

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 9, 2021

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND
CONVEYANCE OF 47 DOUGLAS STREET, AUTHORIZATION TO
ENTER INTO A DEVELOPMENT AGREEMENT AND AUTHORIZATION
OF EXPENDITURES FOR REDEVELOPMENT, DISTRICT 9, WARD 2.**

Requested Board Action

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

- Approval of the sale and conveyance of 47 Douglas Street (the “Property”), owned by the Housing and Redevelopment Authority of the City of Saint Paul (the “HRA”).
- Authorization to enter into a development agreement with Historic Saint Paul (“HSP”) for redevelopment.
- Authorization of expenditures up to \$130,000, plus the land value, to assist with the redevelopment of the Property

Background

In 2010, the HRA took title to the Property. The Property was donated to HRA by Wells Fargo Bank, N.A. The HRA has maintained the Property by utilizing a variety of funding sources, including Community Development Block Grant (“CDBG”) funds, and the HRA is therefore required to follow CDBG regulations and satisfy a CDBG National Objective.

In 2013, HRA staff discussed including the Property in a multi-property redevelopment deal with the West Seventh/Fort Road Federation (the “Federation”). But the Federation determined that the size of the Property did not fit with its larger strategy. The Property was subsequently included in the Inspiring Communities Program, as approved by the HRA through Resolutions 13-1097, and 13-1592.

In 2014 and 2015, the Property was offered through Inspiring Communities Requests for Proposals (“RFP”). The 2014 RFP did not identify developer interest. The 2015 RFP, however, identified an interested developer, and the HRA approved the sale of the Property and execution of a development agreement with this party. Unfortunately, the developer was unable to carry out the project and the development agreement was cancelled.

In the summer of 2016, the Property was broken into and vandalized, and HRA staff began discussions about demolition of the Property. Neighbors expressed concern about the possibility of demolition and took initiatives to help HRA staff identify an interested developer

In the fall of 2017, an interested developer was identified. By Resolution PH 18-235, the HRA authorized the sale of the Property and execution of a development agreement. But again, the developer failed to complete the terms of the agreement and the project did not move forward.

In November 2020, HRA staff received an unsolicited proposal from Historic Saint Paul (the “HSP”) regarding the Property. The HSP has proposed purchasing the Property for \$1.00 and plans to substantially rehabilitate the Property and sell it to a CDBG-eligible household earning at or below 80% of area median income for homeownership. To accomplish this the HSP has requested a development gap subsidy from the HRA of \$129,781. The HSP also secured a \$65,000 grant from the Minnesota Housing Finance Agency’s Impact Fund. Prior to the sale of the Property, HRA staff will document the estimated fair market value of the Property through an established valuation process involving a professional appraiser.

HRA staff has concluded that the HSP’s proposal is viable and the HSP has the capacity to carry out their proposal. HRA staff has determined that the HSP’s subsidy request is reasonable. Per the HRA’s Disposition Policy, notice of HRA’s consideration of this proposal was published through the City’s Electronic Notification System (“ENS”). The ENS directed other interested parties to submit competing proposals.

Two competing proposals emerged. HRA staff examined both proposals and worked with both proposals beyond the minimum 45-days required by the Disposition Policy.

After a careful analysis, HRA staff has concluded that the HSP proposal most closely aligns with the Inspiring Communities Program goals, the CDBG requirements, and has a high likelihood for success.

The HSP proposal to purchase the Property for \$1.00. Additionally, the HSP requests a development gap subsidy of \$129,781, in the form of a forgivable loan. The HSP’s proposed project budget is summarized as follows:

<u>Uses</u>		<u>Sources</u>	
land acquisition	\$ 1		
hard construction costs	\$306,880	CDBG (forgivable loan)	\$129,781
soft costs	\$ 56,900	MHFA Impact Fund	\$ 65,000
developer fee	<u>\$ 30,000</u>	final sale proceeds	<u>\$199,000</u>
	\$393,781		\$393,781

Budget Action

This action will require a concurrent CDBG budget action by the City Council, via Administrative Order, to authorize \$130,000 in CDBG spending.

Future Action

No future action will be required. Once the HRA approves the requested action, HRA staff will proceed to convey the Property.

Financing Structure

Financing will be as indicated in the Inspiring Communities Ownership Program Manual. Development gap assistance will be structured as a deferred loan, secured with a note and mortgage at 0% interest. Upon completion of construction and sale to an eligible buyer, the loan will be forgiven.

PED Credit Committee Review

The Credit Committee reviewed the Inspiring Communities Homeownership Program Manual on September 23, 2013. The terms and conditions contained therein were recommended for approval by the Credit Committee at that time.

Compliance

Development will comply with all applicable requirements, which will include at least the following:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach Program
3. HUD Section 3
4. Limited English Proficiency
5. Two Bid Policy
6. PED/HRA Sustainability Initiative

Green/Sustainable Development

The project will comply with the PED/HRA Sustainability Initiative.

Environmental Impact Disclosure

An Environmental Review for the project has been completed and no required mitigations were identified.

Historic Preservation

The site is not within a locally or federally designated historic district. The State Historic Preservation Office has concluded that the project will not negatively impact any potential or existing historic resources.

Public Purpose/Comprehensive Plan Conformance:

Please see the attached Public Purpose Form. The attached includes a list of Comprehensive and Neighborhood Plan strategies/objectives that the proposed actions fulfill.

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 Property located in the West 7th / Fort Road Federation Planning 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 Pioneer Press on Thursday, May 27, 2021. 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 West 7th / Fort Road Federation Planning District 9:

“Property Description

“47 Douglas Street, legally described as: The North 46.2 feet of Lot 96, Whitacre, Brisbane & Mullen’s Subdivision of Lots 1 and 2 of Leech’s Addition of Outlots to the Town of St. Paul, Ramsey County, Minnesota.

“Purchaser/Developer

“Historic Saint Paul

“Purchase Price

“\$1.00

“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 recommends approval of the sale of this Property in accordance with the attached Resolution.

Sponsored by:

Commissioner Noecker

Staff:

Joe Musolf (651-266-6594)

Attachments

- **Map**
- **Public Purpose**
- **District 9 Profile**
- **Comprehensive Plan Conformance**