



Housing Action Plan 2010-2013

2010 report & 3-year workplan

to implement the *Housing Plan*, a chapter of the *Saint Paul Comprehensive Plan* (2008-2018)

To be reviewed by City Council, November 17, 2010

Public comment draft, 10/15/10

Full plan draft available at www.stpaul.gov/index.aspx?NID=4176
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Executive Summary

The *Housing Plan*, a chapter of the *Saint Paul Comprehensive Plan (2008-2018)* calls for the preparation of an annual Housing Action Plan. The last Housing Action Plan (HAP) adopted by the City was in 2005; Housing Action Plans were not developed and adopted in 2006-2009 because the City was updating its broader policy framework and long-term housing goals in its Comprehensive Plan.

The purpose of this Housing Action Plan is to:

- Report on the market context of City/HRA housing activities in 2010;
- Outline the implementation actions to be undertaken during 2010-2013, including specific targets to be met over the course of this period in furtherance of the broader strategies and policies outlined in the *Housing Plan* and the Livable Communities Act;
- Foster coordination between the Housing and ISP/NSP Teams of the City's Department of Planning and Economic Development (PED), and between PED, the City's Department of Safety and Inspections (DSI), Minnesota Housing, and other housing organization partners.

While this plan includes a report on the housing market context in 2010, a three year planning period is used for housing activities to be implemented (2010-2013). The principal reason for this is that February 2013 is the deadline for having Neighborhood Stabilization Program (NSP2) funds committed.

Various policies from the three major strategies of the *Housing Plan* are emphasized and prioritized with this Housing Action Plan. Key policies support economic integration (economically diverse neighborhoods), increased housing choices (an all-incomes housing policy), aggressive housing rehabilitation, neighborhood revitalization, the preservation of existing affordable housing, the new production of affordable housing, and sustainable development.

Previously, a Housing Action Plan Advisory Task Force was created to develop the plan as well as and monitor and guide the implementation of the *Housing Plan* under Housing 5000. Similarly, a Housing Action Plan Steering Committee was formed in 2010 to direct the development of this plan (see Section 6.0 for a list of members).

2.0 Context

Section 2.0 includes the current market context (the years since the last Housing Action Plan, i.e. 2005-2009), as well as an overview of recent housing activities of the City/HRA and its partners.

3.0 Priority Housing Activities for 2010-2013

Section 3.0 of the HAP 2010-2013 discusses priority housing activities for the City/HRA, including detailed project profile sheets.

Implicit to the Targets and Funds detailed below are key policy priorities the City has established primarily related to housing development and finance, many of which are outlined in the *Housing Plan*. In achieving the Targets set below, the City/HRA will implement the following housing policies:

- Assist in the preservation of existing, publicly-assisted affordable housing, including federal Low Income Housing Tax Credit projects and other rent-restricted affordable housing projects that are coming to the end of their affordability periods.
- Ensure that 30% of new rental housing production is affordable to households at or below 60% of the area median income, with at least one third of these units being affordable at 30% of the median income, and at least one third of these units being affordable at 50% of the median income.
- Ensure that 30% of new ownership housing production is affordable to households at or below 80% of the area median income, with at least one third of these units being affordable at 60% of the median income.
- Support economically diverse residential neighborhoods and housing development that increases housing choices.
- Support Community Development Corporations (CDCs) in their efforts to rehabilitated and develop affordable housing, strengthen neighborhoods, and improve housing conditions.
- Continue to participate in the Ramsey County/City of Saint Paul Homeless Advisory Board, which will communicate issues affecting housing and homelessness to the County and City, recommend policy changes and oversee the progress in local plans to end homelessness.
- Support and coordinate with the City's Department of Safety and Inspections on code enforcement and vacant building inspection activities.
- Support the City's Department of Human Rights and Equal Economic Opportunity (HREEO) to administer the Vendor Outreach Program (VOP) and Section 3 program to help minority-, women-owned, and small businesses do business with the City of Saint Paul, as well as incorporate Affirmative Action requirements into contracts entered into by the City so employers adopt and implement affirmative action programs to employ women, minorities, and people with disabilities.

4.0 Targets and Funds

Section 4.0 lists the implementation targets, and provides a summary of expected City/HRA funding sources to be available during 2010-2013 for housing projects and programs (as well as other funding sources).

The following targets are set for the 2010-2013 period:

Fig. 17. 2010-13 Targets, City/HRA housing investments

Existing Housing Stock Activities	Units	Assistance to Households	Households or Loans
Preservation (Extended Affordability Life)	1,000	Mortgage Foreclosure Prevention (New Clients Assisted)	600 households
Vacant Units Acquired	81	Home Improvement (Deferred Loans, CDC loans, MHFA Affordable Rehab Loan)	660 loans
Vacant Units Acquired & Under Rehabilitation	112	Mortgage Loan (Straight Purchase)	400 loans
		Mortgage Loan (Purchase/Rehab)	40 loans
		Down Payment Assistance (households)	446 households
New Housing Production	Units		
New Construction/Conversion	1,000*		

Note: Targets are consistent with established PED Performance Measurements. Please see Section 3.0 of this plan for more information.

*Of the 1,000 new construction/conversion units to be produced over the 2010-2013 period, a projected 31 percent will be affordable to households earning at or below 60% of the area median income. It is likely that 100 percent of the new production units will be rental options.

Additional information about housing activities supported by the City/HRA is available on the PED website (<http://stpaul.gov/index.aspx?NID=361>).

5.0 Other Housing Related Activities

Along with the bricks-and-mortar of housing development and finance, the City/HRA will be engaged in a number of other housing related activities as outlined in Sec. 5.0, including programmatic, zoning/official control, and legislative initiatives to be developed, and neighborhood and project planning activities.

Larger issues that need to be addressed, with likely review and input by the Housing Steering Committee, include the following:

- Continue the identification of additional [housing] financing resources;
- Strategize about ways to continue serving as many homeowners at risk of foreclosure as possible;
- Continue to face the challenges and opportunities associated with the acquisition, rehabilitation, and re-occupation of vacant housing;
- Implement the City’s sustainable development policies; and
- Begin to review the outlook for housing markets beyond 2013, and determine the housing priorities following the implementation of the Neighborhood Stabilization Program/Invest Saint Paul initiative.

PED will work closely with key community partners including other City departments in the implementation of housing activities. The HAP 2010-2013 outlines a long list of important partners. In addition to PED’s annual context updates to track the City/HRA’s progress on this plan, the following will occur:

- Regular reporting on housing project sources and uses of funds, affordability levels and other data will become part of the new PED Scorecard.
- The PED Housing Division website is being improved and expanded (<http://stpaul.gov/index.aspx?NID=361>).

6.0. Process for Preparation and Review

Section 6.0 discusses the community review process for the Housing Action Plan 2010-2013 Steering Committee.

7.0 Year 2010 report on City/HRA’s progress

Section 7.0 includes reports on the City/HRA’s progress on citywide targets, and current data on housing activities within the Central Corridor.

8.0 Definitions and Notes

Section 8.0 includes definitions and notes for the plan.

- Appendices:**
1. Project Profile sheets
 2. Maps:

Fig. 18. Summary of potential City/HRA housing funds (June 1, 2010 - May 31, 2013)

Resources	Estimated Budget (3-yrs)
CDBG (includes program income)	\$13,500,000
HOME	\$6,600,000
ESG	\$990,000
<i>Invest Saint Paul (ISP)</i>	\$0
STAR (<i>not related to ISP</i>)	\$300,000
NSP1 and NSP2	\$28,700,000
CDBG-R	\$500,000
Tax Increment Financing	\$10,000,000
TCAP	\$3,165,000
Subtotal	\$63,755,000
Revenue Bonds:	\$248,000,000 (total)
<i>Single Family Revenue Bonds</i>	\$120,000,000
<i>Multifamily Revenue Bonds</i>	\$128,000,000
Low Income Housing Tax Credits:	\$51,000,000 (total)
9% Credits	\$21,000,000
4% Credits	\$30,000,000
Subtotal	\$299,000,000
Total	\$362,755,000

- a. City/HRA property inventory, 2010
- b. Multifamily housing projects, 2010-2013, version 2010
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- d. Maps of 2009 Housing Sales, by City subsectors

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1.0. Background

The *Housing Plan*, a chapter of the *Saint Paul Comprehensive Plan*, was adopted by the City Council on February 24, 2010, and applies to the 10-year, 2008-2018 period. The 10-year *Housing Plan* called for the preparation of an annual Housing Action Plan. To develop this Housing Action Plan, a Housing Steering Committee was convened from June 2010-October 2010 that included City staff from two departments, aides to the City Council president and the Housing and Redevelopment Authority (HRA) board chair, as well as other housing organization partners.

In brief, this Housing Action Plan (HAP) is a City/HRA work plan that details the specific housing activities to be completed during the 2010-2013 period to implement the policies of the *Housing Plan*. This HAP also serves as Saint Paul's action plan required by the Metropolitan Livable Communities Act to document the City's intended actions to carry out its agreed-upon housing goals. While the City of Saint Paul's role in the implementation of housing-related activities includes several City offices - the Department of Planning and Economic Development (PED), Safety and Inspections (DSI), City Council Research, HREEO, etc. - and others including the Public Housing Agency, the HAP outlines the priority activities to be undertaken by PED/HRA.

The HAP acknowledges previous housing implementation efforts by the City, but recognizes a vastly different environment.¹ Over the past three years, many of the city's neighborhoods have experienced a distressing foreclosure and vacant housing crisis while the market for newly-constructed housing has largely dried up. This HAP therefore draws upon the significant new housing production that resulted from the *Housing 5000* initiative, the ongoing housing revitalization activities of the *Invest Saint Paul* initiative, as well as additional housing implementation activities administered by the City/HRA, in coordination with other public and private partners.

From 2011 through 2013, this plan will be updated annual to include a yearly report on the market context of City/HRA housing activities, and Housing Steering Committee meetings will provide the setting for a coordinated dialogue between the Housing and ISP/NSP divisions of PED, and between PED, the City's Department of Safety and Inspections (DSI), Minnesota Housing, and other housing organization partners.²

1. The Saint Paul Housing Production Plan 2002-2005, known as the *Housing 5000* initiative, emphasized the new construction of housing throughout the city.

2. Additionally, this Housing Action Plan incorporates the actions of the *Plan to End Long Term Homelessness*, particularly its emphasis on the preservation and creation of supportive housing.

2.0. Context

2.1. Overall Housing Market Trends

2.1.1. Residential foreclosure and vacancies

Trends, 2005-2009

- Roughly 20-25% of the residential properties have been foreclosed upon have also been on the City's Registered Vacant Building List.
- Vacant and foreclosed residential properties in St. Paul reached a high in 2008, but remained high in 2009. The same trend is true in *Invest Saint Paul* (ISP) neighborhoods.
- ISP neighborhoods have had 40-50% of the City's vacant homes in the last five years, and between a quarter and a third of the City's foreclosed homes.
- The vacant and foreclosed housing crisis had spread beyond the *Invest Saint Paul* (ISP) neighborhoods, particularly by 2008. The City's NSP target geographies were created to reflect this emerging trend.
- In 2009, there were 4,091 pre-foreclosure notices sent to owners of Saint Paul properties, of which 1,824 went into foreclosure (sheriff's sale). From Jan. 1, 2010 to June 30, 2010, the City received 1,731 pre-foreclosure notices for Saint Paul properties from lenders and law firms. If the same proportion of property owners that received a notice actually go into foreclosure in 2010 as in 2009 (44.6%), the City is projected to have 1,565 foreclosures by the end of 2010. While this is a lower number than 2009 (1,824), it is comparable to the city's total number of foreclosures during 2006 or 2007.

Invest Saint Paul Priority Areas represent 7.5 percent of the city's land area (Thomas-Dale/Frogtown, North End, Dayton's Bluff, and Payne-Phalen neighborhoods).

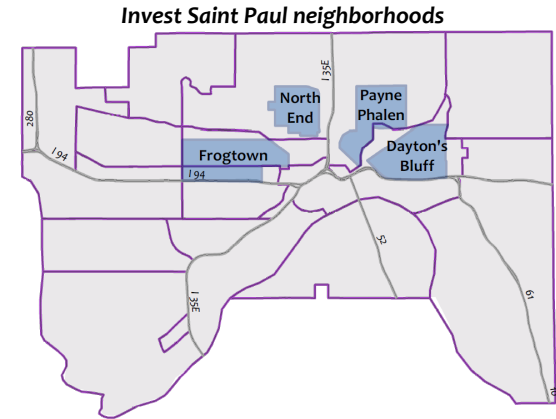
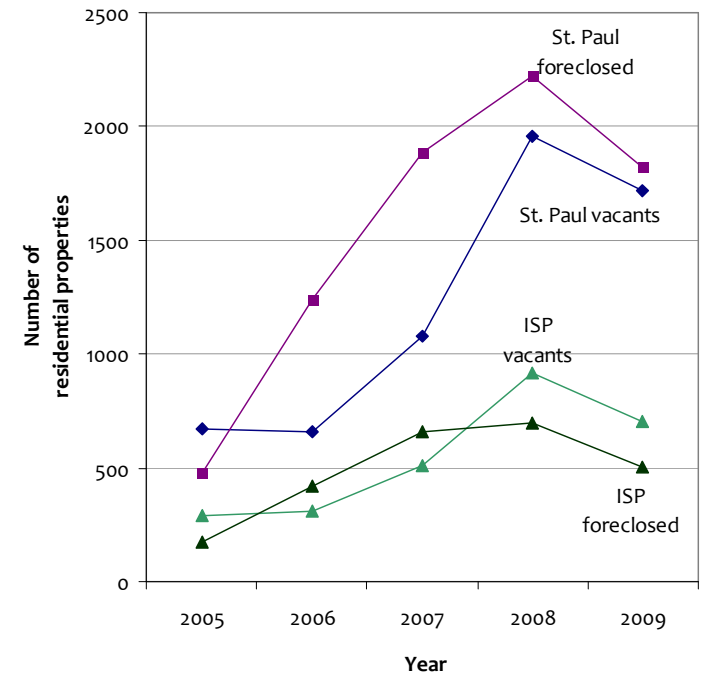


Fig. 1. Vacant & foreclosed residential properties, 2005-2009

Year	Registered Vacant Buildings ¹			Foreclosed (Sheriff's Sale) ²		
	City of Saint Paul	Invest St. Paul areas	% of citywide total	City of Saint Paul	Invest St. Paul areas	% of citywide total
2005	670	293	44%	480	177	37%
2006	656	313	48%	1,241	417	34%
2007	1,078	511	47%	1,888	656	35%
2008	1,956	920	47%	2,224	695	31%
2009	1,718	701	41%	1,824	506	28%

1. The City of Saint Paul keeps a Registered Vacant Building List. The minimum standard for a building to be put on the list is when it is un-occupied and unsecured. The numbers above reflect a point-in-time number of residential buildings on the list in the 3rd quarter of each year.

2. Foreclosures included here are those that have been through a sheriff's sale--the point at which a homeowner loses the home to the lender or third party real estate organization.



2.1.2. Investments in the existing (and new) housing stock (building permits)

Trends, 2005-2009

- The type of housing investment that led all others in volume during 2005-2009 was express repairs to single family detached homes; standard repairs to single family homes followed (this is partly explained by the aging housing stock across the city). In *Invest Saint Paul* (ISP) neighborhoods, express and standard repairs also led in volume, with the latter more frequent.

Fig. 2. Volume of residential building permits (citywide)¹

Year	Single Family Detached homes					Duplex properties					Multifamily properties				
	Basic Maintenance		Substantial Investment			Basic Maintenance		Substantial Investment			Basic Maintenance		Substantial Investment		
	Repairs	Express Repairs	Remodels	Additions	New	Repairs	Express Repairs	Remodels	Additions	New	Repairs	Express Repairs	Remodels	Additions	New
2005	1,458	2,225	637	166	179	262	172	100	18	9	155	41	145	1	47
2006	1,087	1,877	638	147	135	228	107	102	15	15	134	62	171	1	46
2007	684	2,047	544	243	73	95	91	58	4	1	66	187	348	4	16
2008	762	1,928	551	222	47	210	99	58	5	1	120	153	157	4	17
2009	1,184	2,718	827	287	18	337	114	62	8	2	188	166	148	4	10
5-Yr Average	1,035	2,159	639	213	90	226	117	76	10	6	133	122	194	3	27

1. City of Saint Paul Department of Safety & Inspections (DSI) building permit data. Excludes permits marked as Canceled, Expired, Inactive, Pending, and Under review. Includes permits marked as Finalized, Closed, Closed without Approval, Approved to Pay, Active/Issued, and Inspected. Express Repairs do not require plan review by DSI, and often involve external repairs (roofing, siding, windows, porches, etc.). Repairs typically involve internal work, e.g. heating, plumbing, electrical systems.

Fig. 3. Median value of residential building permits (citywide)¹

Year	Single Family Detached homes					Duplex properties					Multifamily properties				
	Basic Maintenance		Substantial Investment			Basic Maintenance		Substantial Investment			Basic Maintenance		Substantial Investment		
	Repairs	Express Repairs	Remodels	Additions	New	Repairs	Express Repairs	Remodels	Additions	New	Repairs	Express Repairs	Remodels	Additions	New
2005	\$2,714	\$4,500	\$7,500	\$45,000	\$142,660	\$3,860	\$5,910	\$4,600	\$22,500	\$237,139	\$6,000	\$10,129	\$40,000	\$80,000	\$250,000
2006	\$3,000	\$4,635	\$9,000	\$50,000	\$145,000	\$4,000	\$4,800	\$5,000	\$7,000	\$108,542	\$5,858	\$5,790	\$51,846	\$200,000	\$552,111
2007	\$3,000	\$4,788	\$9,326	\$20,000	\$131,309	\$4,350	\$5,205	\$8,000	\$19,500	\$42,000	\$6,150	\$5,000	\$39,255	\$1,550	\$309,000
2008	\$4,000	\$5,000	\$10,000	\$20,000	\$160,000	\$8,000	\$3,300	\$6,800	\$5,000	\$200,000	\$5,000	\$4,740	\$20,000	\$127,000	\$3,241,600
2009	\$5,000	\$5,642	\$7,000	\$8,500	\$155,000	\$7,500	\$6,142	\$6,500	\$2,360	\$182,250	\$6,490	\$5,977	\$25,333	\$4,200	\$662,500
5-Yr Average	\$3,543	\$4,913	\$8,565	\$28,700	\$146,794	\$5,542	\$5,071	\$6,180	\$11,272	\$153,986	\$5,900	\$6,327	\$35,287	\$82,550	\$1,003,042

- All types of single family and duplex housing investments have rebounded in volume since reaching a low in 2007-08; this trend also holds true in ISP neighborhoods.
 - Additions to single family homes have been the most recession-proof investment type (in terms of volume), but the value of this type of investment has

- fluctuated the most.
- On average, the values of repair and express repair investments in single-family and duplex homes in ISP areas have exceeded the values for these investment types citywide over the 2005-2009 period.
- The volumes of all types of multifamily housing investments (other than new construction) have rebounded since 2005, but to a lesser extent in ISP neighborhoods.

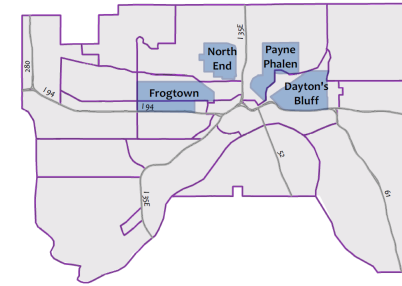


Fig. 4. Volume of residential building permits (Invest Saint Paul areas)¹
includes Frogtown, North End, Dayton's Bluff, and Payne-Phalen

Year	Single Family Detached homes					Duplex properties					Multifamily properties				
	Basic Maintenance		Substantial Investment			Basic Maintenance		Substantial Investment			Basic Maintenance		Substantial Investment		
	Repairs	Express Repairs	Remodels	Additions	New	Repairs	Express Repairs	Remodels	Additions	New	Repairs	Express Repairs	Remodels	Additions	New
2005	267	147	50	7	26	100	58	23	5	2	30	4	11	0	1
2006	219	152	33	4	32	107	33	27	4	3	17	5	25	0	3
2007	95	118	38	9	24	32	20	16	2	0	14	9	13	1	0
2008	176	192	46	17	10	99	31	15	0	0	34	12	3	0	1
2009	324	270	86	18	6	174	29	25	3	0	32	15	12	0	1
5-Yr Average	216	176	51	11	20	102	34	21	3	1	25	9	13	0	1

1. City of Saint Paul Department of Safety & Inspections (DSI) building permit data. Excludes permits marked as Canceled, Expired, Inactive, Pending, and Under review. Includes permits marked as Finalized, Closed, Closed without Approval, Approved to Pay, Active/Issued, and Inspected. Express Repairs do not require plan review by DSI, and often involve external repairs (roofing, siding, windows, porches, etc.). Repairs typically involve internal work, e.g. heating, plumbing, electrical systems.

Fig. 5. Median value of residential building permits (Invest Saint Paul areas)¹
includes Frogtown, North End, Dayton's Bluff, and Payne-Phalen

Year	Single Family Detached homes					Duplex properties					Multifamily properties				
	Basic Maintenance		Substantial Investment			Basic Maintenance		Substantial Investment			Basic Maintenance		Substantial Investment		
	Repairs	Express Repairs	Remodels	Additions	New	Repairs	Express Repairs	Remodels	Additions	New	Repairs	Express Repairs	Remodels	Additions	New
2005	\$3,000	\$4,917	\$7,750	\$27,850	\$117,483	\$3,150	\$5,910	\$3,100	\$1,500	\$215,000	\$6,500	\$3,500	\$9,400	N/A	\$250,000
2006	\$3,000	\$4,981	\$4,200	\$38,230	\$138,025	\$4,000	\$5,000	\$5,000	\$3,000	\$21,500	\$3,500	\$7,000	\$61,301	N/A	\$6,365,000
2007	\$5,650	\$4,415	\$7,250	\$3,000	\$116,077	\$5,500	\$4,886	\$4,250	\$1,800	N/A	\$6,250	\$5,000	\$3,000	\$1,500	N/A
2008	\$5,000	\$5,000	\$9,500	\$8,100	\$161,754	\$10,000	\$4,289	\$3,500	N/A	N/A	\$5,000	\$6,650	\$4,000	N/A	\$4,000,000
2009	\$5,000	\$6,000	\$3,750	\$3,300	\$85,000	\$9,900	\$6,000	\$7,000	\$3,000	N/A	\$8,000	\$9,300	\$18,500	N/A	\$4,000,000
5-Yr Average	\$4,330	\$5,063	\$6,490	\$16,096	\$123,668	\$6,510	\$5,217	\$4,570	\$2,325	\$118,250	\$5,850	\$6,290	\$19,240	\$1,500	\$3,653,750

- The median values of single family express repairs and duplex repairs have more than recovered since 2005; more specifically, their values in the last two years (2008-2009) have been higher than the previous three years. This could be viewed as evidence of the impact of the Bostrom ordinance, which took effect in the fall of 2008.³

3. The "Bostrom ordinance," adopted by the City Council in the fall of 2008, had the purpose of holding banks and mortgage companies responsible for vacant buildings in the worst condition. The ordinance

2.1.3. Residential demolitions

Trends, 2005-2009

- Saint Paul has seen an increase in the number of demolished residential properties over the past five years.
- *Invest Saint Paul* neighborhoods have been the location of between a third and a half of all demolished homes citywide. Some of this activity has happened as a part of the City's NSP rebuilding plans, which include landbanking and eventual reinvestment activities once the market recovers.
- Selective demolition can present opportunities for new infill housing that is energy-efficient and/or provides increased lifecycle options, as well result in the removal of homes with negative health impacts (asbestos, lead, mold, etc.). This plan recognizes that both selective residential demolition as well as the preservation of older homes can have positive revitalization effects for neighborhoods.

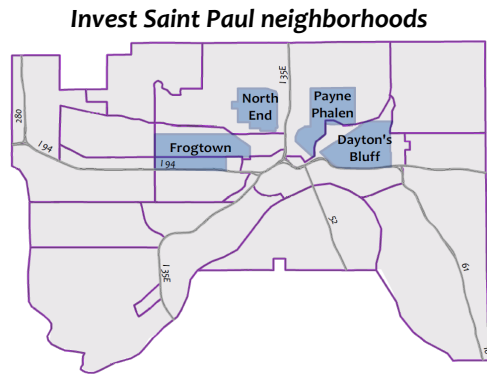
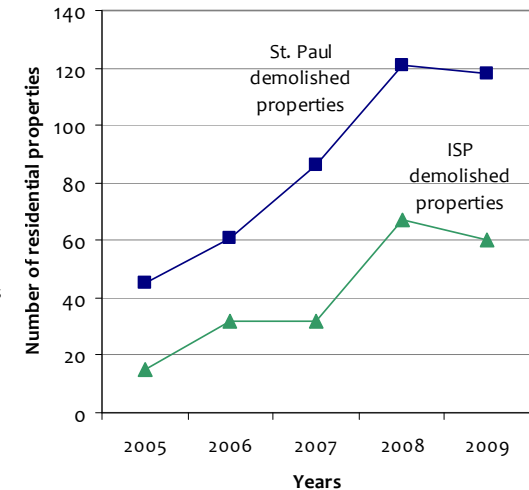


Fig. 6. Residential property demolitions¹, 2005-2009

Demolitions			
Year	City of Saint Paul	Invest St. Paul areas	% of citywide total
2005	45	15	33%
2006	61	32	52%
2007	86	32	37%
2008	121	67	55%
2009	118	60	51%

1. Demolitions include those completed by 1) the Department of Safety & Inspections as part of abatement orders, 2) private property owners, and 3) the City's HRA for selective site assembly / redevelopment purposes.



2.1.4. Multifamily vacancy rate (four+ unit rental buildings)

Trends, 2005-2010

- A healthy multifamily vacancy rate is around five percent, which promotes competitive rates, ensures adequate consumer choice, and allows for sufficient rental unit turnover.
- The rental vacancy rate has declined slightly since the mid-2000s, to just over six percent in 2008 from a peak of 10 percent in 2005.
- During 2009, vacancies spiked again. Specifically, between the first quarter of 2009 and the end of the year, the Twin Cities metro area's vacancy rate for market rate rental units went from 4.9 percent to 7.3 percent,⁴ and non-Downtown Saint Paul market rate vacancies also climbed above four percent.⁵

says that if a building is identified as having a Category III condition on the City's Registered Vacant Building List, i.e. with the highest level of safety code violations, then it cannot be sold until it's brought up to minimum safety standards.

4. Feyder, Susan. "Apartment building owners have more space on their hands." Star Tribune 15 Feb. 2010: D1

- During 2009, the Downtown Saint Paul market-rate rental vacancy rate climbed from 6.9 percent to 10.1 percent.⁶
- Downtown Saint Paul’s affordable units had a low vacancy rate as of the first quarter of 2009: 2.1 percent.⁷
- While foreclosures continue at a high level, the multifamily vacancy rate in the Twin Cities has not decreased very much. HousingLink speculates that factors that have influenced the high vacancy rate are the federal first-time homebuyers’ credit and the poor economy resulting in people "doubling up" (more than one household per unit).⁸ The Urban Land Institute identifies unemployment as the key factor suppressing household formation, as the rate of household formation among those in their 20s – the age cohort at which the most new households are formed - has fallen by more than half in the past two years, with many in this cohort moving back in with their parents.⁹ This drop has had impacts on the level of rental demand, as many in this cohort would be renters.
- The Twin Cities apartment market is improving, according to an April 30, 2010 report which shows declining vacancy rates as demand grows.¹⁰ In the first three months of 2010, apartment vacancy rates dropped to 6.1 percent (from 7.3 percent at the end of 2009). As of the date of the writing of this plan, the vacancy rate is still higher than any other first-quarter rate since 2005. According to GVA Marquette Advisors, “going forward, we expect a continuation of the current trend, with affordable rentals, urban and close-in suburban apartments filling first.”

Fig. 7. Inventory of single family & duplex rental properties (as of June 30, 2010)

2.1.5. Rental property inventory (single- and two-family dwellings)

Summary of inventory, 2010

- Single- and two-family rental properties are required to be inspected and be approved for a Certificate of Occupancy (C.O.). Properties with a C.O. are categorized into three classes, with C being the worst condition, and A the best.
- The inventory of single family and duplex rental properties shown in Fig. 7 is a snapshot, always in flux. The Department of Safety & Inspections’ goal is to continue to move, through inspections and code enforcement activities, as many one- and two-unit rental properties from the Class C condition category (those with the most code compliance problems) to Classes B and A.
- The DSI goal is to have the known remaining one- and two-unit rental properties (identified as “waiting to be inspected”) inspected by the end of 2011 (assuming current staffing levels remain constant).
- Of the estimated 70,534 single family detached and two-unit residential properties in Saint Paul in 2008, 17 percent were renter-occupied (according to DSI’s records).¹¹

Condition	With a Certificate of Occupancy	In process of inspection	Waiting to be inspected ²	Vacant
Class A	1,731	119	3,344	899
Class B	1,327			
Class C	4,475			
Subtotal	7,533	119	3,344	899
Total	11,895			

5. MHA Perspective 2009, Twin Cities Apartment Market Update, 2009 1st Qtr., Brent Wittenberg, GVA Marquette Advisors, accessed on 2/17/10 at www.gvamarquetteadvisors.com/Documents/Brent%20WittenbergMHAerspective2009.pdf

6. Anderson, Mark. “Apartments empty out in fourth quarter.” *Finance & Commerce* 11 Feb, 2010: 1A.

7. Market study for affordable rental housing project proposed in Downtown Saint Paul.

8. HousingLink blog, Accessed 7/29/10 at www.housinglink.org/blog/10-02-16/Rental_Apartment_Vacancy_Rates_Are_Quite_High.aspx.

9. McIlwain, John. *Housing in America: The Next Decade*. Washington, D.C.: Urban Land Institute, 2010.

10. Hammerand, Jim. “Twin Cities apartment vacancies down but rent holds steady.” *Minneapolis/St. Paul Business Journal* 30 April, 2010.

11. American Community Survey, 2008. Includes the sum of "single family detached," and "two units."

2.1.6. Housing sales

Trends, Ownership housing, 2005-2009

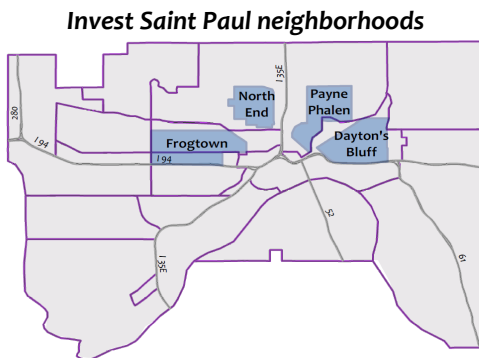
Fig. 8. Ownership housing sales in Saint Paul ¹

Year	Single Family Detached Housing		Duplex & Triplex properties		Multifamily ownership (Townhomes & Condos)	
	Volume of Sales	Median Price	Volume of Sales	Median Price	Volume of Sales	Median Price
2005	3,856	\$191,842	608	\$219,000	901	\$205,500
2006	3,070	\$194,570	432	\$224,000	693	\$209,900
2007	2,377	\$187,000	330	\$181,825	441	\$196,900
2008	2,055	\$155,000	300	\$62,500	315	\$183,000
2009	2,493	\$119,000	425	\$50,000	291	\$147,000
5- Yr Average	2,770	\$169,482	419	\$147,465	528	\$188,460
5- Yr Change	-35%	-38%	-30%	-77%	-68%	-28%

- Housing sales in St. Paul peaked in volume in 2005, but sales prices generally peaked a year later.
- The largest collapse in housing prices for one-to-two unit homes took place between 2007 and 2008.
- While the volume and sale prices of single family homes declined by over a third citywide over a 5-year period, Invest St. Paul (ISP) neighborhoods in particular experienced a much greater collapse in prices (a 73% drop over five years)
- Duplexes and triplexes are the housing types that have lost the most value in the market over the past five years (almost an 80% drop in sales price, citywide). While 2-3 unit homes are still cheaper in ISP areas, the price difference is not significant.

- The volume of single family and duplex homes sold increased in 2009 from 2008, including within ISP neighborhoods, but median sales prices continued to decline.
- The city's multifamily ownership market has been the strongest in weathering the crisis, with citywide prices declining only by just over a quarter. The exception is within ISP areas (a 75% drop over five years).

Fig. 9. Ownership housing sales in Invest Saint Paul areas includes Frogtown, North End, Dayton's Bluff, and Payne-Phalen



Year	Single Family Detached Housing		Duplex & Triplex properties		Multifamily ownership (Townhomes & Condos)	
	Volume of Sales	Median Price	Volume of Sales	Median Price	Volume of Sales	Median Price
2005	621	\$159,000	261	\$195,000	13	\$144,900
2006	488	\$153,850	177	\$200,000	9	\$150,000
2007	325	\$130,000	126	\$137,000	11	\$151,000
2008	335	\$45,000	143	\$40,000	8	\$69,500
2009	432	\$43,375	190	\$37,500	3	\$36,250
5- Yr Average	440	\$106,245	179	\$121,900	9	\$110,330
5- Yr Change	-30%	-73%	-27%	-81%	-77%	-75%

Trends, Multifamily rental property sales, 2005-2009

Fig. 10. Multifamily rental property sales in Saint Paul¹

Multifamily rental (4+ unit buildings)					
Year	Volume of Sales	Median Price	Total Units, Sold buildings	Total Price, Sold buildings	Average Price Per Unit
2005	131	\$425,000	1,553	\$99,180,973	\$63,864
2006	123	\$486,976	2,030	\$259,404,678	\$127,786
2007	66	\$507,500	995	\$59,722,546	\$60,023
2008	64	\$358,250	837	\$54,546,857	\$65,169
2009	43	\$180,000	856	\$120,346,070	\$140,591
5- Yr Average	85	\$391,545	1,254	\$118,640,225	\$91,487
5- Yr Change	-67%				120%

- While the drop in sales volume of multifamily rental properties (-67%) has been much greater than the drop in sales volume among duplexes and triplexes (-30%), the median sales price of duplexes/triplexes has declined much greater than the median sales price of 4+unit rental buildings.
- The average price per unit in sold 4+ unit multifamily rental buildings in ISP areas has declined by 70% over the past five years.
- Over the 2005-2009 period, the proportion of citywide sales occurring in ISP neighborhoods has remained fairly constant, with these areas representing on average over this period 16% of single family detached sales, 43% of duplex/triplex sales, 2% of multifamily ownership sales, and about a quarter of the city's multifamily rental sales.

Fig. 11. Multifamily rental property sales in Invest Saint Paul areas¹

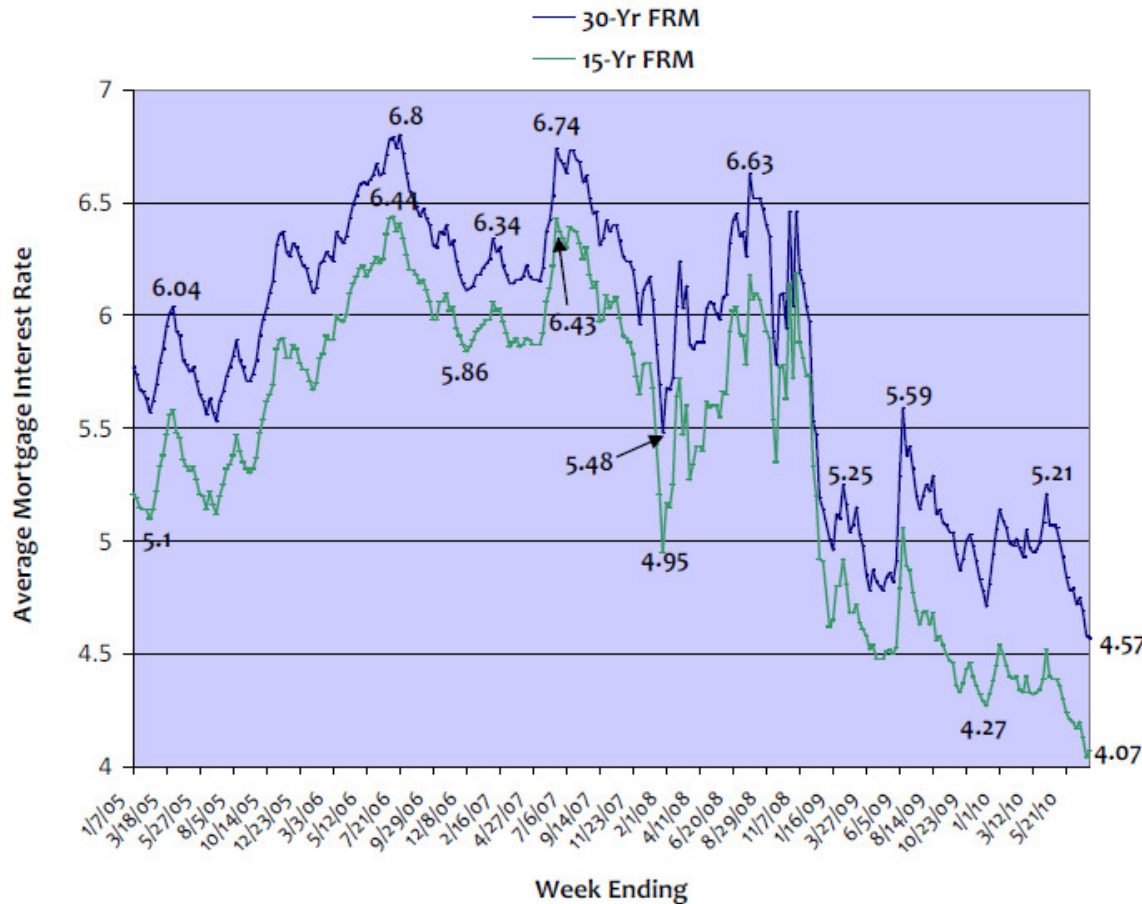
includes Frogtown, North End, Dayton's Bluff, and Payne-Phalen

Multifamily rental (4+ unit buildings)					
Year	Volume of Sales	Median Price	Total Units, Sold buildings	Total Price, Sold buildings	Average Price Per Unit
2005	31	\$366,500	270	\$14,092,300	\$52,194
2006	22	\$312,050	111	\$7,298,950	\$65,756
2007	17	\$206,500	149	\$6,661,575	\$44,709
2008	16	\$83,750	76	\$1,431,100	\$18,830
2009	12	\$51,000	51	\$800,270	\$15,692
5- Yr Average	20	\$203,960	131	\$6,056,839	\$39,436
5- Yr Change	-61%				-70%

1. Source of data is Ramsey County records. Data include foreclosure sales. Residential sales include properties purchased by owner-occupants, lenders, or real estate organizations.

2.1.7. Mortgage interest rates

Fig. 12. Fixed rate mortgage interest rates, January 2005-July 2010



- Mortgage interest rates are at a historical 30-year low, which supports affordable homeownership.
- Mortgage interest rates are but one factor influencing whether people purchase homes. Other factors include the stability household employment and income; household credit scores; the access and availability of a mortgage to an interested buyer; homebuyer incentives; and the ability of current homeowners to sell their existing home in the current housing market.

2.1.8. Livable Communities Act compliance: affordable units and rezonings supportive of affordable and lifecycle housing options

A document prepared for the Metropolitan Council entitled, *Determining Affordable Housing Need in the Twin Cities*, allocates shares of the regional housing need to individual communities in the Twin Cities metro area for the 2011-2020 period.¹² Saint Paul’s share of the metro area’s regional housing

12. See <http://www.metrocouncil.org/planning/housing/affhousingneedjano6.pdf>.

need is 2,625 new affordable housing units for the 2011-2020 period. The City’s *Housing Plan* outlines several policies and actions to achieve this specific goal (outlined more below). Consistent with the *Housing Plan*, the Saint Paul City Council recently adopted resolution #10-935, which acknowledges the City’s continued participation in the Livable Communities Act, commits the City to the same affordable housing goal, and establishes a lifecycle housing goal of 2,625-7,000 new units for the same period.

Of the City/HRA-supported new housing units during 2005-2009, approximately 50 percent were affordable to households earning up to 60% of the AMI; and 6% affordable to households earning between 61-80% of the AMI (PED staff estimate).

To partially achieve the affordable and lifecycle housing goals discussed above, Saint Paul’s *Housing Plan* set an overall goal that 30 percent of City/HRA-assisted newly-constructed units will be affordable, defined on the rental side as affordable to households earning less than or equal to 60% of AMI, and on the ownership side as affordable to households earning less than or equal to 80% of AMI). The Metropolitan Council methodology defines a unit as affordable if the unit serves a household earning less than or equal to 60% of metro AMI.

The Metropolitan Land Use Planning Act (MLUPA) requires that comprehensive plans include an implementation section identifying the housing programs—local, state and federal fiscal devices, and official controls such as the guiding and zoning of land—that communities will employ in addressing their share of the regional need for affordable housing. According to *Determining Affordable Housing Need...*, “foremost among these implementation efforts is the guiding of sufficient land for the development of new housing that may provide the opportunity for the production of affordable units. Comprehensive plans must identify sufficient land to accommodate the communities’ share of the region’s need for low- and moderate-income housing.”

The City’s Generalized Future Land Use Map, within the Land Use Chapter of the Comprehensive Plan, provides sufficient land use guiding for additional multifamily housing development to support the 17,900 additional households forecasted for Saint Paul between 2010-2030.¹³ This adopted map identifies Mixed Use Corridors and Downtown as land use policy designations which allow for denser, multifamily development. In the Metropolitan Council’s assessment, there is more than sufficient opportunity in these land use designation areas to provide 2,625 new affordable housing units. However, for the 2011-2020 period, the City must ensure that there is the appropriate type and amount of zoning in place within these designated areas to support new medium- and high-density housing (and provide for new lifecycle and affordable options).

The City made progress on its affordable and lifecycle housing goals for the 1996-2010 period over the last five years through the rezoning of land. Approximately 67 acres of land (net) were upzoned to districts supporting the potential for additional housing development.

Fig. 13. Land rezoned by the City of Saint Paul and impacts on potential housing development, 2005-2009

Type of rezoning	Impact on potential housing development	Acres rezoned by the City
Land "upzoned"	more	75.9
Land "downzoned"	less	8.8
Net rezoned land (acres to support potential housing development)		67.1

During the 2010-2013 period, the City is on track to implement the Comprehensive Plan, in particular given the proposed property rezonings of the

13. The Generalized Future Land Use Map, part of the City’s Comprehensive Plan, can be viewed at www.stpaul.gov/DocumentView.aspx?DID=12480.

Central Corridor Zoning Study (CCZS), outlined in Section 5.3 below. The CCZS will likely result in property rezonings that allow for much greater density, and therefore support the potential for additional housing development.

2.1.9. Synthesis of Context data

The context data is summarized below in terms of its significance for the Saint Paul housing market. A ↓ arrow indicates a negative impact, ↑ arrow indicates a positive impact, and a ↔ arrow a neutral impact.

Fig. 14. Synthesis of housing context data, and what it means for Saint Paul

Housing context indicator	Overall trends	What it means for Saint Paul
Residential foreclosure and vacancies	Residential vacancies and foreclosures reached a high in 2008, then stayed high in 2009; ISP neighborhoods have a declining share of the city’s overall totals. The City is on track to have a projected 1,565 foreclosures by the end of 2010, a lower number than 2009 (1,824), but comparable to the city’s numbers in 2006-07.	↓ negative
Investments in existing housing stock (building permits)	All types of single family and duplex housing investments have rebounded in volume since reaching a low in 2007-08; this trend also holds true in ISP neighborhoods. During 2005-2009, the type of housing investment that led all others in volume was express repairs to single family detached homes; standard repairs to single family homes followed.	↑ positive
Residential demolitions	An increased number of demolished residential properties over the past five years. Some of this activity has happened as a part of the City’s NSP rebuilding plans, which include landbanking and reinvestment activities when the market recovers.	↔ neutral
Multifamily vacancy rate (4+ unit rental buildings)	While foreclosures continue at a high level, the multifamily vacancy rate in the Twin Cities has not decreased by much; however, early 2010 trends are positive.	↔ neutral
Rental property inventory (single- and two-family dwellings)	Of the 11,895 1-2 unit rental properties citywide, 63% have a Certificate of Occupancy; DSI has a goal to inspect the remaining 3,344 units by the end of 2011.	↔ neutral
Housing sales	The volume of single family and duplex homes sold increased in 2009 from 2008, including within ISP neighborhoods, but median sales prices continued to decline.	↔ neutral
Mortgage interest rates	Mortgage interest rates are at a 30-year low (at just over 4% for a fixed rate mortgage), which bodes well for homeownership in Saint Paul and the region.	↑ positive
Land rezoned for multifamily/affordable/lifecycle purposes (acres)	Saint Paul has made progress on rezoning land to support multifamily, affordable, and/or lifecycle housing, in line with its Comprehensive Plan goals. The Central Corridor Zoning Study promises to move the city forward in a similar way.	↑ positive

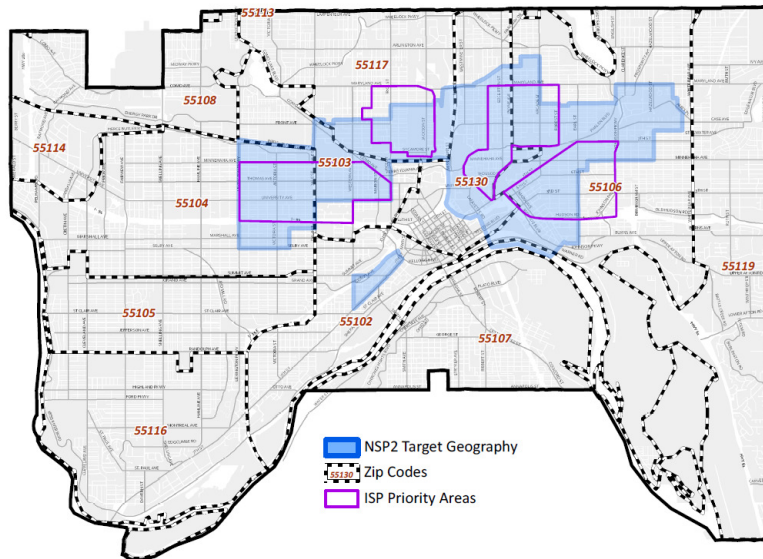
2.2. Overview of Recent City/HRA and Partner Housing Initiatives

In 2009, the City/HRA was involved in a wide variety of housing activities including new housing production, affordable housing preservation, vacant property acquisition and rehabilitation, demolition, mortgage loans and rehabilitation loans, and mortgage foreclosure prevention activities. While some of these programs are citywide in scope, others such as those related to the Central Corridor or *Invest Saint Paul*, are geographically-specific.

2.2.1. *Invest Saint Paul* Initiative and the Neighborhood Stabilization Programs

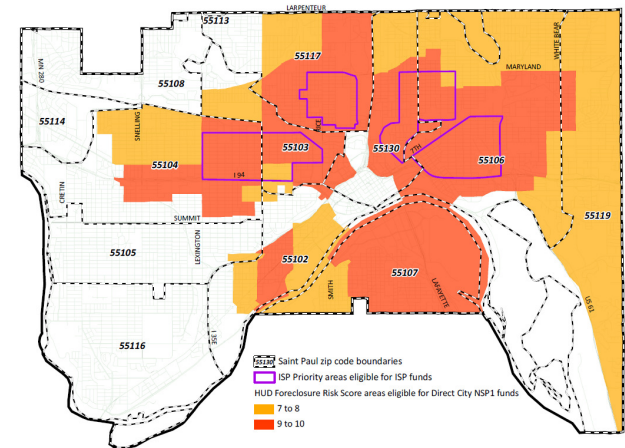
In April 2007, Mayor Coleman launched the *Invest Saint Paul* initiative (ISP), a comprehensive neighborhood reinvestment initiative outlining how the City government and a variety of public and private partners would direct existing resources and efforts toward a set of neighborhood goals in a focused, strategic way. In each of the four neighborhoods, stakeholders assessed their community’s strengths and weaknesses and developed coordinated efforts to focus improvements related to employment and economic development, urban environment and transit, education and health, and improved housing and overall quality of life. In August 2007, the Housing and Redevelopment Authority (HRA) board approved PED’s ISP work plan, with a proposed budget of over \$66 million.

Fig. 16. Map of Invest Saint Paul and NSP2-eligible area



Areas shaded blue represent those eligible for NSP2-funded housing activities. ISP Priority Areas are outlined in purple

Fig. 15. Map of Invest Saint Paul and NSP1-eligible areas



Areas shaded yellow and orange represent those eligible for NSP1-funded housing activities. ISP Priority Areas are outlined in purple

The HRA board approved \$17 million of Sales Tax Revitalization (STAR) funds to “jumpstart” the work plan and rebuild neighborhoods hardest hit by the decline of the housing market and foreclosure crisis.

In fall 2008, the federal Housing and Economic Recovery Act was passed, including a Neighborhood Stabilization Program (NSP1). NSP1 has focused on addressing vacant and abandoned housing in neighborhoods hardest hit by the foreclosure crisis nationwide. The City of Saint Paul received a direct allocation of \$4.3 million, with a subsequent sub-allocation of NSP1 dollars from Minnesota Housing of \$6.3 million. This additional funding source has

been used primarily to support housing activities in the four ISP neighborhoods.

In 2009, Congress appropriated additional Neighborhood Stabilization funds. On May 2009, HUD announced the Neighborhood Stabilization Program 2 (NSP2) under the American Recovery and Reinvestment Act. The City was awarded \$18 million of NSP2 funding by HUD in January of 2010.

On July 21, 2010, the President signed the Wall Street Reform and Consumer Protection Act, which included an additional \$1 billion for a new, formula-based NSP3 program. Changes from the NSP1 and 2 include the elimination of the 18-month expenditure requirement (with funds to be available until expended), a change that will now allow the use of funds for the redevelopment or rehabilitation of vacant properties (and not just foreclosed or abandoned properties), and the requirement that grantees create preferences for the development of affordable rental housing.

The housing activities of the *Invest Saint Paul* initiative, including its NSP1 and NSP2 rebuilding plans, are incorporated into this Housing Action Plan (See the City's Neighborhood Stabilization Program website, at www.stpaul.gov/index.aspx?NID=2837).

2.2.2. *City of Saint Paul CityLiving and Mortgage Foreclosure Prevention Programs*

The City's Home Loan Fund and Mortgage Foreclosure Prevention Program provide low interest financing for home buying and home improvements, and foreclosure prevention and counseling services, respectively. One of these programs - the CityLiving program - includes participating lenders and provides mortgage financing to mainly first-time homebuyers as well as special assistance for down payment and closing costs. Over the past year, the City has referred prospective buyers to the Minnesota Housing Finance Agency (MHFA) or a CityLiving mortgage participating lender for further assistance.

From October 1, 2008 to September 31, 2009, the Mortgage Foreclosure Prevention Program counseled 1,493 clients. From October 1, 2009 to June 30, 2010, the program counseled **1,332 clients, with 390** new clients counseled between January 2010 and June 2010. The number of clients who averted foreclosure from October 1, 2009 – June 30, 2010 was **425**. Methods of foreclosure aversion included: bringing the mortgage current; modifying the mortgage; refinancing; using a deed in lieu of foreclosure; short sale, or sale. The number of clients that remained in counseling and did not have a resolution during the same period was 229.

The City also collaborates with community partners, such as Minnesota Home Ownership Center which provides culturally-sensitive/multilingual pre-purchase home ownership education and foreclosure prevention counseling.

2.2.3. *Heroes program*

The Saint Paul Heroes loan program was an incentive for first-time homebuyers that are employed in the military, health care, education, or governmental sector, or as firefighters or police. Through the program, qualifying first-time homebuyers have received up to \$10,000 in loans toward

the purchase of a home in Saint Paul in conjunction with the Take Credit!! Mortgage Credit Certification Program.¹⁴ More specifically, a homebuyer received a \$5,000 loan towards the purchase of any home in the City of Saint Paul, and an additional \$5,000 loan if the home was vacant or foreclosed at the time of execution of the purchase agreement. The terms of the loans were very favorable: zero percent interest, no monthly payments, the loans are repayable at the time the home is sold, and the loans are forgiven if the borrower resides in the home for longer than 10 years. While a second phase of Heroes funding was made available in 2009 due to the program's success (i.e. to provide loans to first-time home buyers), Heroes funds are not currently available.

2.2.4. Home Improvement Lending Programs (Owner-Occupied Housing)

PED administers a variety of home improvement and energy efficiency loan programs on a citywide basis. Deferred payment 0% interest due-on-sale loans provide rehab adviser services for very low-income homeowners (households earning up to 50% of the area median income).¹⁵ Eligible improvements include basic and necessary improvements such as accessibility improvements, correction of lead-based paint hazards, heating systems, windows, electrical and roofing.¹⁶ Also available are 4% interest rate Home Improvement loans which allow households earning up to 80% of the Area Median Income to do more general improvements such as room additions and building a new garage.¹⁷

Over the past year (January 1 – Dec. 31, 2009), 123 households were assisted, broken down as follows (total value of loans in parentheses):

- 41 Deferred Payment Due On Sale Loans (\$856,720)
- 10 Energy Efficiency Deferred Payment Loans (\$77,821)
- 60 Saint Paul / Ramsey County Lead Paint Window Replacement Program(\$87,995)
- 17 MHFA Fix-Up Fund Loans (\$377,400)

Of the 123 households assisted, 47 were residents of *Invest Saint Paul* neighborhoods.

2.2.5. **Rebuild Saint Paul.** Taking advantage of more than \$1 billion in infrastructure investment, Mayor Chris Coleman launched Rebuild Saint Paul in August 2010, a \$15 million project expected to leverage more than \$100 million in investment and create more than 3,000 new jobs in the city. The initiative is possible due to the Minnesota Jobs Bill, which allows the use of excess tax increment financing revenues for construction and new private

14. The Take Credit!! Mortgage Credit Certification Program is a 20% federal income tax credit that can be used toward the amount of taxes a homeowner owes at the end of each year they live in their home. Because of this credit one can increase their monthly income by amending their W-4 so that there are less deductions taken out of their paycheck.

15. Deferred Payment Due-on-Sale loans are provided to low-income homeowners (up to 50% of the Area Median Income) using CDBG, HOME, and MHFA. Income limits are increased to 80% of the Area Median Income for *Invest Saint Paul* neighborhoods. Energy Efficiency Deferred Loans are provided as supplemental loans (up to \$15,000) to households to do energy-efficiency improvements, and the program has been funded by CDBG-R.

16. PED provides a 25% match, not to exceed \$2,756, in the form of a grant to homeowners with incomes up to 80% of the Area Median Income who are participate in the Saint Paul / Ramsey County Lead Paint Window Replacement Program. Homeowners that receive Deferred loans are required to correct lead-based paint hazards. The Public Health Window Replacement Program, administered by Public Health, is funded, in part, by a 25% CDBG match from PED.

17. 5.99% MHFA Fix-Up Fund Loans are provided to homeowners with incomes up to \$96,500. PED discounts the interest rate down to 4% for homeowners with incomes under 80% of the Area Median Income. MHFA funds are received on a loan-by-loan basis and funded under a statewide MHFA pool.

development, and Build America Bonds to leverage private funds. The initiative will support the new construction of eight initial development projects, five of which include housing: the Lofts at Farmer's Market, the Penfield, Frogtown Square, the Westside Flats, and Schmidt Brewery.

Central Corridor housing activities

New multifamily housing production projects and affordable housing preservation projects along the Central Corridor are shown in Appendix 2, map b, "Multifamily housing projects, 2010-2013, version 2010," and outlined in more detail in the Project Profile sheets in Appendix 1. Vacant housing activities (units acquired and units proposed for rehabilitation), infill/redevelopment sites, and landbanked sites and are shown in Appendix 2, map a, "City/HRA property inventory, 2010."

2.2.6. Land Acquisition for Affordable New Development (LAAND) Program. The City received a \$2 million loan from the Metropolitan Council and Family Housing Fund to acquire sites for future development of affordable housing along Central Corridor. The concept for the program is to acquire property before land values escalate in response to the development of light rail transit. The City has acquired two properties: 255 and 1433 University Avenue. Both are former car dealership properties.

- Pursuant to the loan agreements, the parcels must be land banked for at least one year.
- After consultation with applicable community groups, an RFP will be issued to seek interested developers to develop affordable housing on the sites. The sites must be developed within 5 years.

2.2.7. EPA Community Assessment Grant. The City of Saint Paul received a community assessment grant for the investigation of brownfield contamination along the Central Corridor. Grant funds will allow investigation and response planning for approximately 20 sites, as well contribute to community outreach and public health education efforts, and the development of a community brownfields inventory. If cleaned up to a standard that would support residential uses, it is possible that one or more of these sites could eventually become candidate locations for new housing development.

Partner housing initiatives with City/HRA involvement

2.2.8. The National Community Stabilization Trust "First Look" Program. The National Community Stabilization Trust's "First Look" program coordinates the transfer of real-estate-owned properties from financial institutions to local housing organizations, in collaboration with state and local governments. The National Community Stabilization Trust (NCST) is a consortium of national nonprofit housing and community development organizations and has negotiated with several financial institutions to make their foreclosed properties available at adjusted pricing to communities before they go on the open market.¹⁸ First Look was piloted in the Twin Cities in September 2008, and since that time, more than 100 communities in 35 states have signed up with NCST. In Saint Paul, Dayton's Bluff Neighborhood Housing Services, Inc. (DBNHS) was designated as the organization to

18. The NCST consortium includes Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation and NeighborWorks America, and has negotiated commitments from several financial institutions (Fannie Mae, Wells Fargo & Co., Citigroup Inc., JPMorgan Chase & Co. and Bank of America Corp.)

view First Look properties. Under this arrangement, DBNHS purchases properties and then deeds them over to the City/HRA.¹⁹

In addition to the advantage of using the First Look program, many local CDCs receive funds from NeighborWorks for housing rehabilitation projects.

Finally, the Twin Cities Community Land Bank has applied for and will likely receive *Living Cities* funds to focus on the acquisition of foreclosed properties within zip codes along the Central Corridor, i.e. 55103 and 55104.

2.2.9. Pohlada Family Giving Foundation grant to Dayton's Bluff Neighborhood Housing Services (DBNHS). DBNHS received \$1 million from the Pohlada Family Giving Foundation to assist homebuyers in purchasing homes in East Side zip code 55106. Under the guidelines, DBNHS could provide homebuyers as much as \$8,000 for down payments or closing or other costs, and in return they have to stay in the home for seven years. More than \$400,000 had been distributed to East Side families as of late 2009, and it has helped to encourage homebuyers in the Dayton's Bluff area.

2.2.10. Saint Paul Survey Project: Historic Resources Inventory and Context Study, 2010-2011. The Minnesota Historical Society's Legacy Partnership Grant program has funded a partnership between Historic Saint Paul, the City of Saint Paul Heritage Preservation Commission, and the Ramsey County Historical Society to complete a reconnaissance level survey and re-survey of the Frogtown, Uppertown and Phalen neighborhoods and a context study. Saint Paul was surveyed on a comprehensive level for historic resources in the early 1980s; since that time small portions of the City have been surveyed at a reconnaissance level. This year's survey will help achieve the City's goal of continuing to document historic resources throughout the City, including homes. The grant will help fund a consultant to perform the survey and complete the context study.

19. The City will soon have access to a similar FHA/REO First Look program.

3.0. Priority City/HRA housing activities for 2010-2013

In contrast with the last few Housing Action Plans (2002-2005), which called for significant new housing production over and above the recommendations of the City's previous *Housing Plan*, this plan proposes a much more balanced approach between existing housing stock activities, including the acquisition, rehabilitation, and landbanking of vacant homes/properties as well as affordable housing preservation, and new housing production activities.

3.1. Existing Housing Stock Activities

Existing housing stock activities will involve two main areas: 1) Vacant housing activities associated with the implementation of the City's *Invest Saint Paul* / Neighborhood Stabilization Program rebuilding plans, and 2) Extended Affordability Life (the preservation of low income housing).

3.1.1. Vacant Housing Acquisition and Rehabilitation

"Vacant Units Acquired" and "Vacant Units Rehabilitated" are targets (and performance measures) that correspond to the City's *Invest Saint Paul* initiative and the expenditure of federal Neighborhood Stabilization Program funds under neighborhood rebuilding workplans previously approved by HUD and Minnesota Housing. Target numbers proposed for these two areas thus correspond to the vacant housing revitalization activities undertaken with NSP1 and NSP2 funds. However, the City/HRA's vacant housing activities are broader than the targets committed to in the NSP workplans, as vacant properties are also received by the City/HRA through bank donation, tax forfeiture, or acquisition with ISP and other funds.

Over the 2010-2013 period, the City/HRA and its partners will undertake activities to acquire at least **81** vacant, predominantly one- and two-family homes, and rehabilitate at least **112** vacant homes, predominantly for owner-occupied housing. Section 4.0 sets out Targets for Vacant Housing Acquisition and Rehabilitation and other housing activities over the 2010-2013 period.²⁰

While these target numbers may not appear significant in volume, it important to recognize the complexities and time involved with the various processes related to rehabilitating vacant 1-4 unit residential structures. Some of the necessary steps include:

- Performing vacant property inspections;
- Deciding between rehabilitation vs. demolition;
- Deciding whether to convert to a lesser number of units;
- Considering/leveraging other neighborhood activities/initiatives;

20. This rehabilitation activity does not include general private residential home improvement activity reflected in construction permits issued by DSI.

- Providing public notice and soliciting RFQs for the management of property rehabilitation work;
- Developing a rehab scope of work;
- Assigning properties to CDCs or other mission-driven housing developers to perform or manage rehabilitation;
- Bidding by general contractors;
- Administering compliance requirements;
- Following NSP program-specific and other relevant federal requirements;
- Awarding contracts; and
- Regular reporting to HUD and MN Housing.

In addition to these vacant housing targets for 2010-2013, the City/HRA will work in partnership with private and nonprofit partners to maximize loan activity supporting exterior maintenance and rehabilitation to improve housing conditions for low and moderate income residents. As community-based organizations dedicated to strengthening neighborhoods, Saint Paul's Community Development Corporations (CDCs) are important partners in achieving the City's housing goals.

City/HRA and partner-supported housing rehabilitation work is not done in isolation. Other activities that supplement the targets outlined above include:

- Over the past few years, the Department of Safety and Inspections has strengthened its inspections and code enforcement functions related to vacant homes, creating a Vacant Buildings unit and providing valuable resources for property owners on a division website (www.stpaul.gov/index.aspx?nid=1090). DSI has also begun to track, on an annual basis, the rehabilitation work undertaken by private property owners at a "Rehabilitation Progress" website (www.stpaul.gov/index.aspx?NID=3514). According to DSI, the number of buildings on the City Registered Vacant Building List has declined due to the sale of Category 2 buildings, which must be brought up to code within a short time after sale. The average cost to bring a vacant building up to code in 2009 was \$30,000.
- *Invest Saint Paul* activities continue, including but not limited to ongoing grants supporting district councils and CDCs to do community engagement activities related to neighborhood livability and vacant housing inventories. A related initiative under way is an update by PED to the language of an agreement that would facilitate the temporary use of vacant, HRA-owned lots as interim community gardens.

In sum, DSI inspections/code enforcement activities and other City/partner efforts can have the effect of spurring additional investment by private property owners and homeowners, further leveraging the vacant property rehabilitation work being funded by ISP/NSP programs. In this way, the identified targets fit into a larger set of neighborhood revitalization activities by the City/HRA and its partners.

3.1.2. Preservation of Low Income Housing (Extended Affordability Life)

“Preservation (Extended Affordability Life)” is the preservation of existing, low income housing units where capital funding is used to extend the income and rent restrictions on housing units where current income/rent restrictions are scheduled to expire or may terminate for other reasons. The saving of federally-assisted and other existing publicly-assisted housing projects are oftentimes called “preservation” projects, and many of these City/HRA-supported projects include financing to extend the economic life of projects through substantial rehabilitation. Over the 2010-2013 period, the City/HRA and its partners will undertake activities to preserve at least **1,000** units of existing, affordable housing. Section 4.0 sets out Targets for Preservation (Extended Affordability Life) and other housing activities over the 2010-2013 period.

Affordable housing preservation is a complex process, and can involve refinancing; doing subsidy-layering to make the project feasible; working with mission-driven housing developers/managers to perform or manage rehabilitation; bidding by general contractors; administering compliance requirements, Low Income Housing Tax Credit and other federal requirements; awarding contracts; and aligning with the priorities of MHFA, the Family Housing Fund, and other preservation partners.

To preserve existing, publicly-assisted, affordable housing units in Saint Paul, the City/HRA will:

- a. Continue to be an active member in the Interagency Stabilization Group (ISG), Stewardship Committee, and the Funders’ Council, actively monitoring existing low income housing developments, and participating in the preservation and stabilization of existing, publicly-assisted low income housing.
- b. Provide financing assistance for the stabilization and preservation of federally-assisted projects, and projects in which the City/HRA has previously invested, including the federal Low Income Housing Tax Credit Program.
- c. Allocate federal Low Income Housing Tax Credits in accordance with City Council-approved criteria and procedures for new developments and/or preservation projects.

The City/HRA will continue to participate in local and regional affordable housing preservation discussions, including its participation in the *Preservation Plus Initiative* (MN Housing, Family Housing Fund, and the Greater Minnesota Housing Fund).

Profiles of the specific housing projects that are incorporated into this HAP 2010-2013 are listed in Appendix 1. All of these projects are in the “Predevelopment” or “Development” stage and have either begun or completed construction or are potentially able to begin construction in 2010-2013. These projects represent the potential preservation of 523 affordable housing units. The City/HRA also plans on improving its inventory of candidate properties for affordable housing preservation (see Programmatic Initiatives below), and will consider new opportunities as they arise during the year.

3.2. New Housing Production

3.2.1. New Construction/Conversion

"New Housing Production" includes both new construction and the conversion of a non-residential use into residential units.²¹ This HAP supports new housing production of at least **1,000** units over the 2010-2013 period.

The *Housing Plan* also calls for 30 percent of new rental housing production to be affordable to persons and families earning 60% or less of the area median income (AMI), with at least a third of these units affordable to households earning up to 50% of the AMI, and at least a third of these units affordable to households earning up to 30% of the AMI. **This HAP 2010-2013 retains these affordable housing goals.** Key rental housing financing tools include the use of the federal Section 8 program that provides project-based rent assistance for low income households. Currently, the typical Section 8 voucher holder has a household income of approximately 20% of the area median income. In projects that have **project-based** Section 8 assistance and rents at the Section 8 Fair Market Rent levels, these units will be considered affordable to households at 30% of the area median income. On the ownership side, the *Housing Plan* also calls for 20 percent of new housing production to be affordable to households earning up to 80% of the AMI, and 10 ten percent of new ownership production to be affordable to households earning up to 60% of the AMI.

The City/HRA will continually identify necessary resources to achieve the objectives of this HAP. Additional resources are especially needed to meet the 30 percent affordability goal for new rental housing production. The production of ownership units affordable to households at the 60% of AMI level and below is difficult and requires high public subsidies. In addition, home ownership is frequently too costly for families at this income. Therefore, the production of housing affordable to families at 60% of the area median income is expected to be focused primarily on rental units.

21. In previous housing action plans, "Extended Economic Life" was included as a category of New Housing Production. "Extended Economic Life" was defined as the substantial rehabilitation of housing units where funding totaling at least \$25,000 per unit is used to make capital improvements to housing units that are at least 30 years old and, due to deteriorated physical condition, the units are at the end of their economic life and could be subject to demolition. No Extended Economic Life projects are envisioned for the 2010-2013 period.

Rental housing. Recent national data from the Joint Center for Housing Studies of Harvard University (*State of the Nation's Housing 2010*) indicate several trends supportive of rental project development. Many of these trends hold true for Saint Paul housing market.

Trends that may . . .

	be supportive of new rental projects	impede effectiveness of new rental projects
Demand factors	Echo boomers starting to form independent households	High unemployment
	Homeowners who have lost homes to foreclosure will turn to renting	
	Some would-be homebuyers will not qualify for loans	The narrowing cost differential between owning and renting
	Improving labor markets	
Supply factors	Expected drop in multifamily production – new completions will start to fall sharply within one year of April 2010	Frustrated owners of for-sale properties – single family and condos – may begin to rent out properties

Local data indicate a supportive environment for new rental projects being supported by the City/HRA, particularly among Downtown market rate, affordable senior, and continuum of care market segments. For instance, the market study for the Lofts at Farmer’s Market found that the lack of new market rate rental housing downtown, combined with a 2009 demographic reality of 75 percent of the project’s primary market area consisting of households living alone - the target market for rental multifamily housing. Similarly, a market study for Frogtown Square found that of the existing affordable senior rental developments within Saint Paul, there were minimal or no vacancies. Finally, a market study for the Carondelet Village project found that as of February 2010, only 72 units were not yet reserved of the initial 259 units offered in the project.

Finally, many of the proposed City/HRA new production rental projects have been in the pipeline for some time, which contributes to the relatively high number of new units to be coming online over the next three years.

Section 4.0 sets out Targets for New Housing Production and other housing production/activities over the 2010-2013 period.

In order to fulfill the new housing production Targets of this HAP 2010-2013, the City/HRA will:

- a. Work with the private for-profit and nonprofit sectors and other public agencies to develop and finance a variety of building and unit types throughout the city, for a broad range of incomes and family types including singles, couples, families, seniors and individuals needing nursing care and persons with disabilities. The City/HRA supports economic integration (economically diverse neighborhoods).
- b. Provide interim and permanent gap financing for new construction and substantial rehabilitation of projects, particularly when affordable to low and moderate income households.
- c. Coordinate efforts with the Public Housing Agency, Habitat for Humanity, the Wilder Foundation and other key partners to develop and provide supportive housing, including human services to low income households.
- d. Support legislative and related efforts to increase low income housing developments in Saint Paul suburbs.

Profiles of the specific housing projects that are incorporated into this HAP 2010-2013 are listed in Appendix 1. All of these projects are in the “Predevelopment” or “Development” stage and have either begun or completed construction or are potentially able to begin construction in 2010-2013. These projects represent the potential new housing production of 1,032 housing units. The City/HRA will consider new opportunities as they arise during the year, and some of the projects in the Appendix may not proceed to construction for various reasons.

3.3. Assistance to Households

3.3.1. Mortgage Foreclosure Prevention

To assist homeowners in danger of mortgage foreclosure, the City/HRA administers the Mortgage Foreclosure Prevention Program, and during 2010-2013 at least **600** households will be served by the program. The City/HRA will:

- a. Provide mortgage foreclosure prevention counseling to home owners who are in danger of losing their homes by working with homeowners to avert foreclosure through the following methods: bringing the mortgage current; modifying the mortgage; refinancing; using a deed in lieu of foreclosure; short sale, or sale.
- b. Provide financial assistance to correct defaults and assist home owners in resuming responsibility for their financial obligations.
- c. Work with Ramsey County to provide mortgage foreclosure prevention efforts in Ramsey County.

3.3.2. Home Improvement

Home Improvement includes a variety of lending programs for owner-occupied households at a wide range of incomes. The City/HRA will continue to provide the Deferred Payment 0% interest due-on-sale loan program to households earning up to 50% of the area median income (or up to 80% of the AMI in *Invest Saint Paul* neighborhoods). It is also expected to continue to provide MHFA Fix-Up Fund loans to households earning 80% of the AMI (at a 5.99% interest rate, with PED discounting the interest rate down to 4%). Finally, the City will continue to contribute a matching grant to homeowners earning up to 80% of the AMI that participate in the Saint Paul / Ramsey County Lead Paint Window Replacement Program.

Millions of American homeowners now have mortgage debt that is greater than the value of their home. Private lenders are unwilling to offer these “underwater” negative-equity homeowners additional lending so that they might address deferred maintenance issues or make emergency repairs, given that there is no collateral for the loan (and particularly where the cost of fixing the problems outweighs the entire value of the house). For this reason, the need for affordable home improvement lending and assistance is even more crucial now.

Over the 2010-2013 period, the City anticipates originating at least **660** home improvement loans for borrowers at earning up to 50% and 80% of the Area Median Income.

In addition to the above, the City has applied for and has received positive feedback from Minnesota Housing that it will receive CRV funds to support additional rehabilitation lending to existing homeowners within two neighborhoods along the Central Corridor. Homeowners earning up to 115% of the

AMI will be eligible.

3.3.3. Mortgage **Lending and Down Payment Assistance**

To provide CityLiving mortgage lending services to Saint Paul residents over the 2010-2013 period, the City/HRA will:

- a. Continue supporting mortgage loan programs through external private lending companies.
- b. Provide support for straight purchase mortgage loans for at least **400** homebuyers/owners, over a range of incomes.
- c. Originate purchase/refinance and rehabilitation loans for borrowers with a wide range of incomes, to at least **40** homebuyers, particularly in situations where the combined cost of purchasing/refinancing and doing rehabilitation exceeds the market value of properties.
- d. Provide down payment assistance to at least **446** households, including 86 households under the City's NSP programs.
- e. Support citywide homebuyer counseling and affordable home purchase financing, including support for the Home Ownership Center and small rental property owner training and counseling.

3.3.4. Heading **Home Ramsey: Plan to End Homelessness, 2005-2010 - Implementation**

The City has supported the *Heading Home Ramsey: Plan to End Homelessness'* five-year goal of creating 920 permanent supportive housing units in Ramsey County for long-term homeless residents. As of December 2009, 739 permanent supportive housing units had been financed, with most of these units located in Saint Paul. To meet the goals of Heading Home Ramsey over the 2010-2013 period, the City/HRA will:

- a. Continue to be an active participant in the Ramsey County/Saint Paul Funders' Council to improve the process by which funding decisions are made for supportive housing and other special needs housing projects.
- b. Participate in the Ramsey County/City of Saint Paul Homeless Advisory Board by communicating about issues affecting housing and homelessness to the County and City, recommending policy changes and overseeing progress in the five-year Homeless Plan (including any updates made to the plan).
- c. Administer the federal Emergency Shelter Grant program.
- d. Continue to support the Homelessness Prevention and Rapid Re-Housing Program (HPRP), which has provided homelessness prevention and rapid re-housing services to 592 households or 1,294 persons (families, single adults and youth) who are homeless or at-risk of being homeless since October 2009.
- e. Develop other specific activities with respect to Saint Paul's involvement in the issue of homelessness, such as support for *Police Homeless Outreach Project*, a street outreach & housing program for chronically homeless residents.
- f. Work with the Minnesota Housing Finance Agency to obtain resources for the State business plan to end long-term homelessness in Minnesota.

3.4. **Obstacles to Implementation**

The following are examples of significant potential obstacles to implementing the priority actions listed above. The City/HRA and housing

partners/stakeholders must work together to address and remove these barriers:

- a. Inadequate housing subsidy resources.
- b. Inadequate resources for funding redevelopment costs; e.g., site assembly, including residential/business relocation and soil/environmental remediation.
- c. Identifying and coordinating multiple complex funding sources in housing development financing.
- d. Zoning and related changes required for specific projects.
- e. Neighborhood and other opposition; e.g., land use, density, design, and affordability issues.
- f. Challenging site topography.
- g. Standardizing developer selection/predevelopment processes.
- h. Satisfying federal lead-based paint abatement requirements.
- i. Ensuring adequate market and developer capacity; e.g., there must be adequate market conditions to secure private developer interest/investment and ensure housing market absorption, and developer capacity must be strong.

4.0. Targets and Funds

4.1. Targets

The City previously adopted affordable and life cycle housing goals for the 1996-2010 period, as part of the City's participation in the Metropolitan Livable Communities Act Local Housing Incentives account (LCA LHIA). New goals have been adopted by the City Council to continue the City's participation in LCA LHIA for the 2011-2020 period. The Housing Action Plan 2010-2013 proposes, consistent with the goals adopted by the City Council (Attachment A) and the City's adopted Housing Chapter of the Comprehensive Plan, a goal of **7,000** lifecycle units for the 2011-2020 period, of which at least **2,625** units will be affordable. For the 2010-2013 period, this translates into an average of 700 lifecycle units per year (263 affordable units per year), for an approximate total of 2,800 life cycle units (1,050 of which will be affordable) over the four years. These goals will be implemented as follows:

1. The new production of 1,000 new units (new/construction conversion projects assisted by the City/HRA), and
2. Property rezonings that will support additional medium- and high-density residential development (including transit-oriented and mixed use developments), to eventually result in an additional 1,700 new lifecycle/affordable units.

Fig. 17. 2010-13 Targets, City/HRA housing investments

Existing Housing Stock Activities	Units	Assistance to Households	Households or Loans
Preservation (Extended Affordability Life)	1,000	Mortgage Foreclosure Prevention (New Clients Assisted)	600 households
Vacant Units Acquired	81	Home Improvement (Deferred Loans, CDC loans, MHFA Affordable Rehab Loan)	660 loans
Vacant Units Acquired & Under Rehabilitation	112	Mortgage Loan (Straight Purchase)	400 loans
		Mortgage Loan (Purchase/Rehab)	40 loans
		Down Payment Assistance (households)	446 households
New Housing Production	Units		
New Construction/Conversion	1,000*		

Note: Targets are consistent with established PED Performance Measurements. Please see Section 3.0 of this plan for more information.

*Of the 1,000 new construction/conversion units to be produced over the 2010-2013 period, a projected **31** percent will be affordable to households

earning at or below 60% of the area median income. It is likely that 100 percent of the new production units will be rental options.

4.2. Housing Development Funds, 2010-13

Rehabilitation and new production activities in Saint Paul, particularly housing projects serving low and moderate income households, may draw upon the following funding sources:

- *Federal:* Community Development Block Grant; Home Investment Partnership Program (HOME); Section 202 – elderly; Section 8 Rental Vouchers and Certificate Programs; Supportive Housing Demonstration Program - Transitional Housing Component; Federal Home Loan Bank - Affordable Housing Program
- *Minnesota Housing Finance Agency:* Housing Tax Credit Program(HTC); Low and Moderate Income Rental Program (LMIR); Economic Development and Challenge Program(EDHC); Preservation Affordable Investment Fund (PARIF); Ending Long Term Homelessness Initiative Fund (ELHIF); Flexible Financing for Capital Costs (FFCC); Land Acquisition for Affordable New Development (LAAND) Initiative
- *Metropolitan Council:* Local Housing Incentives Account; Livable Communities Demonstration Account; Tax Base Revitalization Account; Land Acquisition for Affordable New Development (LAAND)
- *Family Housing Fund:* Metropolitan Housing Resource Program
- *DEED:* Clean-up and Investigation Program; Redevelopment Grant Program
- *Local Government:* Housing revenue bonds; land write-down or sale; local community mortgage assistance programs; mortgage revenue bonds; Low-Income Housing Tax Credits; Tax Increment Financing (TIF); conduit revenue bonds; taxable revenue bonds; local property tax levy; Sales Tax Revitalization (STAR) program.

Fig. 18. Summary of potential City/HRA housing funds (June 1, 2010 - May 31, 2013)

Resources	Estimated Budget (3-yrs)
CDBG (includes program income)	\$13,500,000
HOME	\$6,600,000
ESG	\$990,000
<i>Invest Saint Paul (ISP)</i>	\$0
STAR (<i>not related to ISP</i>)	\$300,000
NSP1 and NSP2	\$28,700,000
CDBG-R	\$500,000
Tax Increment Financing	\$10,000,000
TCAP	\$3,165,000
Subtotal	\$63,755,000
Revenue Bonds:	\$248,000,000 (total)
<i>Single Family Revenue Bonds</i>	\$120,000,000
<i>Multifamily Revenue Bonds</i>	\$128,000,000
Low Income Housing Tax Credits:	\$51,000,000 (total)
9% Credits	\$21,000,000
4% Credits	\$30,000,000
Subtotal	\$299,000,000
Total	\$362,755,000

In addition, Twin Cities Habitat for Humanity, Rondo Community Land Trust, and community development corporations will be important funding partners in achieving the targets outlined in this plan.

5.0. Other Housing Related Activities

From time to time, certain housing-related issues need to be addressed by the City/HRA and its partners. The following list of priority initiatives was developed by the Housing Steering Committee, with PED and DSI staff input. It may be appropriate for the Mayor and City Council/HRA to establish policy or further implementation direction in some of these areas.

5.1. Programmatic Initiatives

- a. Identify additional interim and permanent housing financing resources; e.g., housing subsidies to fund the gap between cost and value, and redevelopment and extraordinary site development costs including site assembly and site remediation.
- b. Revise how the City allocates points to proposals submitted for Low Income Housing Tax Credits (i.e. application scoring criteria).
- c. Update the City/HRA's inventory of existing affordable rental housing projects in the city, as a part of a more proactive approach to predict key preservation property candidates.
- d. Define the parameters for contributions made to and uses of the affordable housing trust fund.
- e. Determine appropriate actions to coordinate with the Twin Cities Community Land Bank:
 1. Strategize with the TCCLB on Central Corridor housing revitalization if the TCCLB assumes a property acquisition role within zip codes 55103 and 55104.
 2. Refer responsible mission-driven developers to the TCCLB's interim financing programs for small and large multifamily properties that are vulnerable to foreclosure and in need of rehabilitation.
- f. Analyze the fiscal impact of development projects to better account for the true marginal costs of development, and cooperate with CURA's work on fiscal impact modeling in the region.
- g. Review the outlook for rental and ownership housing markets in 2010-2013. One emphasis of the NSP work is on 1-4 unit scattered site rental housing rehabilitation. While the financial gap on such projects tends to be high, and the City/HRA carries the purchase, mortgage, construction and operating costs, Saint Paul anticipates \$2 million of NSP3 funds, which will help to complement current NSP1-2 activities.
- h. Develop a categorical waiver or exception to the HRA's Disposition Policy to facilitate the acquisition of vacant and foreclosed property (through NCST, Fannie Mae/FHA bulk purchases, and others) and efficiently transfer to private/nonprofit developers for rehabilitation within the specified NSP time limits.²²
- i. Implement new legislation that allows Saint Paul to pool tax increments from (a) vacant sites, (b) vacant parcels containing vacant houses, or (c) parcels containing houses that are structurally substandard into a new, single, scattered site housing replacement TIF district (up to 200 vacant homes/properties within the city can be put into the district at once). This new TIF district can generate additional funds to leverage the NSP funds being used for vacant housing activities if homes do not exceed 150 percent of the average market value of housing in the city. Increments generated can be utilized up to 20 years. Properties may be "recycled" in and out of the district over a five-year period (allowing new vacant

²² .The HRA Disposition policy requires a public hearing (with a 10-day public notice) or publication and a 30-day notice if a developer submits a development proposal. The policy currently allows waivers if hardship is demonstrated.

properties to come into the district as long as no more than 200 properties are in the district at any one time).

- j. Review and update City/HRA rehabilitation program materials and the City website to clarify program requirements, in an effort to streamline and reduce the amount of time spent on program administration.
- k. Continue to monitor and respond to changing demographics in the housing market, including housing demands along Central Corridor, seniors, and workforce housing.²³
- l. Strengthen existing landlord capacity and accountability through training by renewing connections with SPARL (whose *Landlord 101* training has City regulations as one component), and/or reviewing the content of the Police Department's crime-free housing training (currently required of all new landlords in Saint Paul) to determine if more information about building, housing, and fire codes could be provided.
- m. Engage partners to share and track aggregate demographic data to measure progress on emerging markets homeownership (*CityLiving* programs, realtor associations, MN Homeownership Center, Minnesota Housing, and others).

The idea that TIF increment can be captured from vacant properties as defined assumes a minimal initial property value (and property taxes paid), and that there will be a higher value after reinvestment activities occur. The City needs to decide if 100% (or less than 100%) of the increment will be used for eligible reinvestment activities. The legislation allows the captured increment funds to be used solely for the purpose of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on parcels identified in the housing replacement district plan, and can include some public improvements and administrative costs directly related to those parcels. The City must have this TIF plan certified by July 2011, in conjunction with the County and school district.

5.2. Legislative Initiatives

The following legislative initiatives are recommended:

- a. Support continuation of funding for State redevelopment and housing funding initiatives including funding for MHFA, DEED, and the Metropolitan Council.
- b. Support initiatives which encourage the production of low income housing throughout the metro region.
- c. Support changes in tax increment, tax-exempt bond, low income housing tax credit and other financing methods that will enhance the City's ability to meet its housing goals.
- d. Support the legislative agenda of the Minnesota chapters of NAHRO, NALHFA and other housing-related entities.
- e. Support the re-introduction of the "This Old House" program, which excludes property taxes on the value of rehabilitation improvements made on older homes.²⁴
- f. Fully utilize the State Historic Tax Credit or other incentives for investments in the rehabilitation of historic or owner-occupied properties.

23. Possible activities include a PED survey of residents of new Saint Paul housing developments to identify and better characterize market demands and provide information about workforce housing demands along Central Corridor (which connects five major employment centers of Minnesota). Related to seniors, PED should analyze the demographics of the City's Deferred Loan home improvement program to assess use by low-income seniors to make physical adaptations to their homes.

24. Minnesota Statute 273.11. Valuation of Property, Subd. 16 allows for certain improvements that were made to homesteaded property before January 2, 2003 to be partially or fully excluded from valuation for assessment purposes, provided that the house was at least 45 years old at the time the improvement was made and that the assessor's estimated market value of the house on January 2 of the current year is equal to or less than \$400,000.

- g. Support ongoing initiatives which discourage predatory lending practices and/or assist existing homeowners to avert foreclosure.

5.3. Zoning and Other Local Official Control Initiatives

The following zoning and other official control initiatives are recommended:

- a. Continue to enforce the housing code and code compliance requirements for vacant buildings.
- b. Review the Certificate of Occupancy requirements for one- and two-family rental dwellings, following the completion of the inspections of 1-2 family rental dwelling inspections by the end of 2011.
- c. Continue to bring the Zoning Code into conformance with the *Comprehensive Plan*, including ensuring that there is sufficient available land zoned for medium and high density residential development or redevelopment.
- d. Revise zoning regulations for community residential facilities and other congregate residential facilities to better align with the State of Minnesota regulations and funding sources.
- e. Initiate an accessory dwelling unit zoning study for possible sub-geographic areas of the city (such as Central Corridor neighborhoods).
- f. Implement the Central Corridor/Traditional Neighborhood zoning study, which came out of the Central Corridor Development Strategy (CCDS) and the creation of the Central Corridor Overlay District. This zoning study is underway to amend the City's zoning districts and requirements to facilitate higher density development, less off-street parking, and more of a pedestrian- and transit-oriented environment along University Avenue. The zoning study was initiated by the Planning Commission resolution that also directed the development of station area plans for the stations along the University Avenue portion of the light rail line.
 - The Traditional Neighborhood (TN) zoning designation is proposed for the majority of land within the Central Corridor because of its flexibility relative to use, and its focus on design. In the case of residential development, a change to TN zoning will permit a broader range of housing sizes and densities, which can in turn lead to a broader range of price points affordable to a broader range of occupants.
 - The study is being done in two phases. Phase I includes the evaluation of, and proposed changes to, existing zoning code regulations, and the creation of a new zoning district, Traditional Neighborhood 4. Phase II includes developing parcel-specific recommendations for appropriate zoning classifications, given the adopted CCDS and station area plans. Both phases will be completed and adopted by the City Council by June 2011.
- g. Review the "excessive consumption of services" ordinance in the Saint Paul Legislative Code to determine how the Police Department, DSI, and the City Attorney's Office might make better use of their authority to recover costs associated with addressing chronic problem properties.

The TN districts allow a broader range of land uses than other zoning districts, facilitate mixed-use development, and provide opportunities for higher-density housing development. TN districts have design standards to help ensure quality development and protect the character of existing neighborhoods.

5.4. Neighborhood and Project Planning

The following neighborhood and project planning initiatives are recommended over the 2010-2013 period:

- a. Initiate appropriate 40-acre and other zoning studies, and neighborhood planning to support further housing development opportunities. Potential year 2010-2013 examples include:
 - District 5 Plan update
 - District 6 Plan update
 - District 9 rezoning study
 - District 11 Plan update
 - Phalen Corridor Middle Section South update
- b. Initiate implementation planning for identified housing development opportunities. Implementation planning for 2010-2013 will include:
 - Central Corridor Development Strategy and 11 Station Area Plans
- c. Continue appropriate neighborhood and project planning for existing development projects such as Koch/Mobil site (seven acre bluff site and Victoria Park), the Schmidt Brewery, the Hospital Linen site, and others.
- d. Initiate appropriate neighborhood and project planning for new development proposals to emerge for the Ford site, the Wilder Foundation's Minnehaha/Lafond campus site, the Cemstone site, the LAAND Program parcels (255 and 1433 University Ave), the Prior Avenue site (University & Prior), the Bus Barn site, the Island Station site, the Willow Reserve site, and others.

5.5. Support for Key Partners

PED will work closely with key partners including other City departments in the implementation of housing activities. Following partners are specifically mentioned:

- a. Work with key public, nonprofit and other private funders in providing resources and other services for a variety of housing activities, including the Minnesota Housing Finance Agency (MHFA), the state Department of Employment and Economic Development (DEED), the Metropolitan Council and the federal Department of Housing and Urban Development (HUD).
- b. Secure commitments from traditional and non-traditional housing production partners to provide financing for housing rehabilitation and development.
- c. Support increased minority participation in housing and community development professions and activities.
- d. Support LISC in community development activities and the rehabilitation and production of housing by CDCs and other partners such as Habitat for Humanity and the Rondo Community Land Trust.
- e. Support residential and mixed-use development strategies and investments in partnership with the National Trust for Historic Preservation and Historic Saint Paul.
- h. Support district councils, community development corporations and other neighborhood organizations in providing better education and outreach, project review, and support for housing developments especially for affordable housing projects.
- i. Support the Public Housing Agency (PHA) in the operation of its public housing, Section 8, and home ownership programs, and possible housing

- development activity.
- j. Support the activities of the organizations that own and operate supportive housing for families, frail elderly and single adults, and assist in the preservation of supportive housing being sold by the Wilder Foundation.
 - k. Support the work of the Family Housing Fund and other low-income housing advocates in providing funds to support development activities and services for low-income families.
 - l. Work with the Minneapolis Community Planning and Economic Development (CPED) in the delivery of joint mortgage revenue bond loan programs.
 - m. Support the Home Ownership Center in providing a continuum of home buyer and owner services, including the Mortgage Foreclosure Prevention Program.
 - n. Work with the Minnesota Fannie Mae Partnership Office, the Mortgage Association of Minnesota, and other parties in the private lending industry in providing a wide range of financing alternatives for ownership, rental, and other models of housing tenure.
 - o. Participate in the Saint Paul/Ramsey County Low Income Housing and Homeless Services Funders Council to oversee the implementation of the *Plan to End Long Term Homelessness*.

5.6. Housing Activity Reporting

One of the key implementation activities of the *Housing Plan* is to make a variety of project and initiative information available to the public on a periodic basis. PED has developed a new and expanded scorecard to track projects and provide information for this purpose.

At a minimum, the following reporting activities will continue during the year:

- a. Quarterly reporting on sources and uses of funds and affordability levels, as well as other data, for all the housing projects that are part of this Housing Action Plan (via PED Performance Measurements).
- b. End of the year reporting covering current PED housing activities, and other relevant data (via the PED Scorecard).
- c. Yearly updates to the Housing Action Plan 2010-2013 context section, and annual Citywide and Central Corridor reports about the City/HRA's progress on its goals (see section 7.0 for the 2010 report).
- d. Updates to PED's Housing and Planning Division websites as a mechanism for sharing information.

6.0. Process for Preparation and Review of the Housing Action Plan 2010-2013

6.1. Housing Action Plan 2010-2013 Steering Committee

A Steering Committee was established in 2010 and provided comment and input from an agency/institutional perspective during the drafting of the Housing Action Plan. The intent was to include a balanced cross-section of agency/institutional perspectives.

The charge of the Housing Action Plan 2010-2013 **Steering Committee** was to:

- a. Develop targets for the Housing Action Plan;
- b. Play an advisory role to the City housing implementation and financing issues, and certain housing policy issues as they may arise during the year; and
- c. Provide future comment and feedback to the City on its annual update of its Housing Action Plan.

6.2. Composition of the Steering Committee

The Housing Action Plan 2010-2013 Steering Committee that convened in 2010 to develop this plan had 15 members and included representatives of the following groups: The City's Departments of Planning and Economic Development and Safety and Inspections; City Council and HRA board staff; Minnesota Housing; and the Saint Paul Area Association of Realtors. The members included:

1. Ellen Biales (City Council president staff, Ward 7 City Council aide)
2. Patricia Lindgren (HRA board chair staff, Ward 2 City Council aide)
3. Bob Kessler (DSI, Director)
4. Steve Magner (DSI, Vacant Buildings)
5. Don Cheney (DSI staff)
6. Kristin Fernholz (Government Affairs Manager, SPAAR)
7. Pat Igo (Chair of the East Metro Governmental Affairs Committee, SPAAR)
8. Katy Lindblad (MN Housing, Assistant Commissioner, Community Development)

PED staff (in-house working subcommittee)

9. Al Carlson (PED Housing Team, Director)
10. Diane Nordquist (PED Housing Team, Project Manager)
11. Colleen O'Dell (PED Planning Team, Planning Intern)
12. Sheri Pemberton-Hoiby (PED NSP Team, Project Manager)
13. Luis Pereira (PED Planning Team & Housing Teams, Planner)
14. Ron Ross (PED Administration Team, Grants Specialist)
15. Sarah Zorn (PED Planning, Central Corridor, & NSP Teams, Planner)

6.3. Community Review of the Draft Housing Action Plan 2010-2013

PED provided a notice to a wide distribution list that the draft HAP 2010-2013 was available for review and comment. This distribution list included the City's Early Notification System, District Planning Councils, neighborhood-based community development corporations, public agencies, housing

funderson, housing advocates, and other potentially interested parties. Attachment B has a summary of comments received from the community.

7.0. 2010 report on City/HRA’s progress - Citywide and Central Corridor

7.1. Citywide report 2010 – City/HRA

As can be seen in Appendix 2, map a, “City/HRA property inventory, 2010,” the City/HRA has acquired a significant inventory of properties across the city with anticipated residential uses. Below are some statistics on the City’s progress on its *Invest Saint Paul* / NSP goals (which are included in this HAP). Note that only the units listed under “Rehabilitation projects” are counted toward the HAP targets; as vacant units are acquired, they will begin to pass into the “vacant units acquired & under rehabilitation” category.

Fig. 19. City/HRA property inventory and progress on targets (as of 6/30/10)

	Total units	Anticipated Residential Uses						
		Rehabilitation projects		Infill / Development sites		Landbank properties		
		SFD/Duplex rehab (units)	3+ unit Multifamily / Mixed use rehab (units)	SFD/Duplex infill (properties)	3+ unit Multifamily / Mixed use (properties)	Lot combination (no new units) (properties)	Rehab or Demo (properties)	Landbank, no future use specified (properties)
Vacant Units Acquired	151	129	22	13	4	4	8*	108**
Vacant Units Acquired & Under Rehabilitation	5	5	0					

*Includes three duplexes and five single family homes.

**65 of these properties had 1-4 unit residential buildings on them previously.

As can be seen in Appendix 2, map b, “Multifamily housing projects, 2010-2013, version 2010,” of the projected new production units, 332 will be affordable to households earning 60 percent or less than the area median income, and 45 will be affordable to households earning 61-80 percent of the area median income. There are also an estimated 523 affordable units within affordable housing preservation projects over the same period.

7.2. Central Corridor report 2010 – City/HRA

As can be seen Appendix 2, map a, “City/HRA property inventory, 2010,” the City/HRA has acquired a significant inventory of properties with anticipated residential uses within Central Corridor neighborhoods specifically. Below are some statistics on the City’s progress on its *Invest Saint Paul* / NSP goals (which are included in this HAP), specifically within the Central Corridor. Note that only the units listed under “Rehabilitation projects” are counted toward the HAP targets; as vacant units are acquired, they will begin to pass into the “vacant units acquired & under rehabilitation” category.

Fig. 20. City/HRA property inventory and progress on targets in Central Corridor neighborhoods* (as of 6/30/10)

	Anticipated Residential Uses							
	Rehabilitation projects		Infill / Development sites		Landbank properties			
	Total units	SFD/Duplex rehab (units)	3+ unit Multifamily / Mixed use rehab (units)	SFD/Duplex infill (properties)	3+ unit Multifamily / Mixed use (properties)	Lot combination (no new units) (properties)	Rehab or Demo (properties)	Landbank, no future use specified (properties)
Vacant Units Acquired	36	36	0	0	3	0	2**	19***
Vacant Units Acquired & Under Rehabilitation	3	3	0					

* Central Corridor neighborhoods include areas within one half mile to the north and south of the Central Corridor transit line.

** Includes one duplex and one single family home.

*** Ten of these properties had 1-4 unit residential buildings on them previously.

As can be seen in Appendix 2, map b, “Multifamily housing projects, 2010-2013, version 2010,” of the projected new production units within the Central Corridor, 165 will be affordable to households earning 60 percent or less than the area median income. There are also an estimated 399 affordable units within affordable housing preservation projects located in the Central Corridor over the same period.

8.o. Definitions and Notes

1. Preservation (Extended Affordability Life): The preservation of existing, low-income housing units where capital funding is used to extend the income and rent restrictions on housing units where current income/rent restrictions are scheduled to expire or may terminate for other reasons. The saving of federally-assisted and other existing publicly-assisted housing projects are oftentimes called "Preservation" projects.
2. Vacant Units Acquired and Vacant Units Rehabilitated: Targets that correspond to the City's *Invest Saint Paul* initiative and the expenditure of federal Neighborhood Stabilization Program funds under workplans previously-approved by HUD. "Vacant Units Acquired" only corresponds to NSP workplans, and do not count units acquired through bank donation, tax forfeiture, or acquisition with ISP or other funds.
3. New Housing Production: Includes either New Construction or the Conversion of a non-residential use into residential units.
4. Assistance to Households: Includes Target categories involving housing services, lending, or other assistance to households that currently reside in Saint Paul, or will reside in the city in the future.
5. Housing Activities within the Central Corridor are defined as those within one-half mile of the Central Corridor light rail line. One of PED's Performance Measures is to "encourage public and private development along the Central Corridor Transit Line through 2014." This data can be used to track annual progress on this Performance Measure.
6. The City previously adopted affordable and life cycle housing goals for the 1996-2010 period, as part of the City's participation in the Metropolitan Livable Communities Act Local Housing Incentives account (LCA LHIA). New goals have been established to continue the City's participation in LCA LHIA for the 2011-2020 period. The Housing Action Plan 2010-2013 proposes, consistent with Metropolitan Council's recommendation and the City's adopted Housing Chapter of the Comprehensive Plan, a goal of 7,000 lifecycle units for the 2011-2020 period, of which at least 2,625 units will be affordable. For the 4-year, 2010-2013 period, this translates into approximately 700 lifecycle units per year (263 affordable units per year), for a total of 2,800 life cycle units (1,050 of which to be affordable) for the 4-year period. These goals will be implemented as follows:
 - 2,800 lifecycle units will be supported by end of 2013 through 1) the new construction/conversion of 1,000 new units (projects assisted by the City/HRA), and 2) property rezonings that will support additional medium- and high-density residential development (including mixed use districts), that will eventually result in an additional 1,700 new units.
7. Closed Projects: Projects which have all the financing closed to completely develop the project or a full building permit has been issued. For projects in which the City/HRA provides financial assistance, New Housing Production is counted when the total sources of funds are available to complete the project and the financing has closed. Where there is no City/HRA financial assistance, New Housing Production is counted when a full building permit is issued by the City's Department of DSI.

- 9. Development Projects: Projects where there is site control and an identified developer who is in the final stages of securing financing, and projects that will close and begin construction during the current calendar year.
- 10. Pre-Development Projects: Projects where there is site control and an identified developer who has preliminarily identified financing and is working toward completing all pre-development activities.
- 11. Conceptual Projects: Projects that have site identification but are only in the concept state with no firm development plans, developer or financing identified.
- 12. Median Income: The U.S. Department of Housing and Urban Development (HUD) annually establishes the area median income (AMI) for all parts of the country including the Twin Cities metropolitan area. The HUD established AMI is for a family of four and is then adjusted for family size, as set forth in the following chart for **2010**:

Twin Cities AMI = \$84,000				
% of AMI	Household size			
	1 person	2 person	3 person	4 person
30%	\$17,650	\$20,200	\$22,700	\$25,200
50%	\$29,400	\$33,600	\$37,800	\$42,000
60%	\$35,280	\$40,320	\$45,360	\$50,400
80%	\$45,100	\$51,550	\$58,000	\$64,400
100%	\$58,500	\$67,200	\$84,000	\$84,000
120%	\$70,560	\$80,640	\$90,720	\$100,800

- 13. Subsidy: 100% for grants, forgivable loans, tax credits and TIF; amount less for amortized loans and bonds, dependent on risk rating and below-market interest rate; sales price write-down, waiver of fees, etc.
- 14. Affordability/City Standards: The City of Saint Paul is committed to producing at least 30% of new production rental units affordable to households at or below 60% of the area median income, with 10% of the units affordable at 60% of the area median, 10% at 50% of the AMI, and 10% at 30% of the AMI. The City is committed to producing at least 20% of new production ownership units affordable to households at or below 80% of the area median, and at least 10% of new production owner units affordable to households at or below 60% of the area median income.
- 15. Low Income Housing Tax Credit (LIHTC) Standards: Projects utilizing Federal Low Income Housing Tax Credits (LIHTC) are required to produce units affordable to households at a maximum of 60% of the area median income.

16. HUD Standards: Projects utilizing Federal Housing & Urban Development funds are required to produce units affordable to households at a maximum of 80% of the area median income.
17. During the year, the City's Department of Safety and Inspections (DSI) issues Building Permits for housing construction and rehabilitation work, including activities undertaken in the private market.

Appendices (attached)

1. Project Profile sheets
2. Maps:
 - a. City/HRA property inventory, 2010
 - b. Multifamily housing projects, 2010-2013, version 2010
 - c. Maps of 2009 Housing Investments (Building Permits), by City subsectors
 - d. Maps of 2009 Housing Sales, by City subsectors

Attachments (attached)

- A. City Council Resolution 10-935 acknowledging the City's continued participation in the Livable Communities Act
- B. Summary of comments received from the community (not yet available)
- C. City Council Resolution 10-___ adopting this Housing Action Plan (not yet available)