

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 14, 2011

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF
PARCEL 1420 CHARLES AVENUE UNDER THE NSP PROGRAM,
HAMLINE-MIDWAY DISTRICT 11.**

Requested Board Action

Authorization of the sale and conveyance of Parcel 1420 Charles Avenue to Frederick Melo.

Background

The property located at 1420 Charles Avenue was purchased on August 13, 2009 under the Neighborhood Stabilization Program (NSP) and Rebuilding Plan 2009-2013 approved by HRA Resolution 09-02/25-6. It is a one and one-half story, 1,188 square foot home with 3 BD/1 BA; it was built in 1916. The Sheriff's sale was held on September 4, 2008 with a six month redemption period. The house had been vacant prior to July of 2009. An as-is appraisal completed on July 11, 2009 determined the value to be \$53,000. The HRA purchased the property for \$32,030 representing a discount of approximately 40%. The cost of rehabilitation was estimated at \$89,100 (\$75 sq/ft). The estimated resale value was placed at \$78,481.00 (\$66.08 sq/ft) based on market conditions at the time of acquisition, and prior sales, with an estimated subsidy of \$40,000 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 was listed for \$149,900, which was based on the after-rehab appraisal and consideration of NSP investment. A deed conveying the property includes a restriction requiring owner-occupancy. The first mortgage will be FHA financing and held by Wells Fargo. In addition, the purchaser will be using down payment and closing cost assistance provided by the NSP Homebuyer Assistance Program.

(The NSP Homebuyer Assistance Program is both an incentive and a tool to assist in keeping mortgage payments affordable long term. The assistance provides \$14,500 to any home buyer purchasing an NSP house assisted by HRA. The funds can be used for down payment, closing costs, interest write-down or affordability. 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	\$ 32,030	\$ 32,030
Rehab	\$ 89,100 (\$75.00 sq/ft)	\$ 78,481 (\$66.08 sq/ft)
Soft Costs	\$ 35,670	\$ 40,294
Total Development Cost	\$ 168,370	\$ 150,805
Sale Price	\$ 150,000	\$ 150,900
Gap Assistance/Subsidy	\$ 38,377	\$ 95
NSP Sales Close-Out		

Sales Price		\$ 150,900
Realtor Fee, Closing costs		- 14,000
Homebuyer Assistance		- 14,500
Program Income (back into NSP)		\$ 122,400 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 Hamline-Midway District 11 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 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 property in Hamline-Midway District 11:

Property Description	Purchaser/Developer	Purchase Price
1420 Charles Avenue	Frederick Melo	\$150,900

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 recommends approval of this sale in accordance with the attached resolution.

Sponsored by: Commissioner Stark

Staff: Sarah Zorn (651-266-6570)

Sheri Pemberton-Hoiby (651-266-6615)

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 -- Census Facts**