

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

**REPORT TO THE COMMISSIONERS**

**DATE: June 26, 2013**

**REGARDING: PUBLIC HEARING AND AUTHORIZATION TO ENTER INTO A  
DEVELOPMENT AGREEMENT AND APPROVE SALE AND  
CONVEYANCE OF LAND TO HABITAT FOR HUMANITY FOR  
PARCEL 510 EDMUND STREET, DISTRICT 7, WARD 1**

## **Requested Board Action**

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

1. Authorization to approve the sale and execution of a Development Agreement with Twin Cities Habitat for Humanity, Inc. for the following properties:
  - Parcel 510 Edmund Avenue, Frogtown, District 7
2. Authorization for land write-down. The HRA has invested \$48,980 for acquisition, demolition, and holding costs that will be forgiven upon completion of the project in compliance with NSP requirements.

## **Background**

510 Edmund was acquired with Neighborhood Stabilization Program's first round of funding (NSP 1 – Direct) that was allocated directly to the City of Saint Paul. The program was authorized by the HRA board in resolution 08-1270 for acquisition, demolition, rehabilitation, and new construction activities to address abandoned and foreclosed homes in targeted areas of Saint Paul. Through the NSP program, 510 Edmund was acquired by the HRA in 2009 and originally intended for rehabilitation and sale. In 2011, the HRA concluded the property should be demolished due to significant deterioration of the foundation and interior that prevented cost effective rehabilitation. NSP regulations require that the property be developed to meet a national objective of a residential unit affordable to a household at or below 120% of area median income.

Twin Cities Habitat for Humanity, Inc. is a community leader providing home ownership opportunities to families with incomes at or below 50% of area median income. Habitat has successfully provided ongoing mentoring to ensure long-term ownership success; maintained a

foreclosure rate of less than 1%; and has protected long term affordable home ownership by repurchasing properties when needed.

Habitat presented their proposal to acquire these two parcels to the District 7 Planning Council and received approval to construct one single family home on the site. The purchase and new construction of the parcel meet the use requirements of NSP.

- Parcel is zoned R4 and allows single family reuse
- Parks and schools are located ¼ mile of development (**Attachment C**)
- Wilder planning district demographic profile (**Attachment G**)

### **Budget Action**

No budget action is required, as HRA funds have already been invested into this property through the authorization of NSP 1 program funds. City Council took necessary NSP budget actions on November 19, 2008, Resolution 08-1270, January 28, 2009, Resolution 09-103, HRA on February 25, 2009, by Resolution 09-02/25-6, on March 24, 2010, by Resolution 10-3/24-3, on April 20, 2011, by Resolution 11-721, and on April 20, 2011, by Resolution 11-623. All actions identified the eligible funding activities approved in the Neighborhood Stabilization Program and Rebuilding Plan 2009-2013 under the Invest Saint Paul Initiative. Habitat is not requesting additional subsidy.

### **Future Action**

No future action is required.

### **Financing Structure**

The properties will be conveyed to Habitat for the amount of HRA investment (\$48,980). HRA funds will be recorded against the property as a note and mortgage that will be forgiven upon completion and sale of a new construction home that meets NSP and Saint Paul compliance requirements. Habitat will utilize in-kind donations, internal funds, and sponsorships to finance the construction of the home and will also provide permanent financing to the new homebuyer.

In order to meet NSP affordability requirements, the homes will remain affordable at 50% of median income for 15 years. Deed restrictions for home ownership and Declaration of

Covenants will be recorded against each property. Habitat will sell the homes to families with incomes at or below 50% of the area median income, keeping each home affordable by making them energy efficient and carrying the mortgage at 0% interest for 30 years. Families are selected through an intensive open screening process and selected families continue to be mentored through Habitat's Family Services division to ensure continued successful home ownership.

*See Sources and Uses Form Attachment E.*

### **PED Credit Committee Review**

The Credit Committee reviewed Habitat's proposal at their April 15<sup>th</sup>, 2013 meeting and approved the land sale write down with a risk rating of "Forgivable".

### **Compliance**

This development is complying with the following requirements:

1. Affirmation 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

According to Habitat, approximately 50% of the work under new construction will be contracted out. A substantial amount of work will be completed by volunteers. There are also NSP requirements that will need to be met including Limited English Proficiency, Affirmative Fair Housing Marketing and HUD Healthy Homes.

### **Green/Sustainable Development**

The project will comply with the Saint Paul/HRA Sustainability Initiative. The project must also meet the following NSP requirements:

1. Minnesota Green Standards for Rehab (as required by MHFA NSP funds received)

2. HUD Healthy Home Requirements (Lead Paint)
3. State requirement for asbestos removal where applicable.
4. All local and State building codes together with HRA's NSP guiding principle 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."

Habitat will utilize green materials such as recycled flooring, low VOC paint, energy efficient lighting and Energy Star appliances, low flow plumbing, etc. The new construction houses will meet Energy STAR Qualified New Homes Program and the rehabilitated home will meet the Home Performance with Energy STAR Program; third party verification will be provided at the time the homes are completed.

### **Environmental Impact Disclosure**

For the existing NSP program, the Tier 1 environmental review determined that all activities were either exempt or categorically excluded.

### **Historic Preservation**

Each individual project, identified by the address of the property that was acquired, was subject to a Tier 2 environmental review, which included consultation with the State Historic Preservation Office before properties were demolished. All properties have received the appropriate sign-offs.

### **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, affordable housing across the City.

The development also supports the goal of the ISP/NSP Program and 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 prolonged 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 St. 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 Frogtown 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 June 15, 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 the Frogtown District 7 area:

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
Lot 3, Block 2, H.M. Ranney's Subdivision, Block 11, Stinson's Division to St. Paul, Minn	Twin Cities Habitat for Humanity	\$48,980

The property will be conveyed for the purpose of constructing a new 3 bedroom, 2 bathroom single family home, with a detached two car garage that will be sold to a qualified household for home ownership.

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 sale in accordance with the attached resolution.

**Sponsored by:** Commissioner Carter

**Staff:** Roxanne Young (651-266-6581)

#### **Attachments**

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