

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

REPORT TO THE COMMISSIONERS

DATE: MAY 22, 2013

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF
PARCEL 22 DOUGLAS STREET UNDER THE ISP PROGRAM (SMITH
STREET DEVELOPMENT AREA), WEST SEVENTH DISTRICT 9.**

Requested Board Action

Authorization for the sale and conveyance of Parcel 22 Douglas Street to Juan J. Fuentes and Brittney M. Schuller.

Background

The property located at 22 Douglas Street was purchased on July 12, 2007 under the Invest Saint Paul Program (ISP) Initiative approved by the HRA on August 8, 2007 by Resolution 07-08/08-3. HRA had approved numerous actions under ISP including the strategic acquisition and rehabilitation of single family homes as a component of the program's holistic approach to neighborhood revitalization. The property is a two-story, 1,330 sq/ft home with 2 BD/2 BA; it was built in 1880, and had been converted to a duplex. The property had been forfeited to the State on August 1, 2006. The HRA purchased the property for \$1. The cost of rehabilitation was estimated at \$150,000, which included de-conversion to a single family home and the construction of a new garage. The estimated resale value was \$150,000 based on market conditions at the time of acquisition, and prior sales, with an estimated subsidy of \$20,000 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 22 Douglas Street and other ISP homes will generate program income that will be recycled and used to fund rehabilitation of other properties acquired under ISP-related activities.

Smith Street Development Request

The Smith Street Development in District 9 was identified as one of the larger development activities in the West Seventh Street ISP Area. In August, 2008, when HRA considered the ISP Plan, Smith Street Development noted a funding need of up to \$2.0 million; funding would be needed at different times as the project progressed. On May 26, 2010, by Resolution 10-05/26-3, HRA approved \$500,000 towards the rehabilitation of existing vacant/foreclosed structures, acquired under ISP. Nineteen properties have been acquired (including donations) in the Smith Street area. Fifteen (15) of these homes are to be rehabilitated; to date four have been completed and two of those have sold. Most of the houses to be rehabilitated have been identified as having architectural or historic significance. While most properties do not qualify under NSP, NSP funds will be utilized on those properties that do qualify in order to leverage the ISP funds. All sales proceeds, up to \$2,000,000, from the Smith Street Development area will go back to ISP under Smith Street and continue to be used to address additional properties.

See **Attachment B – Marketing Process and Procedures/Homebuyer Incentive Program** for more information on NSP fair marketing efforts. ISP homes are being marketed in the same manner and according to the same fair marketing regulations as NSP homes.

Budget Action

Approve budget amendment to deposit the estimated sales proceeds for 22 Douglas of \$152,500 into the Smith Street Development budget, increasing the recently amended budget of \$807,342 (original budget \$500,000) to \$959,842.

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, consideration of ISP costs and estimated resale value based on market conditions for \$165,000. A deed conveying the property includes a restriction requiring owner-occupancy. The first mortgage will be FHA financing and

held by Bell Mortgage. In addition, the purchaser will be using ISP/NSP Homebuyer Assistance Program.

(The ISP/NSP Homebuyer Assistance Program is both an incentive and a tool to assist in keeping mortgage payments affordable 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 22 Douglas is \$2,500.)

Subsidy Analysis:

	Estimated Cost	Actual Cost
Acquisition Purchase Price	\$ 1.00	\$ 1.00
Rehab	\$ 150,000.00	\$ 145,588.00
Soft Costs	\$ 20,000.00	\$ 18,920.00
Total Development Cost	\$ 171,000.00	\$ 164,509.00
Sale Price	\$ 150,000.00	\$ 165,000.00
Gap Assistance/Subsidy	\$ 21,000.00	\$ - 491.00
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Sales Price		\$ 165,000.00
Realtor, Closing Costs		- 10,000.00
Homebuyer Assistance		- 2,500.00
Program Income (back into ISP)		\$ 152,500.00 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. Fair Housing Opportunities
6. Two Bid Policy

Green/Sustainable Development

The project complies with the Saint Paul/HRA Sustainability Initiative. The project also meets the following ISP/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 West Seventh District 9 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, May 11, 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 West Seventh District 9:

<u>Property Description</u>	<u>Purchaser/Developer</u>	<u>Purchase Price</u>
22 Douglas Street	Juan J. Fuentes and Brittney M. Schuller	\$165,000

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 sale in accordance with the attached resolution.

Sponsored by: Commissioner Thune

Staff: Sarah Zorn (651-266-6570)

Attachments:

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