

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 28, 2022

**REGARDING: RESOLUTION APPROVING ADDITIONAL FINANCING AND
AUTHORIZING A PARTIAL WAIVER OF REQUIREMENTS OF THE
SUSTAINABLE BUILDING ORDINANCE FOR PROJECTS AT 947
SYLVAN STREET AND 964 WOODBRIDGE STREET, DISTRICT 6,
WARDS 1 AND 5.**

Requested Board Action

Approval of additional expenditures and partial waiver of certain requirements of the City's sustainable building ordinance for redevelopment projects at 947 Sylvan Street and 964 Woodbridge Street.

Background

On July 24, 2013, via Resolution 13-1097, the HRA Board accepted and approved the HRA Disposition Strategy and Work Plan to address the disposition of certain parcels of real property owned by the HRA and included in the Inspiring Communities program. On October 9, 2013, the HRA Board approved, via Resolution 13-1592, key terms of the Inspiring Communities Homeowner Program Manual and Rental Program Manual, which included a maximum gross subsidy cap per unit of \$150,000. The gross subsidy is calculated by adding the cash subsidy in a project (development gap subsidy) and the sale price of the land to the developer (purchase price subsidy). In 2016, by Resolution 16-1190, the HRA Board approved an increase of the maximum gross per-unit subsidy from \$150,000 to \$175,000. On July 13, 2022, by Resolution 22-1072, the HRA Board rescinded Resolution 16-1190 and approved key terms of a revised Inspiring Communities Homeowner Program Manual, which included a maximum gross per-unit development subsidy of \$200,000.

Chapter 81 of the Saint Paul Administrative Code (the "sustainable building ordinance") sets forth sustainable building requirements for buildings owned, operated, or funded by the City, and authorizes the City Council and HRA Board of Commissioners to waive the requirements of the

Chapter in whole or in part. It exempts renovation of under 10,000 square feet and new construction projects receiving \$200,000 or less in city funding. The vast majority of Inspiring Communities projects completed and contemplated to date have been exempt. They have instead complied with the requirements of the PED/HRA Sustainability Initiative, which applies to single-family home rehabilitation and new construction receiving \$200,000 or less in city funding, as well as other types of projects.

On September 20, 2018, HRA staff released the sixth Inspiring Communities Request for Proposals (RFP), in which it requested proposals for redevelopment of 947 Sylvan Street and 964 Woodbridge Street, among other HRA-owned properties. The Greater Frogtown Community Development Corporation (GFCDC) and Greater Metropolitan Housing Corporation (GMHC), in partnership, submitted proposals to construct new single-family homes, including one at 947 Sylvan Street and another at 964 Woodbridge Street.

On February 27, 2019, via Resolution 19-59, the HRA Board approved the sale of real property at 947 Sylvan Street and 964 Woodbridge Street to the partnership between GFCDC and GMHC. The purchase price subsidy and development gap subsidy established at the time were \$13,400 and \$144,676.27, respectively, for 947 Sylvan, and \$10,700 and \$120,502.40, respectively, for 964 Woodbridge. Neither property has been sold nor has construction started, though significant predevelopment work has occurred. The City is beholden to the U.S. Department of Housing and Urban Development (HUD) for timely completion because it used federal Neighborhood Stabilization Program (NSP) funds to acquire, hold and maintain the sites.

In 2019 and 2020, the developer and staff became aware of costly issues with the properties. 947 Sylvan Street lacks a proper utility connection and is subject to an access easement, the latter of which required redrawing architectural plans. The soil at 964 Woodbridge Street is unsuitable for typical foundation construction. In order to address the costs associated with these issues, the HRA Board approved on October 28, 2020, via Resolution 20-1491, a waiver of the maximum per-unit subsidy cap and an increase of the total development subsidy from \$158,076.27 to \$178,036.27 for 947 Sylvan Street and from \$131,202.42 to \$194,213.64 for 964 Woodbridge Street.

Since the fall of 2020, there has been significant cost inflation in the construction industry. The developer's cost projections for the projects have increased by approximately one-third, accounting for inflation that has occurred and allowing for relatively modest inflation ahead of a

spring 2023 construction start. (While staff and the developers are optimistic about a construction start yet this year, a spring start appears increasingly likely.) These cost increases, though offset somewhat by inflationary increases to the anticipated sales price of the properties, cost savings from revisions to the building specifications, and presumed partial waiver of requirements of Chapter 81 described below, have produced a net increase to the development subsidy need of \$102,769 for the project at 947 Sylvan Street and \$70,096 for the project at 964 Woodbridge Street. (The estimated after-improved market values should still be within reach for a household with income at or below 120% AMI.)

The developer has requested a partial waiver of the requirements of Chapter 81 in order to contain costs and avoid increased complexity for itself, its general contractor and subcontractors. (Feedback from Dayton's Bluff Neighborhood Housing Services on a different single-family project suggests the incremental cost of compliance with Chapter 81 to be \$15,000 per single-family project.) The developer has suggested canceling the projects altogether should the HRA decline to partially waive the requirements of Chapter 81.

Staff requests approval of spending authorization to account for the aforementioned cost increases. After increase, total authorized expenditures for development subsidy, including cash and the land value, will equal \$280,805 for the project at 947 Sylvan Street and \$264,310 for the project at 964 Woodbridge Street. The proposed revised project budgets are as follows (rounded to the nearest dollar):

<u>Uses</u>		<u>Sources</u>	
<i>947 Sylvan</i>		<i>947 Sylvan</i>	
land acquisition	\$ 15,800	HRA cash dev. subsidy (current)	\$164,636
initial hard construction costs	\$332,925	+ additional dev. subsidy	\$102,769
+ Inflationary Increase*	\$114,508	land value	\$ 13,400
soft costs	\$ 67,514	initial final sale proceeds	\$270,000
developer fee	<u>\$ 45,058</u>	+ inflation increase sales price	<u>\$ 25,000</u>
project subtotal	\$575,805	project subtotal	\$575,805

964 Woodbridge

land acquisition	\$ 13,100
initial hard construction costs	\$334,075
+ Inflationary Increase*	\$101,436
soft costs	\$ 70,689
developer fee	<u>\$ 40,010</u>
project subtotal	\$559,310

964 Woodbridge

HRA cash dev. subsidy (current)	\$183,514
+ additional dev. subsidy	\$ 70,096
land value	\$ 10,700
initial final sale proceeds	\$259,000
+ inflation increase sales price	<u>\$ 36,000</u>
project subtotal	\$559,310

*After accounting for cost-saving changes to the building plans and specifications, including waiver of the design-criteria garage preference.

Budget Action

The increase to the project budget will be funded via the Inspiring Communities Disposition Work Plan and Budget using local funds.

Future Action

If the City Council authorizes non-use of Project Labor Agreements, no future action will be required and staff will amend the project budget and proceed with project implementation. If the City Council does not authorize non-use of Project Labor Agreements, the developers will need to decide whether to re-bid the projects subject to Project Labor Agreements and staff will likely need to present new cost estimates to the HRA Board at a later date.

Financing Structure

There are no changes proposed to the financing structure. Financing will be as indicated in the Inspiring Communities Homeownership Program Manual. Development gap assistance will be structured as a deferred loan, secured with a note and mortgage at 0% interest. Upon completion of construction and sale to an eligible buyer, the loan will be forgiven.

PED Credit Committee Review

Credit Committee review is not a requirement of this action. The Credit Committee reviewed the Inspiring Communities Homeownership Program Manual on September 23, 2013 and the revisions thereto on November 30, 2021, recommending approval in each instance.

Compliance

With the exception of Green/Sustainable development and Project Labor Agreement requirements, compliance requirements are the same as indicated in the February 27, 2019 Board Report concerning the projects and associated with Resolution 19-59. See the “Project Labor Agreements” and “Green/Sustainable Development” sections of this Board Report, below, for discussion of Project Labor Agreements and Green/Sustainable development requirements.

Project Labor Agreements

The information in this Board Report, particularly the sources and uses summarizes above, presumes passage of a resolution by the City Council on September 28, 2022, authorizing non-use of Project Labor Agreements (PLA) for these projects.

Green/Sustainable Development

The projects will meet the standards set forth under the Enterprise Green Communities Criteria as modified by the Minnesota Housing Finance Agency’s Minnesota Overlay (the “Minnesota Overlay”). Chapter 81 of the Saint Paul Administrative Code (the “sustainable building ordinance”) also applies. It sets forth sustainable building requirements for buildings owned, operated, or funded by the City. It allows waiver by the Board in whole or in part, and, following a comparative review of the requirements of Chapter 81 and the Enterprise Green Communities Criteria as modified by the Minnesota Overlay, as well as discussion with the developer involving housing team staff and PED’s sustainability coordinator, staff requests waiver of certain requirements of Chapter 81. Listed below is each specific waiver request and applicable rationale.

Waiver Request 1	
Request	Waive the requirement that the projects be certified by Enterprise Community Partners to the Enterprise Green Communities Criteria <i>not</i> modified by the Minnesota Overlay.
Rationale	Third-party certification by Enterprise Community Partners would likely increase costs and may delay project completion. The Minnesota Overlay is more responsive to local conditions than the national criteria. These projects still will meet the standards of the Enterprise Green Communities Criteria as modified by the Minnesota Overlay, which is a rigorous standard, and be subject to inspection by staff and an accredited, third-party Home Energy Rating System professional (“HERS rater”).

Waiver Request 2	
Request	Waive Requirement 1 of the Saint Paul Overlay: “Meet [the] SB 2030 Energy Standard.”
Rationale	Except for additional tracking and reporting, the SB 2030 standard for small buildings is substantially similar to the requirements of ENERGY STAR Qualified New Homes. ENERGY STAR Qualified New Homes certification is required by the Enterprise Green Communities Criteria as modified by the Minnesota Overlay.

Waiver Request 3	
Request	Waive Requirement 2 of the Saint Paul Overlay: “Indoor and Outdoor Water Efficiency.”
Rationale	The Enterprise Green Communities Criteria as modified by the Minnesota Overlay achieve similar ends by means more appropriate to single-family housing development.

Waiver Request 4	
Request	Waive Requirement 5 of the Saint Paul Overlay: “Construction Waste Diversion.”
Rationale	The Enterprise Green Communities Criteria as modified by the Minnesota Overlay contains a substantially similar requirement.

Waiver Request 5	
Request	Waive Requirement 6 of the Saint Paul Overlay: “Indoor Environmental Quality.”
Rationale	The Enterprise Green Communities Criteria as modified by the Minnesota Overlay contains extensive requirements accomplishing similar ends by means more appropriate to single-family housing development.

Environmental Impact Disclosure

An Environmental Review has been completed on the properties and all recommended or required findings or practices will be followed.

Historic Preservation

The sites are not within any locally or federally designated historic district. No mitigation measures are required.

Public Purpose/Comprehensive Plan Conformance

Public purpose priorities and the ways in which these projects conform to the Comprehensive Plan have not changed since the Board authorized sale of the properties to the developers.

Recommendation:

The Executive Director recommends approval of the increase to the authorized expenditure level, waiver of the maximum per-unit development subsidy (the “cap”) and partial waiver of Chapter 81 of the Saint Paul Administrative Code, each as described in this Report.

Sponsored by:

Commissioners Brendmoen and Balenger

Staff:

Nick Boettcher (651-266-6094)

Attachments

- **Map**