

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

REPORT TO THE COMMISSIONERS

DATE: MARCH 23, 2016

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE ENTRANCE INTO A DEVELOPMENT AGREEMENT, THE APPROVAL OF A BUDGET AMENDMENT TO ALLOCATE UP TO \$2.2 MILLION IN PROJECT FUNDING, AND THE SALE AND CONVEYANCE OF PROPERTY AT 389 AND 425 MARYLAND AVENUE, WARD 5, DISTRICT 6.

Requested Board Action

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

1. Approval to enter into a development agreement with Twin Cities Habitat for Humanity to develop eleven (11) single family homes on the Willow Reserve property at 389 and 425 Maryland Avenue West.
2. Approval of a budget amendment to allocate up to \$2.2 Million in project funds for development gap, infrastructure development and the release of liens in the name of the Greater Metropolitan Housing Corporation (GMHC).
3. Authorization to sell and convey property located at 389 and 425 Maryland Avenue.

Background

On August 20, 2005, the HRA Board approved a loan to Sparc to assist in the purchase of the Larson Greenhouse site located at 389-425 West Maryland Avenue. Sparc acquired the property in 2005 for the development of 36 for-sale townhomes. The property was acquired with financing through the HRA and GMHC. The HRA provided loans totaling \$600,000 and GMHC provided loans totaling \$573,500. Due to the downturn in the housing market shortly after Sparc's acquisition of the property, construction of the townhome project never occurred. A lack of progress and the fact that Sparc had stopped paying property taxes in 2011 led the HRA Executive Director to take a deed in lieu of foreclosure in May of 2013. The HRA was motivated to gain control of the property in order to pursue alternative development strategies. The HRA entered into a Parity Agreement with GMHC to address repayment of the land acquisition bridge loans at the time of a sale of the land.

In August 2013, PED staff issued a Request for Interest (RFI) for the property. From this process, the HRA received two full proposals, which were both for low income tax credit multifamily rental projects. The project proposals were not in line with the outcome desired by community members, which led to the exploration of owner-occupied housing on the site. Twin Cities Habitat for Humanity (“Habitat”) presented a preliminary owner-occupied townhome concept to the community in October 2014. After receiving community input, Habitat presented a new concept for single-family homes in January 2015 and received district council support for the concept. In April of 2015, the HRA granted tentative developer status to Habitat for the construction of eleven single-family homes. It is anticipated that site work will begin in spring of 2016, with project completion estimated at the end of 2017. The Project will include new alley and water/sewer connections.

Since the tentative developer designation, Habitat has conducted soil borings, developed a proforma and begun developing design and site plans for the property.

Property Information

The property consists of two parcels and comprises 2.9 acres with 210 feet of street frontage on Arundel and 542 feet of street frontage on West Maryland Avenue. The back side of the property to the north abuts the Willow Reserve wetland area. The zoning for 389 and 425 West Maryland is RM2 – Multiple Family Residential.

Budget Action

The requested budget action is to designate up to \$1,555,097.20 from the HRA Enterprise Fund and up to \$644,902.87 from CDBG funds. Presently, the CDBG funds are budgeted for the Inspiring Communities Program. Due to HUD’s April 1st spend down deadline, staff recommends replacing an equal amount of Enterprise funds with CDBG funds for Inspiring Communities which frees up CDBG to be spent on the Willow Reserve project.

Future Action

No future HRA Board action is anticipated.

Financing Structure

<i>USES</i>	<i>Per unit</i>	<i>11 units</i>
TDC – units	\$ 310,585	\$ 3,416,435
Less Est. Sale Price	\$ 195,000	- \$ 2,145,000
Development Gap	\$ 115,585	= \$ 1,271,435
Infrastructure Costs	\$ 33,242	+ \$ 365,660
Total Project Gap	\$ 148,827	= \$ 1,637,095
GMHC Lien Release		+ \$ 443,676
Total Funding Need		= \$ 2,080,771

Staff proposes to convey the property to Habitat for \$1 in an effort to minimize the subsidy need. The terms of project assistance will be negotiated and reviewed by the Credit Committee.

Compliance

The source of funds loaned to Sparc to acquire the property was a combination of CDBG and HRA funds. As these funds will remain in the project, compliance requirements for Section 3, Vendor Outreach, Affirmative Action, Federal Davis Bacon Labor Standards, Affirmative Action, Two-Bid Policy, and the Sustainability Policy will apply. The Living Wage ordinance, Business Subsidy, and Project Labor Agreement compliance are not required.

Green/Sustainable Development

The project is required to comply with the City's Sustainable Development Policy because the project is new construction and will exceed the public subsidy threshold for compliance.

Environmental Impact Disclosure

N/A

Historic Preservation

The property is vacant land and is not located in a historic district.

Public Purpose/Comprehensive Plan Conformance

This development will return vacant, publicly-owned property back to the tax rolls and increase affordable ownership options for the neighborhood by creating 11 affordable, single-family homes. Development of the site requires that it meet a HUD national objective under the CDBG program. Development of affordable housing at the site would fulfill the national objective requirement. The *Public Purpose Form* is attached as **Attachment D**.

Saint Paul Comprehensive Plan

The Housing Chapter of the Comprehensive Plan lists the following strategies:

Strategy 1: Build upon Saint Paul’s Strengths in the Evolving Metropolitan Housing Market

1.1 Increase housing choices across the city to support economically diverse neighborhoods.

Strategy 3: Ensure the Availability of Affordable Housing Across the City.

Statement of the Chair

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 North End/South Como, District 6, 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, March 12, 2016. 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 District 6, North End/South Como:

<u>Property Description</u>	<u>Purchaser/Developer</u>	<u>Purchase Price</u>
389 and 425 West Maryland Ave	Twin Cities Habitat For Humanity	\$1

The above property is being sold for the purpose of construction of eleven single-family, for-sale homes.

Recommendation:

The Executive Director recommends approval to enter into a development agreement with Habitat for Humanity; the allocation of up to \$2.2 million in project funds; the authorization to convey the aforementioned property for \$1; and, payment to GMHC in accordance with the parity agreement.

Sponsored by: Commissioner Amy Brendmoen

Staff: Sarah Zorn, 651-266-6570

Attachments

- **Attachment A – Budget Amendment**
- **Attachment B – Map**
- **Attachment C -- Project Summary**
- **Attachment D -- Public Purpose**
- **Attachment E – District 6 Profile**