

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

REPORT TO THE COMMISSIONERS

DATE: JULY 24, 2013

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF
PARCEL 431 CHARLES AVENUE UNDER THE NSP PROGRAM,
FROGTOWN DISTRICT 7.**

Requested Board Action

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

- Authorize the disposition of the vacant lot located at 431 Charles Avenue; and
- Provide a gap grant up to \$40,995 per unit to Urban Homeworks Inc., the Developer.

Background

The property located at 431 Charles Avenue was purchased on September 10, 2009 using funds from the Neighborhood Stabilization Program 1 grant from the United States Department of Housing and Urban Development (NSP1HUD). NSP1HUD activities are being carried out under approvals by HRA Resolution 09-02/25-6 and City Council Resolution 08-1270, which was subsequently amended by City Council Resolution PH 13-32. Sales of certain properties in conjunction with the Twin Cities Community Land Bank (TCCLB) are authorized by HRA Resolution 12-2129.

The HRA's NSP1 plan calls for re-use of vacant lots in target areas. Urban Homeworks intends to redevelop this lot into new single-family home for owner-occupancy.

Upon receipt of the proposal from Urban Homeworks, Inc., HRA staff published a notice via the City's ENS system. The notice explained Urban Homeworks Inc.'s interest in acquiring this lot for redevelopment. The notice was published on May 2, 2013. Staff received no inquiries or indication of any other interest during the mandatory 45-day period.

Total HRA investment in the property to-date is \$46,194.47. Costs incurred by the HRA include the acquisition and associated transaction costs, demolition of the home, and ongoing holding and maintenance expenses. The detailed financial structure of the project is described below in the Financing Structure section of this report.

The Developer will also be purchasing the property located at 462 Edmund. This property is also being considered for disposition today under the Resolution Res PH13-156.

Urban Homeworks, the developer, will be partnering with Goodwill/Easter Seals, the General Contractor, on the renovation of these properties. The City of Saint Paul Human Rights and Equal Economic Opportunity department (HREEO) will provide \$200,600 in funding from HREEO's HUD Section 3 Implementation Fund to increase the capacity of the Goodwill/Easter Seal's Construction Skills Training Program. This funding will allow Goodwill/Easter Seals to double the size of this construction skills program. HREEOs chose to partner with Goodwill because of previous training success and its strategic location. Goodwill's training facility is located just off the University and Fairview intersection, ideally locating the program for targeting women, minority and low-income Section 3 residents of the city of Saint Paul.

This initiative is a two-year pilot that will expand the participants in Goodwill Easter Seals (GWES) construction training program to 200 per year; at the same time, Urban Homeworks will place income-eligible families into new, quality-constructed single family homes in the Frogtown neighborhood built by the GWES participants. The neighborhood benefits by replacing blighted empty lots with owner-occupied homes. Urban Homeworks is the developer, GWES is the Prime Contractor, HREEO is providing capacity building funds to GWES to expand the construction training program, PED is selling the lots and providing gap financing through the federal NSP program, and the Twin Cities Land Bank is providing the construction loan financing.

The GWES construction training program runs for 12 weeks – six weeks in the classroom and six weeks actually building a single family home under GWES' State of MN contractor license. Participants receive a stipend for the entire 12 weeks, and GWES will also help with other

barriers the participants might face by providing the tools they are expected to bring to the job site, bus cards, day care assistance, etc. One of the unique features of the GWES training program is that they actively recruit participants who are in their 30s, 40s and 50s; most job training programs seem to focus on 18-30 year-olds. At the end of the 12 weeks, the participants receive a Saint Paul College/GWES certificate of completion along with job placement assistance. Participants also receive credits towards a SPC building trades degree/union apprenticeship program.

Budget Action

No budget action is being requested. The NSP1 subsidy investment will be funded via the NSP1 grants budgets, as authorized by HRA Resolution 09-02/25-6 and City Council Resolution 08-1270.

Future Action

No future HRA Board action will be required. Once the HRA takes action approving the sale of the property, staff will finalize the terms of an NSP Development Agreement and will proceed to schedule a closing to convey the property.

Financing Structure

HRA will sell the property located at 431 Charles for \$46,194.74, the full cost of HRA investment to-date (NSP1 funds). The HRA will receive a Promissory Note secured by a Mortgage for the purchase price and no cash will be exchanged. The Note will be forgiven, and the Mortgage satisfied, once Urban Homeworks completes the project and sells the home to an eligible end-buyer.

The HRA will provide gap assistance of no more than \$40,995 utilizing NSP1 HUD funds. If the developer is able to reduce the development costs, gap assistance will be reduced.

The HRA will also provide a homebuyer assistance incentive in the amount of up to \$5,000 (\$5,000 for end buyers at or below 80% AMI or \$2,500 for end buyers above 80% and at or

below 120% AMI). This homebuyer assistance incentive is part of the HRA's overall NSP plan, and will also be funded by the NSP1 grant.

The Developer will be securing a \$75,000 grant from TCCLB for the construction of the homes. The source of TCCLB grant funds is funding the HRA provided the TCCLC from the HRA's Affordable Housing Trust Fund (AHTF). More detail is provided below in the Subsidy Analysis section of this report.

The above mentioned subsidies will leverage a line of credit from the TCCLB in the amount of \$200,000 this property. TCCLB will provide construction financing through their Living Cities Loan Pool (made possible in part by the Saint Paul Foundation and administered in partnership with the Family Housing Fund and the Local Initiatives Support Corporation).

Subsidy Analysis:

Estimated Development Costs	431 Charles
Acquisition Price	\$ 46,194.74
Construction	\$ 185,473.00
Construction Contingency (7%)	\$ 12,983.00
Soft Costs (10%)	\$ 29,317.00
Developer Fee (8%)	\$ 18,222.00
Total Development Cost	\$ 292,189.74
Anticipated Sale Price	\$ 130,000.00
Total Redevelopment Gap including land acquisition costs*	\$ 162,189.74
Total New Development Gap excluding land acquisition costs**	\$ 115,995.00

*Gap associated to the costs incurred by HRA to complete the project (Total Development Costs + Acquisition costs – Sales Price)

**Gap to the Developer to complete the project (Total Development Costs – Sales Price)

Home Development Subsidy Sources	431 Charles
HRA forgivable Acquisition	\$ 46,194.74
HRA gap assistance (NSP 1)	\$ 40,995.00
TCCLB grant (from AHTF grant to TCCLB)	\$ 75,000.00
Total Subsidy Sources	\$ 162,189.74

PED Credit Committee Review

Credit Committee review is not a requirement for the sale of property or gap assistance. The acquisition and HRA Gap grant loan will be forgiven.

Compliance

This development will comply 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
8. Saint Paul NSP Program Manual
9. CDBG New Construction Requirements

Green/Sustainable Development

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

1. HUD Healthy Home Requirements
2. Energy Star – New Home Requirements

Environmental Impact Disclosure

The Tier 1 environmental review determined that all activities were either exempt or categorically excluded.

Historic Preservation

Acquisition and demolition of the property included applicable historic review.

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, demolition and redevelopment 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.

Public Hearing

A public hearing was held on the sale of the subject property during the June 26, 2013 HRA Board meeting. No one in the audience chose to comment, in favor or against, on the sale of the subject property to Urban Homeworks.

Recommendation:

The Executive Director recommends approval of this sale in accordance with the attached resolution.

Sponsored by: Commissioner Khaliq

HRA Staff: Marty McCarthy (651-266-6552)

Attachments:

- **Attachment A - Resolution**
- **Attachment B – Background Attachment**
- **Attachment C – Map/Address**
- **Attachment D – Project Summary Form**
- **Attachment E – Sources and Uses Summary Form**
- **Attachment F – Public Purpose Form**
- **Attachment G - Neighborhood Profile**