

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

REPORT TO THE COMMISSIONERS

DATE: MAY 26, 2021

REGARDING: AUTHORIZATION TO DESIGNATE THE SHERBURNE COLLECTIVE AS TENTATIVE DEVELOPER OF 648, 650, AND 652 SHERBURNE AVENUE, SAINT PAUL, MN, DISTRICT 7, WARD 1.

Requested Board Action

The requested action is that the Housing and Redevelopment Authority of the City of Saint Paul (“HRA”) Board of Commissioners designate Thomas-Dale/District 7 Planning Council, Inc. d/b/a Frogtown Neighborhood Association, Model Cities of St. Paul Inc., and Hope Community Inc. (collectively referred to as “The Sherburne Collective”) as tentative developer of 648, 650, and 652 Sherburne Avenue (collectively referred to as the “Property”), from May 26, 2021 to June 30, 2022 in order for The Sherburne Collective to meet all the conditions of tentative developer status. Approval of this action grants tentative developer status under the terms and conditions contained in the attached Resolution.

Background

The HRA acquired 648 Sherburne Avenue from the Twin Cities Community Land Bank LLC and acquired 650 and 652 Sherburne Avenue from TCC ADY LLC, an entity controlled by the Twin Cities Community Land Bank LLC, in March 2018 for a total purchase price of \$634,000 through the CDBG Acquisition Fund. 648 and 650 Sherburne Avenue are vacant lots and 652 Sherburne Avenue has an eight (8) unit apartment building on the parcel. Prior to the HRA’s acquisition of the Property, the HRA received from the seller an evaluation of the 8-plex at 652 Sherburne Avenue, which supported that the best use was to demolish the building and market the site for redevelopment. However, in a historical evaluation of the Property completed in November 2018, after the HRA had acquired the Property, the historic consultant recommended that “the property at 650-652 Sherburne Avenue in St. Paul be considered eligible for listing in the National Register of Historic Places,” which made demolition of the eight-unit apartment building on the Property infeasible.

In accordance with the HRA policy for the disposition of HRA-owned real estate (adopted by the HRA Board on June 11, 2003), HRA staff issued a Request for Proposals (RFP) for the Property on September 4, 2020 with the initial review starting on December 4, 2020. HRA staff received five offers regarding the purchase and redevelopment of the Property. HRA staff reviewed all five proposals and is recommending The Sherburne Collective for tentative developer status for the Property due to their redevelopment proposal's strong alignment with the priorities identified in the RFP Specifications.

The Sherburne Collective's proposal is to redevelop the eight two-bedroom apartment units in the existing building located at 652 Sherburne Avenue and convert them into six apartment units of varying sizes, to accommodate a wider variety of households. After redevelopment the building will have two four-bedroom units, three two-bedroom units, and one accessible one-bedroom unit. All residents of the building will be households earning a maximum of 50 percent of the area median income specified by the United States Department of Housing and Urban Development. Additionally, the proposal will utilize the two vacant lots at 648 and 650 Sherburne to create parking, a garden, and green space for residents living in the building. The Sherburne Collective intends to rent the six units until the Spring of 2024. Provided that all terms and conditions for tentative developer status are met, and it is determined that a sale under the HRA's land disposition policy is desired, the plan is for Model Cities of St. Paul Inc. to act as the ownership entity and acquire the Property from the HRA. Model Cities of St. Paul Inc. will also act as the landlord during the period of time that the Property is rented. As an anti-displacement mechanism, The Sherburne Collective plans to transition the Property to a community ownership model, such as a land trust or residential cooperative, that will own and manage the Property long-term.

Under The Sherburne Collective's proposal, Frogtown Neighborhood Association, Model Cities of St. Paul Inc., and Hope Community Inc. will act as co-developers. Model Cities of St. Paul Inc., as an experienced developer, will be the entity within The Sherburne Collective that serves as the point-of-contact and lead for communication and negotiation with HRA staff related to the development agreement, the development budget, other legal related matters (e.g. conveyance of the Property), and construction draws. Frogtown Neighborhood Association and Hope Community Inc. will be the entities within The Sherburne Collective that handle community engagement efforts, research, and planning for the legal establishment of, and financing for, the long-term

community ownership structure. The Sherburne Collective intends to draw upon the knowledge and expertise of the Housing Justice Center, Historic Saint Paul and TWP Architects and will contract with each of these organizations to provide certain professional services or other assistance related to the development process and anticipated community ownership model. The Housing Justice Center will assist The Sherburne Collective with its development efforts and Historic Saint Paul will provide expertise about compliance with State Historic Preservation Office regulations. TWP Architects will provide architectural services related to the project.

Budget Action

Staff is seeking a tentative developer designation only. No budget action is required at this time.

Future Action

Future possible action by the HRA Board may include holding a public hearing to approve a development agreement, public financing, and the sale of 648, 650, and 652 Sherburne Avenue to The Sherburne Collective.

Financing Structure

The tentative developer period will allow The Sherburne Collective to secure financing for the project. The estimated total development cost for this project is \$1,929,650. The Sherburne Collective will be requesting assistance from the City or HRA, Minnesota Housing Finance Agency and other sources to help fund this project. The Sherburne Collective is seeking to purchase the Property for \$485,000, which was the initial estimated value included in the RFP specifications based on the March 7, 2018 comparative market analyses for 648, 650 and 652 Sherburne Avenue, tax assessed value, and property condition.

PED Credit Committee Review

PED Credit Committee will review this project prior to any future HRA Board action for financial assistance.

Compliance

Within two weeks of the approval granting tentative developer status to The Sherburne Collective, a signed letter acknowledging receipt of the following City/HRA compliance documents (“Compliance Documents”) that will or may be applicable for this project will be due from The Sherburne Collective:

- Community Development Block Grant Program Regulations
- Labor Standards
- Living Wage Ordinance
- Affirmative Action/Equal Employment Opportunity
- Vendor Outreach Program
- Section 3
- Limited English Proficiency
- NSP Affordability Covenants
- Fair Housing Opportunities
- Two Bid Policy
- Saint Paul Sustainable Development Policy

If at the end of the period for tentative developer status it is determined that a sale under the HRA’s land disposition policy is desired, a second, signed compliance letter, outlining the specific compliance that will apply to the project, will be required from The Sherburne Collective before seeking approval of the full development agreement.

Green/Sustainable Development

The proposed project will be in compliance with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

N/A.

Historic Preservation

This project will be subject to a HUD Section 106 review and will comply with all applicable historic guidelines and regulations.

Public Purpose/Comprehensive Plan Conformance

Please see attachment Public Purpose. The developer's proposed redevelopment will meet the following goals established in the City's 2040 Comprehensive Plan:

Policy H-7. Reduce overcrowding within housing units, caused by doubling up of households and inadequate space for large families, through the production of small and family-sized affordable housing options.

Policy H-21. Promote shared-equity ownership options, such as land trusts or cooperatives, to help make homeownership achievable for a greater number of households.

Policy H-40. Prioritize preservation of income-restricted and naturally-occurring affordable housing in areas with improved/improving transit and/or planned reinvestment to reduce resident displacement.

Policy H-38. Encourage acquisition, if put up for sale, of naturally-occurring affordable housing by nonprofit organizations, community development corporations, religious institutions, tenants and/or private sector actors committee to preserving and investing in affordable housing, as well as the long-term upkeep and maintenance of these properties.

Policy H-45. Support the preservation and maintenance of historic housing stock as an affordable housing options.

Policy PR-32. Support community gardens and private landscape beautification efforts where physically and financially feasible.

Recommendation:

The Executive Director recommends approval of the attached resolution designating The Sherburne Collective as tentative developer for a period commencing on May 26, 2021 through June 30, 2022 in relation to 648, 650, and 652 Sherburne Avenue pursuant to the terms and conditions set forth in the Resolution.

Sponsored by: Commissioner Dai Thao

Staff: Dionne Gharamu-Nrumaachi (aka Dionne Alkamooneh),
Project Manager (651-266-6707)

Attachments:

- **Project Summary**
- **Sources and Uses**
- **Public Purpose**
- **District 7 Profile**
- **Map**