

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

**REPORT TO THE COMMISSIONERS**

**DATE: November 14, 2012**

**REGARDING: Authorization to Obligate \$120,000 to Sherman Associates and \$120,000 to Habitat for Humanity to Develop Whitall Twinhomes Site, District 5, Ward 6**

## **Requested Board Action**

Authorization to approve additional funding of \$120,000 to Sherman Associates and to enter into a development agreement with Habitat for Humanity for \$120,000 to complete the development of four units at the Whitall Twinhomes site.

## **Background**

In September 2004, the HRA and Sherman Associates, Inc. entered into a Master Development Agreement for a multi-phase redevelopment of the Payne/Phalen intersection. The first phase of the Phalen Senior Lofts was successfully completed, resulting in 73 units of senior housing as well as some commercial space. The second phase of the Whitall Twinhomes site began construction in 2005 and two units were constructed and sold. An additional two units were started, however the housing market crash hindered sales. In June 2011, a purchase agreement was offered for 613 Whitall Street at a sale price of \$125,000, yet the bank appraisal came in at \$95,000. As a result, the sale fell through and the unit has still not sold; the unit on the other side of the twin home has not been completed.

Both the HRA and the Minnesota Housing Finance Agency (MHFA) have investments in the project, and are working together, with Sherman Associates, to ensure the project gets completed. In the Fourth Amendment to the Master Development Agreement, Sherman Associates has committed to:

- complete site clean-up and grading activities to ensure all lots are ready for construction by March 2013
- complete the two units that were started in 2005 by April 2013

- sell the pad for one twin home to Habitat for Humanity for a dollar. (Habitat has committed to complete construction by December 2013).
- build two additional units by December 2013 (one additional twin home)

The HRA has agreed to:

- permit use of the remaining budget of STAR funds (\$323,684) for site clean up.
- extend the Master Development Agreement for the Whitall Twinhomes through December 31<sup>st</sup>, 2015.
- reduce the number of units from 26 units to 18 units. 10% (two units) will continue to be required to be sold to families at or below 50% AMI.
- No require HRA board action for the Fourth Amendment, as the agreement falls within the original authority granted by the HRA Board via previous Amendments. (Staff execution of the Fourth Amendment also allowed site clean up activity to begin prior to winter conditions and will result in the entire site being ready for construction.)

Both Habitat for Humanity and Sherman Associates have requested \$60,000 per unit; thus each is requesting a total of \$120,000 to construct one new twin home with two units. The site is located within the NSP 3 MHFA and NSP 3 HUD target areas, where the HRA has been concentrating neighborhood stabilization investments. Providing NSP investment for the project will meet the national objectives of the NSP program, while also sparking activity at a site that has been stagnant for over 5 years. Upon completion of these four new units, there will be a total eight units (4 buildings) at the site, and the HRA requirement for 10% of units being sold to an buyers with incomes at or below 50% of area median income will be met by the Habitat units. Staff has agreed to work in partnership with Sherman and Habitat to negotiate an agreement for the remainder of the Whitall Twinhomes site by spring of 2013.

### **Budget Action**

No budget action is required, as NSP funds have already been budgeted.

### **Future Action**

No future action is anticipated at this time, however there may be a need for future action related to completing the remainder of the development.

### **Financing Structure**

NSP funds invested will be in the form of gap financing, forgivable upon completion and sale of the units to qualified home buyers.

### **PED Credit Committee Review**

None required.

### **Compliance**

The following compliance requirements will apply:

- Two bid policy
- Affirmative Action/Equal Employment Opportunity
- Vendor Outreach
- Section 3
- HRA sustainability policy (see below)
- Sale to a buyer at or below 120% of area median income, per NSP requirements

### **Green/Sustainable Development**

Houses will be required to comply with the Energy STAR for New Homes program.

### **Public Purpose/Comprehensive Plan Conformance**

The Whittall Twinhomes project stems from the Phalen Corridor Initiative planning and implementation, started in early 2001 and approved by the District 5 Planning Council and St. Paul Planning Commission and City Council. Numerous public meetings were held to arrive at the concept for the site and the site's assembly was accomplished through a partnership of the HRA, East Side Neighborhood Development Company, and Sherman Associates. The project's design was approved by the Payne-Phalen Boulevard Task Force, which includes members of the District 5 Planning Council.

**Recommendation:**

The Executive Director recommends HRA Board approval of entering into a Development Agreement with Habitat for Humanity to provide \$120,000 to complete two units of Whitall Twinhomes, and approval of additional financing and an amendment to the Master Development Agreement to Sherman Associates to complete two units of Whitall Twinhomes for \$120,000 of HRA investment.

**Sponsored by: Dan Bostrom**

**Staff: Roxanne Young**

**Attachments**

- **Attachment A -- Resolution**
- **Attachment B -- Background Attachment**
- **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**