

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 11, 2015

REGARDING: RESOLUTION APPROVING AND AUTHORIZING A BUDGET AMENDMENT TO REMOVE CDBG FUNDS PREVIOUSLY BUDGETED TO THE INSPIRING COMMUNITIES DISPOSITION PLAN FUND AND ALLOCATING HOUSING TRUST FUNDS TO THE INSPIRING COMMUNITIES PROGRAM.

Requested Board Action

Approval of a budget amendment to remove previously budgeted CDBG funds in the amount of \$1,075,000 from the Disposition Plan Fund and allocating \$1,075,000 in Housing Trust Fund (HTF) dollars to the Inspiring Communities Disposition Strategy Budget. The funds will be used to continue implementation of activity under the Saint Paul Housing and Redevelopment Authority's (HRA) Disposition Strategy and Work Plan, which was approved by the HRA Board on July 24, 2013 (Resolution 13-1097).

Background

Planning and Economic Development (PED) staff analyzed all HRA-owned property in order to make informed recommendations regarding the retention and disposition of property, and create a disposition strategy and budget to advance redevelopment plans for the sites analyzed. Property that was considered as part of the disposition analysis was predominantly scattered site vacant lots (no more than four contiguous lots) and buildings that are no more than four units. The Disposition Strategy and Work Plan (DSWP) was approved by the HRA Board of Commissioners on July 24, 2013 via Resolution 13-1097.

Inspiring Communities is currently used for the marketing campaign for homes both rehabilitated and newly constructed, and consolidates property acquired under the Invest Saint Paul (ISP), Neighborhood Stabilization Program (NSP), and Community Development Block Grant (CDBG) programs, along with some HRA acquired property, under one strategy.

Previous Board action related to Inspiring Communities includes:

- Approval of the Disposition Strategy, Work Plan, and Budget (13-1097)
- Approval of Program Manuals, and Guidelines for Disposition of Splinter Parcels (13-1592)
- Acceptance of \$840,000 from MHFA and \$200,000 from the Metropolitan Council through the 2013 CHIF RFP (14-295)
- Approval of the Property Valuation Policy, Disposition Policy and Procedure for the Sale of Vacant Lots for Market Value, and application to Minnesota Housing's Community Housing Impact Fund for \$960,000 (14-1331)
- Approval of the budget amendment to allocate \$1,194,000 in CDBG funds to program activities (14-1577)
- Acceptance of \$560,000 from MHFA and \$160,000 from the Metropolitan Council through the 2014 CHIF RFP (15-212)

The July 24, 2013 Board action established four disposition categories: two that allocated future subsidy and two that were sales strategies. Properties eligible for subsidy were either located in cluster areas (Dayton's Bluff, Railroad Island (Payne-Phalen), Payne-Maryland (Payne-Phalen), Frogtown, and West Seventh) or had obligations for redevelopment (vacant buildings, some tax forfeit properties, some federal properties). The remaining properties were either buildable lots to be sold for market value, or splinter parcels to be sold for a nominal price. The intention of the Work Plan was to allocate properties eligible for subsidy through a competitive RFP process as funding sources became available.

A RFP was released in November of 2014 along with a list of 55 vacant structures and lots. In an effort to continue to allocate subsidy for redevelopment activity, HRA staff has sought funding through a variety of sources. Those sources have included dollars from ISP, NSP, CDBG, STAR, MHFA's Community housing Impact Fund and Metropolitan Council's Local Housing Incentives Account.

PED staff saw an opportunity to better align resources with projects by trading CDBG funds for unrestricted Housing Trust funds allowing for greater flexibility when selling to a homebuyer, potentially resulting in greater income diversity in the neighborhoods.

The most restrictive source of funds used to acquire, demolish or maintain Inspiring Communities property determines the income limit of the end occupant. Most property is currently restricted to 115% or 120% of area median income and the CDBG Program limits restrict income to at or below 80% of area median income. Approving the swapping of funding sources will avoid unnecessarily restricting the income of the homebuyer and limiting the pool of potential buyers. (\$119,000 in year 2013 and 2014 CDBG funds remained budgeted for the Program and staff will be deliberate in its allocation of resources).

Budget Action

Approval of a budget amendment to remove \$1,075,000 in CDBG funds previously budgeted for Inspiring Communities and transferring \$1,075,000 in Housing Trust funds to the Disposition Plan Fund for the purpose of furthering activities through the Inspiring Communities program (**Attachment A**). This will leave a \$175,000 balance in the Housing Trust Fund Program. This also frees up CDBG funds to be aligned with multifamily preservation projects which will be coming to the HRA Board for approval in the coming months.

Future Action

Staff will return for Board approval for any sale of HRA owned property.

Financing Structure

Financing structures will remain as approved under previous HRA actions.

PED Credit Committee Review

N/A

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

A Tier 1 environmental impact study was conducted for the target area of NSP 1, 2, and 3, which encompasses the area of all Inspiring Communities program activities.

Historic Preservation

A 106 review is conducted at the time of acquisition for all HRA properties.

Public Purpose/Comprehensive Plan Conformance

Attachment B includes a list of comprehensive and neighborhood plan documents that the proposed action will assist in fulfilling.

The Disposition Strategy has been presented to the planning councils most affected by the disposition strategy - the District 5 CPED and Railroad Island committees, District 4 Board, and District 7 Board - and received their support.

Recommendation:

The Executive Director recommends approval of this board action.

Sponsored by: Commissioner Brendmoen

Staff: Sarah Zorn, 651-266-6570

Attachments:

Attachment A – Resolution and Budget Amendment

Attachment B – Comprehensive Plan Applicability

