

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

REPORT TO THE COMMISSIONERS

DATE: March 12, 2014

REGARDING: APPROVAL OF THE SALE AND CONVEYANCE OF PARCEL 886
CASE AVENUE UNDER THE INSPIRING COMMUNITIES PROGRAM,
PAYNE-PHALEN, DISTRICT 5.

Requested Board Action

Approve the sale and conveyance of Parcel 886 Case Avenue to Benjamin and Gina Hierlmeier.

Background

The City of Saint Paul HRA has been implementing the work plan authorized by the HRA in 2007 (which was periodically amended in the succeeding years) for the Invest Saint Paul (ISP) Program and Neighborhood Stabilization Program (NSP). Authorizing HRA resolutions include:

Invest Saint Paul work program (07-08/08-3)

Neighborhood Stabilization Program 1 (09-02/25-6)

Neighborhood Stabilization Program 2 (10-3/24-3)

Neighborhood Stabilization Program 3 (11/721 and 11/623)

Through the above resolutions, the stage was set for an investment of \$17 million of ISP municipal bonds and \$32 million of NSP federal grants into Saint Paul's neighborhoods that were most impacted by the mortgage foreclosure crisis and the resulting dramatic increase in vacant properties. Funding received through the Neighborhood Stabilization Program had specific expenditure requirements, which the HRA has met for the first two rounds of NSP, and is projected to meet for the third round of NSP. During the course of the respective work programs, the HRA aggressively acquired blighted, vacant, and foreclosed property, provided support to community organizing initiatives, and redeveloped vacant commercial and residential buildings into neighborhood assets.

Activities begun under the ISP and NSP initiatives have been folded into the Inspiring Communities Program (Program), a single family housing program that involves the

development, or redevelopment, of HRA-owned property. The Program stemmed from the HRA Land Disposition Strategy (LDS), which was designed to address 240 parcels in the HRA inventory; the LDS was approved by the HRA on July 24, 2013 by Resolution number 13-1097.

886 Case Avenue

The property located at 886 Case Avenue was purchased on August 31, 2010 under the Neighborhood Stabilization Program (NSP) and Rebuilding Plan 2009-2013 approved by HRA Resolution 09-02/25-6. This property is a two story, 1,368 square feet and has 3 BD/2 BA; it was built in 1888. The HRA purchased the property for \$25,000. The range of rehabilitation costs for all completed ISP/NSP projects has been between \$87 and \$219/square foot, which considers all rehabilitation requirements, energy efficiency and curb appeal. The range of sale prices has been between \$67 and \$144/square foot. See the financing structure below for a breakdown of gap/subsidy, assistance and estimated program income.

The sale of this and other Inspiring Communities homes will generate program income that will be recycled and used to fund like activities.

See **Attachment B – Marketing Process and Procedures/Homebuyer Incentive Program** for more information on fair marketing efforts.

Budget Action

No budget action is being requested. The City Council approved required NSP budget actions on November 19, 2008 (Resolution 08-1270), January 28, 2009 (Resolution 09-103) and February 6, 2013 (Resolution 13-32). The HRA approved required actions on February 25, 2009 (Resolution 09-02/25-6); February 13, 2013 (Resolution 13-198); and July 24, 2013 (Resolution 13-1097). All actions identified the eligible funding activities approved under the Inspiring Communities Program.

Future Action

No future action will be required. Once the HRA takes action approving the sale of the property, staff will proceed to schedule a closing and convey the property.

Financing Structure

The property is being sold based on the after-rehab appraisal, comparable sales, and in consideration of project costs for \$165,000. A deed conveying the property includes a restriction requiring owner-occupancy. The first mortgage will be conventional financing and held by Bell Mortgage. In addition, the purchaser will be using mortgage affordability assistance provided by the Inspiring Communities Homebuyer Assistance Program.

(The Homebuyer Assistance Program is both an incentive and a tool to assist in keeping mortgage payments affordable over the long term. The assistance is provided to any home buyer purchasing an Inspiring Communities house assisted by HRA. The assistance being provided to the home buyer at 886 Case Avenue is \$5,000.)

Subsidy Analysis:

	Project Costs	
Acquisition Price	\$	25,000
Rehabilitation	+ \$	227,296
Soft Costs	+ \$	35,642
Realtor Fees/Closing Costs	+ \$	10,000
Total Development Cost	= \$	297,938
Sale Price	- \$	165,000
Development Gap	= \$	132,938
Homebuyer Assistance/Affordability Gap	+ \$	5,000
Total Gap	= \$	137,938
Program Income	\$	150,000

Note: Soft costs include: marketing, insurance, holding costs, construction management, etc.

PED Credit Committee Review

Credit Committee review is not a requirement of the sale of property.

Compliance

This development complied with all the following requirements:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Section 3
4. Limited English Proficiency
5. NSP Affordability Covenants
6. Fair Housing Opportunities
7. Two Bid Policy

Green/Sustainable Development

The project complies with the Saint Paul/HRA Sustainability Initiative. The project also meets the following:

1. HUD Healthy Home requirements;
2. state requirements for asbestos removal as applicable;
3. local and state building codes, together with the HRA's NSP guiding principles adopted February 24, 2009 to "provide healthy, affordable and quality housing, improving the housing stock above minimum standards by addressing lead, mold, radon, energy efficiency and curb appeal elements;"
4. all items related to energy efficiency as addressed in the Neighborhood Energy Connection (NEC) audit; and
5. lead removal or abatement.

Environmental Impact Disclosure

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

Historic Preservation

This property was found to be in compliance with all applicable regulations.

Public Purpose/Comprehensive Plan Conformance

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

The purchase, rehab and sale of this property supports the goal of the Inspiring Communities Program to strategically channel resources and build upon stabilization efforts in neighborhoods most impacted by vacancy and foreclosure in order to further the HRA’s mission to “preserve, grow and sustain” 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 Payne-Phalen District 5 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, March 1, 2014. 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 Payne-Phalen District 5:

<u>Property Description</u>	<u>Purchaser/Developer</u>	<u>Purchase Price</u>
886 Case Avenue	Benjamin and Gina Hierlmeier	\$165,000.00

The above property was purchased and rehabilitated by the HRA and is being sold at a fair market value for the purpose of homeownership.

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

Recommendation:

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

Sponsored by: Commissioner Bostrom

Staff: Sarah Zorn (651-266-6570)

Project Manager: Marty McCarthy (651-266-6552)

Attachments:

- **Attachment A – Sales Resolution**
- **Attachment B – Marketing Process and Procedures**
- **Attachment C-- Map of Project and Photos**
- **Attachment D -- Public Purpose Form**
- **Attachment E – Neighborhood Profile**