

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

**REPORT TO THE COMMISSIONERS**

**DATE: JUNE 12, 2013**

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF  
PARCEL 723 JENKS AVENUE UNDER THE NSP PROGRAM, PAYNE-  
PHALEN DISTRICT 5.**

## **Requested Board Action**

Authorize the sale and conveyance of Parcel 723 Jenks Avenue to Sarah Nelson.

## **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 723 Jenks Avenue was purchased on December 29, 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, 1,500 sq/ft home with 3 BD/2 BA; it was built in 1907 as a single family home but had been converted into a duplex in recent years. An as-is appraisal completed on December 2, 2011 determined the value to be \$45,000. The HRA purchased the property for \$44,550 representing a discount of 1%. The cost of rehabilitation/deconversion to a single family home was estimated at \$220,000. The estimated resale value was placed at \$160,000 based on market conditions at the time of acquisition, and prior sales, with an

estimated subsidy of \$102,000, which considers all rehabilitation requirements, energy efficiency, marketability, curb appeal, and holding costs. See Financing Structure below for a breakdown of gap/subsidy, assistance and estimated 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 NSP-related budget action is being requested. The City Council took necessary NSP budget actions on November 19, 2008 (Resolution 08-1270), January 28, 2009 (Resolution 09-103) and February 6, 2013 (Resolution 13-32); HRA took necessary actions on February 25, 2009 (Resolution 09-02/25-6) and February 13, 2013 (Resolution 13-198). 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, comparable sales and in consideration of NSP project 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 Waterstone Mortgage. In addition, the purchaser will be using mortgage affordability assistance provided by the NSP Homebuyer Assistance Program.

(The ISP/NSP Homebuyer Assistance Program is both an incentive and a tool to assist in keeping mortgage payments affordable in the long term. The assistance is provided to any home

buyer purchasing an ISP/NSP house assisted by HRA. The assistance being provided to the home buyer at 723 Jenks Avenue is \$7,500.)

### **Subsidy Analysis:**

	<b>Estimated Cost</b>	<b>Actual Cost</b>
Acquisition Price	\$ 44,550	\$ 44,550
Rehabilitation	+ \$ 220,000	\$ 253,683
Soft Costs	+ \$ 15,000	\$ 30,420
<b>Total Development Cost</b>	<b>= \$ 279,550</b>	<b>\$ 328,654</b>
Sale Price	- \$ 160,000	\$ 172,500
Realtor Fees/Closing Costs	- \$ 10,000	\$ 10,000
Homebuyer Assistance	- \$ 7,500	\$ 7,500
<b>Gap</b>	<b>= \$ 102,050</b>	<b>\$ 138,654</b>
<b>Program Income</b> (subject to final closing costs)	\$	\$ 155,000

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, June 1, 2013. 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:

<b><u>Property Description</u></b>	<b><u>Purchaser/Developer</u></b>	<b><u>Purchase Price</u></b>
723 Jenks Avenue	Sarah Nelson	\$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 Bostrom

**Staff:** Sarah Zorn (651-266-6570)

**Attachments:**

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