

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 25, 2015

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF THREE PROPERTIES UNDER THE INSPIRING COMMUNITIES PROGRAM; AUTHORIZATION TO WAIVE THE MAXIMUM PER-UNIT SUBSIDY FOR EACH PROPERTY; AUTHORIZATION TO ENTER INTO DEVELOPMENT AGREEMENTS; AND AUTHORIZATION OF EXPENDITURES FOR REDEVELOPMENT UNDER THE INSPIRING COMMUNITIES PROGRAM.**

## **Requested Board Action**

Approval of the sale and conveyance of three properties owned by the Housing and Redevelopment Authority of the City of Saint Paul (“HRA”), authorization to enter into development agreements with three developers for the redevelopment of said properties, authorization to exceed the HRA’s maximum gross subsidy per-unit cap for each of the said properties, and authorization of expenditures as identified in this report under the Saint Paul HRA Disposition Work Plan and Budget’s (“DWPB”) Inspiring Communities program.

## **Background**

In the spring of 2013, staff from the City’s Department of Planning and Economic Development analyzed all property in the HRA inventory in an effort to make informed recommendations regarding the retention and disposition of properties, and create a disposition strategy and budget to advance redevelopment plans for the sites analyzed. The resulting strategy was designed to address 240 of the 535 parcels in the HRA inventory by grouping them into four different categories: Parcels with Obligations, Cluster Area Parcels, Splinter Parcels, and Buildable Lots for Sale. The DWPB was approved by the HRA Board of Commissioners on July 24, 2013 by Resolution 13-1097. As a component of the Resolution, the Neighborhood Stabilization Program and Invest Saint Paul were rebranded as the Inspiring Communities program, which prioritizes subsidy to address two categories of the DWPB: Cluster Area Parcels and Parcels with Obligations. Goals of the Inspiring Communities program include:

- Use HRA property as a catalyst for neighborhood transformation;

- Construct or rehabilitate 130 lots or buildings to create a variety of housing opportunities in focused cluster areas;
- Create job opportunities for local residents, Section 3 certified businesses, minority and women-owned businesses, or small businesses; and
- Inspire innovative, sustainable design and construction methods.

Program manuals for both homeownership and rental opportunities were developed in an effort to standardize processes and requirements, and to create a predictable and transparent program from the development community perspective.

On October 9, 2013, the Board approved, via Resolution 13-1592, key terms of the Inspiring Communities Homeowner Program Manual and Rental Program Manual, including a maximum gross subsidy cap per unit of \$150,000.

This current Board action request relates to the second Inspiring Communities Request for Proposals (“RFP”). (The first Inspiring Communities RFP was released in October 2013 and work is underway and nearing completion.) On November 3, 2014 staff released the second Inspiring Communities RFP to solicit proposals for 58 HRA-owned properties. The list of properties included 19 buildings and 39 vacant lots. Proposals were due and received by December 5, 2014. Responses were received from 9 developers for 32 properties. One property application was disqualified because it was incomplete. The remaining applications were analyzed and ranked.

On February 11, 2015, by Resolution 15-48, the Board approved the sale of 27 properties. 3 additional proposals required further analysis, and are now here for Board approval. This is “Part 2” of the 2014 RFP recommendations.

The gross per-unit subsidy requested for each of these three projects is in excess of \$150,000. The Board must waive the HRA maximum subsidy cap policy in order for these projects to move forward, as follows:

279 Bates Avenue

\$195,035 gross subsidy

724 4 <sup>th</sup> Street E	\$170,095 gross subsidy
41 Douglas Street	\$175,780 gross subsidy

The projects at 279 Bates Avenue and 724 4<sup>th</sup> Street E will involve rehabilitation of existing houses. Staff has determined that (a) the construction costs are competitive and do not have any excessive design elements; (b) the proposing developers have proven track records of reasonable costs; (c) proposed developer fees are within program parameters; (d) estimated sales prices are in line with the market; and (e) a smaller subsidy can only occur if there is a reduction in construction costs in the future (which is unlikely) and/or an increase in sales prices, which is unknown at this time. By proceeding with the sale of these properties and the subsidization of their rehabs, the HRA will save an average of \$3,000 per property per year in maintenance, the parcels are put back on the tax rolls and the critical positive momentum of neighborhood investment continues.

The project at 41 Douglas Street will involve redevelopment of a vacant lot. The developer will move a house onto the site from a location 3 blocks away. The relocated house will be rehabilitated. Staff has made the same determinations (a) thru (e) above. In addition, staff believes this project is a sensible re-use of a house that might otherwise be lost to demolition.

Staff recommends approval of 3 proposals (See **Attachment B** – 2014 Inspiring Communities RFP Award Recommendation – Part 2). The recommended proposals will require a total net development subsidy expenditure of \$436,986.

All recommended proposals are for homeownership.

### **Budget Action**

No budget action is required. These projects will be funded via the DWPB. HRA budget actions pertaining to the DWPB have authorized an overall program spending plan, but the HRA Board requires each specific project within the plan to be specifically approved. The total expenditure of \$436,986 is detailed in **Attachment B** – 2014 Inspiring Communities RFP Award Recommendation – Part 2.

## **Future Action**

Regarding the projects in this Resolution, no future action will be required. Once the HRA takes action approving the sale of the property, staff will proceed to execute development agreements and convey property.

## **Financing Structure**

Financing will be as indicated in the Homeownership Program Manual. Value gap assistance provided to awardees will be secured with a note and mortgage at 0% interest. At the time the property is sold to a homeowner, the value gap assistance loan will be forgiven. Funds will be disbursed on a reimbursement basis at up to three points in the project schedule. The final disbursement will be at the time the property is sold to a homeowner, when all expenditures can be reconciled and the value gap amount can be modified based on the final purchase price and actual costs incurred.

Homebuyers purchasing a home with NSP investment will be eligible for up to \$5,000 in assistance toward lowering the amount of the first mortgage or to augment a down payment. The assistance is structured as a loan and is forgiven over a five-year period. Homebuyer assistance for homes with NSP funding is funded with program income generated by NSP home sales.

## **PED Credit Committee Review**

Credit Committee review is not a requirement of the sale of property. The Credit Committee reviewed the Inspiring Communities Homeownership and Rental Program Manuals on September 23, 2013 and September 30, 2013 respectively. The terms and conditions contained therein were approved by the Credit Committee at that time.

## **Compliance**

Development under the Inspiring Communities program will comply with all applicable requirements, which may include the following:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Section 3
4. Limited English Proficiency

5. NSP Affordability Covenants
6. Fair Housing Opportunities
7. Two Bid Policy

### **Green/Sustainable Development**

All Inspiring Communities projects will be in compliance with the approved Design Criteria, which meets both the Saint Paul Sustainable Development Policy and the Saint Paul/HRA Sustainability Initiative. All projects will meet the Home Performance for ENERGY STAR or ENERGY STAR for New Homes standards, and will be certified by Enterprise Green Communities.

### **Environmental Impact Disclosure**

A two-tier environmental review process determined that no adverse environmental impact will result if the proposed activities at 279 Bates Avenue and 724 4<sup>th</sup> Street E are carried out. A two-tier environmental review process determined that redevelopment of 41 Douglas Street vacant lot will have no adverse environmental impact. An updated tier-two review will be conducted to account for the house move.

### **Historic Preservation**

279 Bates Avenue and 724 4<sup>th</sup> Street E are located in the Dayton's Bluff Heritage Preservation District. Rehab of these houses must comply with the district guidelines.

The house at 445 Smith Avenue N is located in a potential historic district, per a 2011 Historic Site Survey commissioned by the Saint Paul Heritage Preservation Commission. The house move would possibly result in a loss of integrity to this potential historic district.

### **Public Purpose/Comprehensive Plan Conformance**

Please see **Attachment F** – Public Purpose Form. **Attachment C** includes a list of Comprehensive and Neighborhood Plan documents that the proposed actions fulfill.

### **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 certain Parcels of land located in Dayton’s Bluff District 4 and Fort Road / West Seventh District 9 by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota.

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, February 14, 2015. 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 properties in Dayton’s Bluff District 4:

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
279 Bates Avenue	Eden Builders	\$85,000
724 4 <sup>th</sup> Street E	Spero Properties	\$25,525

The HRA proposes to convey the following property in Fort Road / West Seventh District 9:

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
41 Douglas Street	Charlie’s Angles	\$12,500

The above properties will be conveyed for the purpose of redevelopment and sale at fair market value for the purpose of homeownership.

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

**Recommendation:**

The Executive Director recommends approval of the sales, waiver of the HRA maximum per-unit gross subsidy gap cap, entrance into development agreements and the associated expenditure authorization in accordance with the attached resolution.

**Sponsored by:** Commissioner Lantry

**Staff:** Joe Musolf (651-266-6594)

**Attachments:**

- **Attachment A -- Resolution**
- **Attachment B – 2014 Inspiring Communities RFP Award Recommendation – Part 2**
- **Attachment C – Comprehensive Plan Conformance**
- **Attachment D -- Project Summary Form**
- **Attachment E -- Sources and Uses Summary Form**
- **Attachment F -- Public Purpose Form**
- **Attachment G – Census Facts**
- **Attachment H -- Maps**