

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 25, 2021

REGARDING: RESOLUTION AUTHORIZING ADDITIONAL EXPENDITURES FOR THE REDEVELOPMENT OF 800 ROBERT STREET SOUTH; DISTRICT 3, WARD 2

Requested Board Action

- Authorization of expenditures up to \$140,461, plus the land value, to assist with the redevelopment of 800 Robert Street South.
- Confirmation of continued authorization to enter into a development agreement with Neighborhood Development Alliance (“NeDA”) for redevelopment.

Background

800 Robert Street South is an HRA-owned vacant residential lot on the West Side. (the “Parcel”). See attached map. The HRA purchased the Parcel through the Ramsey County tax forfeit property program in March 2011. The HRA purchased the Parcel for \$2,135 with Community Development Block Grant (“CDBG”) funds. Since purchasing the Parcel, the HRA has used a combination of CDBG and local HRA funds to maintain the Parcel.

The Parcel is zoned RT-1. HRA staff, in consultation with the West Side Community Organization (District 3 Planning Council), has determined that the highest public purpose redevelopment land-use for the Parcel is single-family residential.

Use of CDBG funds requires an outcome that meets a defined CDBG National Objective. CDBG regulations require that the investment meet a National Objective by benefitting low- or moderate-income households and that new construction of housing must be carried out by a Community Based Development Organization (“CBDO”). The United States Department of Housing and Urban Development (“HUD”) defines what types of organizations can be certified as a CBDO, including a geographically limited and community-based service area, and board membership requirements. The only CBDO in the project area is NeDA.

NeDA presented a proposal to purchase the Parcel; and to build and sell a new, single-family house to a household with an income at or below 80% of area median income, consistent with CDBG requirements.

NeDA has secured a grant of \$42,500 from Minnesota Housing Finance Agency’s (MHFA) Community Housing Impact Fund to assist in the redevelopment of the Parcel.

NeDA initially proposed to purchase the Parcel for its current Estimated Market Value of \$13,300, as determined by the Ramsey County Assessor. NeDA requested that the HRA provide seller financing for the land purchase in the form of a forgivable loan. Additionally, NeDA requested a development gap subsidy of \$112,500, also in the form of a forgivable loan.

On August 26, 2020, by Public Hearing Resolution PH 20-178, the HRA approved the sale of the Parcel to NeDA for redevelopment, along with the requested seller note and redevelopment subsidy as described above.

Due to the COVID-19 pandemic, NeDA was unable to commence construction in the Fall of 2020 as originally intended. Rebidding the work in 2021 has resulted in significant cost increases due to labor and materials shortages. But some of this increased cost can be offset by an increase to the anticipated sale price of the future house, due to changing market conditions. If the anticipated sale price is not realized, NeDA’s Developer Fee is at risk.

NeDA’s new proposed budget requires a net increase of \$27,961 in the development gap subsidy.

The following tables show a comparison of the previous and the current project budget:

PREVIOUS PROJECT BUDGET

<u>Uses</u>		<u>Sources</u>	
land acquisition	\$ 13,300	HRA land (forgivable loan)	\$ 13,300
hard construction costs	\$283,370	CDBG funds (forgivable loan)	\$112,500
soft costs	\$ 39,124	MHFA Impact Fund	\$ 42,500
developer fee	<u>\$ 32,506</u>	final sale proceeds	<u>\$200,000</u>
	\$368,300		\$368,300

CURRENT PROJECT BUDGET

<u>Uses</u>		<u>Sources</u>	
land acquisition	\$ 13,300	HRA land (forgivable loan)	\$ 13,300
hard construction costs	\$375,561	CDBG funds (forgivable loan)	\$140,461
soft costs	\$ 47,900	MHFA Impact Fund	\$ 42,500
developer fee	<u>\$ 34,500</u>	final sale proceeds	<u>\$275,000</u>
	\$471,261		\$471,261

HRA staff has determined that the circumstances precipitating the increases in labor and materials were unforeseen, and HRA staff has determined that the new, current project budget is reasonable.

Budget Action

City Council previously authorized \$112,500 of CDBG funds. This action will require a concurrent City Council budget action authorizing an additional \$27,961 in CDBG funds.

Future Action

No future action is required. Once the HRA approves the requested action, staff will proceed to execute a development agreement and convey the Parcel to NeDA.

Financing Structure

Financing will be as indicated in the Inspiring Communities Ownership Program Manual. Acquisition and development gap assistance will be structured as a deferred loan, secured with a note and a mortgage at 0% interest. Upon completion of construction and sale to an eligible buyer, the loan will be forgiven.

PED Credit Committee Review

The Credit Committee reviewed the initial proposal on August 4, 2020, and recommended approval. The Credit Committee recommendation stands unchanged with this new current project budget. This will still be a forgivable loan.

Compliance

Development will comply with all applicable requirements, including:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Limited English Proficiency
4. Two Bid Policy

Green/Sustainable Development

The project will follow the Inspiring Communities program criteria and will meet the Home Performance for ENERGY STAR standards.

Environmental Impact Disclosure

A HUD Environmental Review for the project has been completed. Two issues were identified which will need to be addressed as part of the house design: (1) due to elevated levels of noise at the site, noise dampening technologies shall be incorporated into the structure; and (2) steep slope will require proper retaining wall and drainage engineering.

Historic Preservation

The Parcel is vacant and not within a locally or federally designated historic district.

Public Purpose/Comprehensive Plan Conformance

Please see the attached Public Purpose Form. The attached includes a list of Comprehensive and Neighborhood Plan strategies/objectives that the proposed actions fulfill.

Recommendation:

The Executive Director recommends approval of the additional funding for this project.

Sponsored by: Commissioner Noecker

Staff: Joe Musolf (651-266-6594)

Attachments

- **Map**
- **Public Purpose**
- **District 3 Neighborhood Profile**
- **Comprehensive Plan Conformance**