

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

REPORT TO THE COMMISSIONERS

DATE: MAY 9, 2012

REGARDING: PUBLIC HEARING & AUTHORIZATION TO ENTER INTO A DEVELOPMENT AGREEMENT, OBLIGATE NSP FUNDS AND APPROVE THE CITIES HABITAT FOR HUMANITY, INC. FOR PROPERTIES LOCATED WITHIN ISP/NSP NEIGHBORHOODS IDENTIFIED AS:

- PARCEL 736 ROSE AVENUE EAST, PAYNE-PHALEN DISTRICT 5, WARD 6
- PARCEL 585 COOK AVENUE EAST, PAYNE-PHALEN DISTRICT 5, WARD 6
- PARCEL 803 LAWSON AVENUE EAST, PAYNE-PHALEN DISTRICT 5, WARD 6

## Requested Board Action

The specific actions being requested of the HRA Board are as follows:

1. Authorization to approve the sale and execution of a Development Agreement with Twin Cities Habitat for Humanity, Inc. for the following properties:
  - Parcel 736 Rose Avenue East, Payne-Phalen District 5
  - Parcel 585 Cook Avenue East, Payne-Phalen District 5
  - Parcel 803 Lawsons Avenue East, Payne-Phalen District 5
2. Authorization to waive early notification process for the sale of above-mentioned properties to Habitat due to receipt of letter supporting this action from the Payne-Phalen District 5 Community Council and a commitment by Habitat to meet the 50% affordability requirement under the Neighborhood Stabilization Program funding.
3. Authorization for land write-down to \$1.00 on the acquisition costs (\$85,500.00 total for all three properties) paid from Neighborhood Stabilization Program funds (NSP); and authorization to provide additional funding of up to \$150,000 (\$50,000 per property).

## Background

The HRA/City received \$31.0 million in NSP funding. All NSP 1 funds (\$10.6 million) had to be either expended or obligated by September 13, 2010; this deadline was met. One-half of the NSP 2 funds (approximately \$9 million of \$18.03 million) had to be spent by February 20, 2012; this deadline was met. One-half of the NSP 3 funds (approximately \$1.4 million) must be

expended by February 13th, 2013. All NSP 1 and 2 funds have to be fully expended by February, 2013 and all NSP 3 funds have to be fully expended by February, 2014. Within the NSP program, \$7.3 million (25% of all funds received) needs to be spent on housing units at or below 50% of the area median income. Discussions were held at previous community meetings concerning the need to meet the 50% affordability requirement, and it was determined that the best strategy to meet this requirement was with rental housing and some ownership housing undertaken by Habitat for Humanity. Rental housing should be considered only in relationship to true duplex or smaller rental buildings (less than 8 units) which could be used to meet this requirement. The neighborhoods identified single-family houses for homeownership only; and Habitat has been a high performing partner in assisting with affordable ownership units.

Twin Cities Habitat for Humanity, Inc. is a community leader in providing home ownership opportunities to families with incomes at or below 50% of area median income. Habitat has successfully provided ongoing mentoring to ensure long term ownership success; maintained a foreclosure rate of less than 1%; and has protected long term affordable home ownership by repurchasing properties when needed.

Habitat presented their proposal to acquire these three parcels to the District 5 Planning Council on April 3, 2012, and received approval for construction of a new single family home on the two vacant lots (585 Cook Avenue East and 803 Lawson Avenue East), and rehabilitation of the existing structure at 736 Rose Avenue East.

803 Lawson was demolished December 2011 and 585 Cook was demolished July 2011. 736 Rose is an existing single family home that is registered as a Category 2 vacant building. All three properties were foreclosed and vacant for more than a year. The acquisition of these properties met the established criteria approved by HRA and the community. 803 Lawson was purchased for \$17,000.00 and 585 Cook Avenue was purchased for \$22,500.00 with the intent to demolish both properties and offer the sites for new construction as the market improved. The purchase, demolition and subsequent new construction meet the use requirements of NSP funding awarded for these activities. 736 Rose is a duplex that was purchased for \$46,000.00 with the intent to rehabilitate the property into a single family home for owner occupancy. The purchase and rehabilitation meet the use requirements of NSP funding awarded for these activities.

- 585 Cook Avenue East is zoned RT-1 and allows single family reuse
- 803 Lawson Avenue East is zoned RT-1 and allows single family reuse.
- 736 Rose Avenue East is zoned RT-1, and allows single family reuse.
- Acquisition was done under NSP; all three properties were foreclosed and vacant; 585 Cook and 803 Lawson have been demolished
- Parks and schools are located ¼ mile of development (**Attachment B**)
- Wilder planning district demographic profile (**Attachment G**)

### **Budget Action**

No budget action is being requested. City Council took necessary NSP budget actions on November 19, 2008, Resolution 08-1270, January 28, 2009, Resolution 09-103, HRA on February 25, 2009, by Resolution 09-02/25-6, on March 24, 2010, by Resolution 10-3/24-3, on April 20, 2011, by Resolution 11-721, and on April 20, 2011, by Resolution 11-623.

All actions identified the eligible funding activities approved in the Neighborhood Stabilization Program and Rebuilding Plan 2009-2013 under the Invest Saint Paul Initiative.

### **Future Action**

No future action will be required. Once the HRA approves the sale of the aforementioned two properties, staff will execute the necessary contract documents to ensure a successful closing.

### **Financing Structure**

The properties are being conveyed to Habitat for \$1.00 each. Habitat will use \$150,000 of the NSP funds for the new construction of two single family homes and rehabilitation of one single family home. 736 Rose will be rehabilitated as a 3 bedroom, 1 bath home with a one car garage. A four bedroom, two bath single family home and two-car garage will be constructed at 803 Lawson Ave East. A three bedroom, 1.5 bath single family home and two-car garage will be constructed at 585 Cook Ave East. NSP funds will be used to cover contracting work that cannot be addressed by volunteers (plumbing, mechanical, structural issues, hazardous waste removal – lead, asbestos, mold, etc.). New construction projects will also address curb appeal and energy efficiency. The total development cost of the three properties is \$512,600 of which \$277,100 is being provided by outside sponsorship cash, in-kind donations, and volunteer labor.

In order to meet NSP affordability requirements, the homes will remain affordable at 50% of median income for 15 years. Deed restrictions for home ownership and Declaration of Covenants will be recorded against each property. Habitat will sell the homes to families with incomes at or below 50% of the area median income, keeping each home affordable by making them energy efficient and carrying the mortgage at 0% interest for 30 years. Families are selected through an intensive open screening process and selected families continue to be mentored through Habitat's Family Services division to ensure continued successful home ownership.

### **PED Credit Committee Review**

Credit Committee Review is not a requirement to obligate and expend NSP funds.

### **Compliance**

This development is complying with the following requirements:

1. Affirmation 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

According to Habitat, approximately 50% of the work under new construction will be contracted out. A substantial amount of work will be completed by volunteers. There are also NSP requirements that will need to be met including Limited English Proficiency, Affirmative Fair Housing Marketing and HUD Healthy Homes.

### **Green/Sustainable Development**

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

1. Minnesota Green Standards for Rehab (as required by MHFA NSP funds received)
2. HUD Healthy Home Requirements (Lead Paint)
3. State requirement for asbestos removal where applicable.

4. All local and State building codes together with HRA's NSP guiding principle adopted February 24, 2009: "provide healthy, affordable and quality housing, improving the housing stock above minimum standards by addressing lead, mold, radon, energy efficiency and curb appeal elements."

Habitat will utilize green materials such as recycled flooring, low VOC paint, energy efficient lighting and Energy Star appliances, low flow plumbing, etc. The new construction houses will meet Energy STAR Qualified New Homes Program and the rehabilitated home will meet the Home Performance with Energy STAR Program; third party verification will be provided at the time the homes are completed.

### **Environmental Impact Disclosure**

For the existing NSP program, the Tier 1 environmental review determined that all activities were either exempt or categorically excluded.

### **Historic Preservation**

Each individual project, identified by the address of the property that was acquired, was subject to a Tier 2 environmental review, which included consultation with the State Historic Preservation Office before properties were demolished. All properties have received the appropriate sign-offs.

### **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, affordable housing across the City.

The development also supports the goal of the ISP/NSP Program and 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 prolonged 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 St. Paul's neighborhoods.

**Statement of Chairman (for Public Hearing)**

“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 parcels 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 April 28th, 2012. 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 the Payne-Phalen District 5 area:

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
736 Rose Avenue	Twin Cities Habitat for Humanity, Inc., a Minnesota nonprofit corporation	\$1.00

The property will be conveyed for the purpose of rehabilitating the existing 3 bedroom, 1 bath single family home, with a detached one car garage that will be sold to a qualified homebuyer for home ownership.

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
585 Cook Avenue	Twin Cities Habitat for Humanity, Inc., a Minnesota nonprofit corporation	\$1.00

The property will be conveyed for the purpose of constructing a new 3 bedroom, 1.5 bath single family home, with a detached two car garage that will be sold to a qualified homebuyer for home ownership.

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
803 Lawson Avenue	Twin Cities Habitat for Humanity, Inc., a Minnesota nonprofit corporation	\$1.00

The property will be conveyed for the purpose of constructing a new 4 bedroom, 2 bath single family home, with a detached two car garage that will be sold to a qualified homebuyer for home ownership.

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

**Recommendation:**

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

**Sponsored by:** Commissioner Bostrom

**Staff:** Roxanne Young (651-266-6581)

**Attachments**

- **Attachment A -- Resolution**
- **Attachment B -- Background Attachment, House Plans and letter of support**
- **Attachment C -- Map/Address of Project, should include libraries, parks, schools.**
- **Attachment D -- Project Summary Form**
- **Attachment E -- Sources and Uses Summary Form**
- **Attachment F -- Public Purpose Form**
- **Attachment G -- Census Facts**