

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 26, 2013

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF
PARCEL 670 THOMAS AVENUE UNDER THE NSP PROGRAM,
FROGTOWN DISTRICT 7.**

Requested Board Action

Authorize the sale and conveyance of Parcel 670 Thomas Avenue, a vacant lot, to Greater Frogtown Community Development Corporation (GFCDC).

Background

The property located at 670 Thomas Avenue was purchased on December 17, 2009 using funds from the Neighborhood Stabilization Program 1 grant (NSP1). The source of this NSP1 grant is the United States Department of Housing and Urban Development (HUD). NSP1 activities are being carried out under approvals by HRA Resolution 09-02/25-6 and City Council Resolution 08-1270. The NSP1 budget was subsequently amended by City Council Resolution PH 13-32. Sales of certain properties in conjunction with the Twin Cities Community Land Bank (TCCLB) are authorized by HRA Resolution 12-2129.

At the time of acquisition, the property included a condemned, registered vacant single-family home. HRA purchased the property via the National Community Stabilization Trust's "First Look" program. At the time of acquisition, HRA staff's intent was to rehabilitate the home and sell for owner-occupancy. During the fall of 2012, while developing a detailed rehab scope of work, HRA staff concluded that the house was in much worse condition than had been originally thought. Thus, the home was demolished in the winter 2012-2013.

The HRA's NSP1 plan calls for re-use of vacant lots in target areas. GFCDC intends to redevelop this lot by building a new single-family home (3 bedrooms, 1¾ bathrooms, 1,592 s.f.) for owner-occupancy.

Upon receipt of the proposal from GFCDC, staff published a notice via the City's ENS system. The notice explained GFCDC's interest in acquiring this lot. The notice was published on May 9, 2013. Staff received no inquiries or indication of any other interest during the mandatory 45-day period.

Total HRA investment in this property to-date is \$58,848. HRA costs have included the initial acquisition and associated transaction costs, demolition of the house, and ongoing holding and maintenance expenses. GFCDC requests that the property be sold for \$1. More detailed financial information is described below in the Financing Structure section of this report.

Budget Action

No budget action is being requested. The NSP1 subsidy investment will be funded via the NSP1 grant budget, as authorized by HRA Resolution 09-02/25-6 and City Council Resolution 08-1270.

Future Action

No future HRA Board action will be required. Once the HRA takes action approving the sale of the property, staff will finalize the terms of an NSP Development Agreement and will proceed to schedule a closing to convey the property.

Financing Structure

HRA will sell the property to GFCDC for the full cost of HRA investment to-date, \$58,848. Concurrent with the sale, HRA will demand a Note secured by Mortgage for the purchase price and no cash will be exchanged. This Note secured by Mortgage will be forgiven once GFCDC completes the project and sells the home to an eligible end-buyer. Thus, HRA development subsidy will ultimately be \$58,848. This subsidy is funded by the NSP1 grant.

In addition to the aforementioned development subsidy, HRA will also provide a homebuyer assistance incentive in the amount of \$5,000. This homebuyer assistance incentive is part of the HRA's overall NSP plan, and will also be funded by the NSP1 grant.

HRA development subsidy of \$58,848 plus the homebuyer assistance of \$5,000 will leverage additional subsidy contributions from other sources in the amount of \$121,400. GFCDC will secure a \$50,000 grant from TCCLB. The source of TCCLB grant funds is the HRA's Affordable Housing Trust Fund (AHTF). GFCDC will also use grant funds from Minnesota Housing Finance Agency (MHFA) and Community Development Block Grant (CDBG) funds from their Frogtown Flexible Fund. See more detail below in the Subsidy Analysis section of this report.

TCCLB will provide construction financing through their Living Cities Loan Pool (made possible in part by the Saint Paul Foundation, and administered in partnership with the Family Housing Fund and the Local Initiatives Support Corporation).

Subsidy Analysis:

development costs	amount
acquisition price	\$ 58,848
construction	\$ 208,000
construction contingency	\$ 10,400
soft costs	\$ 45,000
total development cost	\$ 322,248
sale price	\$ 142,000
development subsidy	\$ 180,248

In addition, a \$5,000 homebuyer assistance incentive will be provided to the end-buyer.

subsidy sources	amount
HRA forgivable acquisition loan (NSP1)	\$ 58,848
TCCLB grant (STAR via AHTF)	\$ 50,000
MHFA CRV	\$ 45,000
Frogtown Flexible Fund (CDBG)	\$ 26,400
total	\$ 180,248

In addition, NSP1 funds will be used for the \$5,000 homebuyer assistance incentive.

PED Credit Committee Review

Credit Committee review is not a requirement of the sale of property. The acquisition loan will be forgiven.

Compliance

This development will comply with all the following requirements:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Section 3
4. Limited English Proficiency
5. NSP Affordability Covenants
6. Fair Housing Opportunities
7. Two Bid Policy
8. Saint Paul NSP Program Manual
9. CDBG New Construction Requirements

Green/Sustainable Development

This development will comply with the Saint Paul/HRA Sustainability Initiative. The project will also meet the following NSP requirements:

1. HUD Healthy Home Requirements
2. Energy Star – New Home Requirements

Environmental Impact Disclosure

The Tier 1 environmental review determined that all activities were either exempt or categorically excluded.

Historic Preservation

Acquisition and demolition of the property included applicable historic review.

Public Purpose/Comprehensive Plan Conformance

This action supports all three strategies of the Housing Chapter of the City's Comprehensive Plan: 1) build on Saint Paul's strengths in the evolving metropolitan housing market; 2) preserve and promote established neighborhoods; and 3) ensure the availability of quality and affordable housing across the City.

This purchase, demolition and redevelopment of this property supports the goal of the ISP/NSP Program/Plan to strategically channel resources into neighborhoods being challenged by recent economic and social downturns and persistent disinvestment including: 1) creating working partnerships among private developers, CDCs, District Councils and neighborhood residents; 2) bringing together resources, time, talent and funding in neighborhoods poised to prosper after a period of disinvestment; 3) reducing the number of vacant houses; 4) rehabilitating or addressing housing units to strengthen the housing stock; 5) improving stability and quality of life in neighborhoods; and 6) building on strengths in Saint Paul's neighborhoods.

Statement of Chairman

Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of conveyance of a certain Parcel of land located in Frogtown District 7 by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday 15 June, 2013. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

The HRA proposes to convey the following property in Frogtown District 7:

<u>Property Description</u>	<u>Purchaser/Developer</u>	<u>Purchase Price</u>
670 Thomas Avenue	Greater Frogtown CDC	\$58,848

The above property was purchased and demolished by the HRA and is being sold for the purpose of redevelopment and homeownership.

Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.

Recommendation:

The Executive Director and staff recommend approval of this sale in accordance with the attached resolution.

Sponsored by: Commissioner Carter

Staff: Joe Musolf (651-266-6594)

Attachments:

- **Attachment A - Resolution**
- **Attachment B - Map/Address of Project**
- **Attachment C - Project Summary form**
- **Attachment D - Sources and Uses Summary Form**
- **Attachment E - Public Purpose Form**
- **Attachment F – Census Facts**