

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 9, 2013

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF
PARCEL 635 EDMUND AVENUE UNDER THE NSP PROGRAM,
THOMAS-DALE/FROGTOWN DISTRICT 7.**

Requested Board Action

Authorize the sale and conveyance of Parcel 635 Edmund Avenue to Clarence D. Castile.

Background

Since 2009, the HRA/City has received \$31.0 million through three rounds of Federal NSP funding as follows:

- NSP 1 funds: \$10.6 million; one-half of the funds had to be expended or obligated by September 13, 2010; the balance has to be expended by March, 2013. (The 9-13-10 spend-down requirement was met.)
- NSP 2 funds: \$18.03 million; one-half of the funds had to be expended or obligated by February 20, 2012; the balance has to be expended by February, 2013. (The 2-20-12 spend-down requirement was met.)
- NSP 3 funds: \$2.8 million; one-half of funds need to be expended by February, 2013; the balance has to be expended by February, 2014.

The property located at 635 Edmund Avenue was purchased on October 13, 2010 under the Neighborhood Stabilization Program (NSP) and Rebuilding Plan 2009-2013 approved by HRA Resolution 09-02/25-6. It is a one story, 1,101 sq./ft. home with 1 BD/1 BA; it was built in 1887. The home was listed for sale on June 21, 2013 and has generated little interest due to the lack of bedrooms. The original listing price was \$112,500 and was reduced on July 24, 2013 to \$99,900. An as-is appraisal completed on September 9, 2010 determined the value to be \$39,000. The HRA purchased the property for \$29,533 representing a discount of 24%. 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 Financing Structure below for a breakdown of gap/subsidy, assistance and estimated 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 NSP-related budget action is being requested. The City Council took necessary NSP budget actions on November 19, 2008 (Resolution 08-1270), January 28, 2009 (Resolution 09-103) and February 6, 2013 (Resolution 13-32); HRA took necessary actions on February 25, 2009 (Resolution 09-02/25-6) and February 13, 2013 (Resolution 13-198). 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, comparable sales and in consideration of NSP project costs for \$99,900. A deed conveying the property includes a restriction requiring owner-occupancy. The maximum amount of the first mortgage will \$91,000; terms will be 4.625% interest with a 30 year amortization and a 10 year balloon. The mortgage amount will be finalized with the settlement statement, which will confirm actual closing costs and prepaid items. The mortgage will be held by the HRA and serviced by U.S. Bank. In addition, the buyer will be using down payment assistance funding through HUD's American Dream Downpayment Initiative (ADDI) in the amount of \$10,000 and mortgage affordability assistance provided by the NSP Homebuyer Assistance Program in the amount of \$1,000. The

ADDI funds were granted to the HRA by HUD for downpayment assistance for households at or below 80% of area median income. The use of these funds does not contribute to the development gap and is therefore not included in the Subsidy Analysis below.

(The ISP/NSP Homebuyer Assistance Program is both an incentive and a tool to assist in keeping mortgage payments affordable in the long term. The assistance is provided to any home buyer purchasing an ISP/NSP house assisted by HRA.)

Subsidy Analysis:

	Project Costs	
Acquisition Price	\$	29,533
Rehabilitation	+ \$	211,355
Soft Costs	+ \$	38,125
Realtor Fees/Closing Costs	+ \$	4,000
Total Development Cost	= \$	283,013
Sale Price	- \$	99,900
Development Gap	= \$	183,113
Homebuyer Assistance/Affordability Gap*	+ \$	11,000
Total Gap	= \$	194,113
Program Income**	\$	5,990

*There are two sources of homebuyer assistance in this project: NSP (\$1,000) and ADDI (\$10,000).

**Because HRA is financing this sale, Program Income is calculated as follows: \$10,000 (ADDI funds) - \$1,000 (NSP Homebuyer Assistance) - \$4,000 (Realtor Fees/Closing Costs) + \$990 (required downpayment from buyer per ISP/NSP Homebuyer Assistance Program guidelines) = \$5,990. HRA will receive monthly payments from the servicer, US Bank.

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

PED Credit Committee Review

Credit Committee reviewed and approved the loan terms on September 16, 2013. The Committee’s 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 Thomas-Dale/Frogstown District 7 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, September 28, 2013. 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 Thomas-Dale/Frogstown District 7:

<u>Property Description</u>	<u>Purchaser/Developer</u>	<u>Purchase Price</u>
635 Edmund Avenue	Clarence D. Castile	\$99,900.00

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 Khaliq

Staff: Sarah Zorn (651-266-6570)

Project Manager: Tchu Yajh (651-266-6592)

Attachments:

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

