply with the following requirements:

1. Affirmation Action/Equal Employment Opportunity

2. Vendor Outreach
3. Section 3
4. Limited English Proficiency
5. NSP Affordability Covenants
6. Fair Housing Opportunities

Green/Sustainable Development

The project will comply with the Saint Paul/HRA Sustainability Initiative. The project will also comply with the following NSP requirements:

1. HUD Healthy Home Requirements (no lead paint) house built before 1978
2. State requirement for asbestos removal where applicable.
3. All local and State building codes together with HRA's NSP guiding principles adopted February 24, 2009: "provide healthy, affordable and quality housing, improving the housing stock above minimum standards by addressing lead, mold, radon, energy efficiency and curb appeal elements".
4. Energy STAR Home Performance Program or Energy STAR Qualified New Homes Program (required under NSP 2)

Environmental Impact Disclosure

For the existing NSP program, the Tier 1 environmental review determined that all activities were either exempt or categorically excluded.

Historic Preservation

Each individual project, identified by the address of the property that was acquired, was subject to a Tier 2 environmental review, which included consultation with the State Historic Preservation Office. All properties have received the appropriate sign-offs.

Public Purpose

The proposal supports all three strategies of the Housing Chapter of the City's Comprehensive Plan: 1) Build on Saint Paul's strengths in the evolving metropolitan housing market; 2) Preserve and promote established neighborhoods; and 3) Ensure the available of quality and affordable housing across the City.

The proposal also supports the goal of the ISP/NSP Program and Plan to strategically channel resources into neighborhoods being challenged by recent economic and social downturns and persistent disinvestment including: 1) creating working partnerships among private developers, CDCs, District Councils and neighborhood residents; 2) bringing together resources, time, talent and funding in neighborhoods poised to prosper after a prolonged period of disinvestment; 3) reducing the number of vacant houses; 4) rehabilitating or addressing housing units to strengthen the housing stock; 5) improving the stability and quality of life in neighborhoods; 6) building on strengths in St. Paul's neighborhoods. (See **Attachment C – Public Purpose**)

Statement of Chairman

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of conveyance of a certain parcels of land located in Dayton's Bluff District 4 by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, September 3, 2011. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

The HRA proposes to convey the following properties in the Dayton's Bluff District 4 area:

Property Description	Purchaser/Developer	Purchase Price
314 Bates Avenue	Marpe Development, LLC, a Minnesota limited liability company	\$38,000.00

The property will be conveyed for the purpose of rehabilitating this existing, vacant single family home for resale to a qualified home buyer.

Property Description	Purchaser/Developer	Purchase Price
336 Maple Street	Marpe Development, LLC, a Minnesota limited liability company	\$21,250.00

The property will be conveyed for the purpose of rehabilitating this existing, vacant single family home for resale to a qualified home buyer.

Property Description	Purchaser/Developer	Purchase Price
868 Fremont Avenue	Marpe Development, LLC a Minnesota limited liability company	\$40,000.00

The property will be conveyed for the purpose of rehabilitating this existing, vacant single family home for resale to a qualified home buyer.

“Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The Executive Director and staff recommend approval of this sale and the NSP loan in accordance with the attached resolution.

Sponsored by: Commissioner Lantry

Staff: Sheri Pemberton-Hoiby 651-266-6615

Attachments

- **Attachment A -- Pictures of Properties**
- **Attachment B -- Map**
- **Attachment C -- Project Summary Form**
- **Attachment D -- Sources and Uses Summary Form**
- **Attachment E -- Public Purpose Form**
- **Attachment F -- Census Facts**