

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

REPORT TO THE COMMISSIONERS

DATE: JANUARY 11, 2012

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF
PARCEL 1390 CHARLES AVENUE UNDER THE NSP PROGRAM,
HAMLINE-MIDWAY DISTRICT 11.**

Requested Board Action

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

1. Authorization for the sale and conveyance of Parcel 1390 Charles Avenue to William C. McCallister.
2. Authorization to rescind Resolution 11-1168 approving sale to Kathleen Linhart on November 9, 2011.

Current

On November 9, 2011, HRA held a public hearing and approved the sale of 1390 Charles Avenue to Kathleen Linhart. Prior to closing Ms. Linhart decided not to go through with the purchase of the property. The property went back on the market and a new Purchase Agreement was accepted from William C. McCallister on 1390 Charles Avenue for the sales price of \$159,900.00.

Background

The property located at 1390 Charles Avenue was purchased on February 27, 2009 under the Neighborhood Stabilization Program (NSP) and Rebuilding Plan 2009-2013 approved by HRA Resolution 09-02/25-6. It is a one and one-half story, 1,470 sq/ft home with 4 BD/1.75 BA; it was built in 1913. The Sheriff's sale was held on May 27, 2008 with a six month redemption period. The house had been vacant prior to August of 2008. An as-is appraisal completed on January 17, 2009 determined the value to be \$43,000. The HRA purchased the property for \$26,980 representing a discount of more than 62%. The cost of rehabilitation was estimated at \$124,950 (\$85 sq/ft). The estimated resale value was placed at \$155,000 based on market conditions at the time of acquisition, and prior sales, with an estimated subsidy of \$40,000 which

considered all rehab requirements, energy efficiency, marketability, curb appeal, and holding costs. See Financing Structure below for breakdown on gap/subsidy assistance and program income.

The sale of this and other NSP 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 NSP fair marketing efforts.

Budget Action

No budget action is being requested. City Council took necessary NSP budget actions on November 19, 2008 (Resolution 08-1270) and January 28, 2009 (Resolution 09-103); HRA took necessary actions on February 25, 2009 (Resolution 09-02/25-6). All actions identified the eligible funding activities approved in the Neighborhood Stabilization 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 and consideration of NSP costs for \$159,900. A deed conveying the property includes a restriction requiring owner-occupancy. The first mortgage will be Conventional financing and held by Mid-Country Mortgage. In addition, the purchaser will be using down payment and closing cost assistance provided by the NSP Homebuyer Assistance Program.

(The NSP Homebuyer Assistance Program is both an incentive and a tool to assist in keeping mortgage payments affordable long term. The assistance provides \$14,500 to any home buyer purchasing an NSP house assisted by HRA. The funds can be used for down payment, closing

costs, interest write-down or affordability. NSP assistance requires restrictions and covenants be placed on the property to keep the property affordable at 120% of area median income.)

Subsidy Analysis:

	Estimated Cost	Actual Cost
Acquisition Purchase Price	\$ 26,980	\$ 26,980
Rehab	\$ 124,950 (\$85.00 sq/ft)	\$ 112,491.86 (\$76,52 sq/ft)
Soft Costs	\$ 35,670	\$ 41,003
Total Development Cost	\$ 187,600	\$ 180,474.86
Sale Price	\$ 155,000	\$ 159,900
Gap Assistance/Subsidy NSP Sales Closed Out	\$ 32,600	\$ 20,574.86
Sales Price		\$ 159,900
Realtor, Closing Costs		- 14,000
Homebuyer Assistance		- 14,500
Program Income (back into NSP)		\$ 131,400 subject to final closing costs

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 NSP requirements:

1. HUD Healthy Home Requirements
2. State requirements for asbestos removal where applicable.
3. All local and State building codes together with the HRA's NSP guiding principles 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."
4. All items related to energy efficiency as addressed in the Neighborhood Energy Connection (NEC) audit.
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.

This purchase, rehab and sale 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 Hamline-Midway District 11 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, December 31, 2011. 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 Hamline-Midway District 11:

Property Description	Purchaser/Developer	Purchase Price
1390 Charles Avenue	William C. McCallister	\$159,900

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 sale in accordance with the attached resolution.

Sponsored by: Commissioner Stark

Staff: Sarah Zorn (651-266-6570)

Sheri Pemberton-Hoiby (651-266-6615)

Attachments:

- **Attachment A -- Resolution**
- **Attachment B -- Marketing Process and Procedures**
- **Attachment C-- Map/Address of Project and Photos**
- **Attachment D -- Public Purpose Form**
- **Attachment E -- Census Facts**