

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 12, 2012

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF
PARCEL 669 DESOTO STREET UNDER THE NSP PROGRAM,
PAYNE-PHALEN DISTRICT 5.**

Requested Board Action

Authorization for the sale and conveyance of Parcel 669 Desoto Street to Kandice K. Rappe-Hutchison.

Background

Since 2009, the HRA/City has received \$31.0 million through three rounds of Federal NSP funding as follows:

- NSP 1 funds: \$10.6 million; one-half of the funds had to be expended or obligated by September 13, 2010; the balance has to be expended by March, 2013. (The 9-13-10 spend-down requirement was met.)
- NSP 2 funds: \$18.03 million; one-half of the funds had to be expended or obligated by February 20, 2012; the balance has to be expended by February, 2013. (The 2-20-12 spend-down requirement was met.)
- NSP 3 funds: \$2.8 million; one-half of funds need to be expended by February, 2013; the balance has to be expended by February, 2014.

The property located at 669 Desoto Street was purchased on January 28, 2011 under the Neighborhood Stabilization Program (NSP) and Rebuilding Plan 2009-2013 approved by HRA Resolution 09-02/25-6. It is a two story, 2,340 sq/ft home with 5 BD/3 BA; it was built in 1997. An as-is appraisal completed on December 28, 2010 determined the value to be \$123,000. The HRA purchased the property for \$112,500 representing a discount of 8.5%. The cost of rehabilitation was estimated at \$100,000. The estimated resale value was placed at \$150,000 based on market conditions at the time of acquisition, and prior sales, with an estimated subsidy

of \$82,500 which considered all rehab requirements, energy efficiency, marketability, curb appeal, and holding costs. See Financing Structure below for breakdown on gap/subsidy assistance and program income.

The sale of this and other NSP homes will generate program income that will be recycled and used to fund like activities.

See **Attachment B – Marketing Process and Procedures/Homebuyer Incentive Program** for more information on NSP fair marketing efforts.

Budget Action

No budget action is being requested. City Council took necessary NSP budget actions on November 19, 2008 (Resolution 08-1270) and January 28, 2009 (Resolution 09-103); HRA took necessary actions on February 25, 2009 (Resolution 09-02/25-6). All actions identified the eligible funding activities approved in the Neighborhood Stabilization Program.

Future Action

No future action will be required. Once the HRA takes action approving the sale of the property, staff will proceed to schedule a closing and convey the property.

Financing Structure

The property is being sold based on the after-rehab appraisal and in consideration of NSP costs for \$172,500. A deed conveying the property includes a restriction requiring owner-occupancy. The first mortgage will be FHA financing and held by Alerus Mortgage. In addition, the purchaser will be using mortgage affordability assistance provided by the NSP Homebuyer Assistance Incentive Program.

(The NSP Homebuyer Assistance Incentive Program is both an incentive and a tool to assist in keeping mortgage payments affordable long term. The assistance provides \$14,500 for mortgage affordability to any home buyer purchasing an NSP house assisted by HRA. NSP assistance

requires restrictions and covenants be placed on the property to keep the property affordable at 120% of area median income.)

Subsidy Analysis:

	Estimated Cost	Actual Cost
Acquisition Purchase Price	\$ 112,500.00	\$ 112,500.00
Rehab	\$ 100,000.00	\$ 90,797.00
Soft Costs	\$ 20,000.00	\$ 14,900.00
Total Development Cost	\$ 232,500.00	\$ 218,197.00
Sale Price	\$ 150,000.00	\$ 172,500.00
Gap Assistance/Subsidy	\$ 82,500.00	\$ 45,697.00
NSP Sales Closed Out		
Sales Price		\$ 172,500.00
Realtor, Closing Costs		- 10,000.00
Homebuyer Assistance		- 14,500.00
Program Income (back into NSP)		\$148,000.00 subject to final closing costs

Note: Soft costs include: marketing, insurance, holding costs, construction management, etc.

PED Credit Committee Review

Credit Committee review is not a requirement of the sale of property.

Compliance

This development complied with all the following requirements:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Section 3
4. Limited English Proficiency
5. NSP Affordability Covenants
6. Fair Housing Opportunities
7. Two Bid Policy

Green/Sustainable Development

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

1. HUD Healthy Home Requirements
2. State requirements for asbestos removal where applicable.
3. All local and State building codes together with the 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. All items related to energy efficiency as addressed in the Neighborhood Energy Connection (NEC) audit.
5. Lead removal or abatement.

Environmental Impact Disclosure

The Tier 1 environmental review determined that all activities were either exempt or categorically excluded.

Historic Preservation

This property was found to be in compliance with all applicable regulations.

Public Purpose/Comprehensive Plan Conformance

This action 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 availability of quality and affordable housing across the City.

This purchase, rehab and sale of this property supports the goal of the ISP/NSP Program/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 period of

disinvestment; 3) reducing the number of vacant houses; 4) rehabilitating or addressing housing units to strengthen the housing stock; 5) improving stability and quality of life in neighborhoods; and 6) building on strengths in Saint Paul's neighborhoods.

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 Parcel of land located in Payne-Phalen District 5 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, December 1, 2012. 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 property in Payne-Phalen District 5:

<u>Property Description</u>	<u>Purchaser/Developer</u>	<u>Purchase Price</u>
669 Desoto Street	Kandice K. Rappe-Hutchison	\$172,500.00

The above property was purchased and rehabilitated by the HRA and is being sold at a fair market value for the purpose of homeownership.

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 in accordance with the attached resolution.

Sponsored by: Commissioner Brendmoen

Staff: Sarah Zorn (651-266-6570)

Attachments:

- **Attachment A -- Resolution**
- **Attachment B – Marketing Process and Procedures**
- **Attachment C-- Map/Address of Project and Photos**
- **Attachment D -- Public Purpose Form**
- **Attachment E – Neighborhood Profile**