

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 8, 2021

**REGARDING:** Resolution approving revisions to the budget for a newly-constructed, single-family home located at 1080 Ross Avenue and authorizing the execution of a development agreement with Green Affordable Homes of Minnesota under the Inspiring Communities Program, Ward 6, District 4.

## **Requested Board Action**

Approval of a revised subsidy amount and updated development agreement for a new, single-family construction project at 1080 Ross Avenue, by Green Affordable Homes of Minnesota (the “Developer”), under the Inspiring Communities Program.

## **Background**

In the spring of 2013, staff from the City’s Department of Planning and Economic Development analyzed all property in the Housing and Redevelopment Authority of the City of Saint Paul’s (the “HRA”) inventory in an effort to make informed recommendations regarding the retention and disposition of properties, and to create a disposition strategy and budget to advance redevelopment plans for the sites analyzed. The resulting strategy was designed to address parcels in the HRA inventory by grouping them into four different categories: Parcels with Obligations, Cluster Area Parcels, Splinter Parcels, and Buildable Lots for Sale.

On July 24, 2013, by Resolution 13-1097, the HRA Board of Commissioners approved the Inspiring Communities Disposition Work Plan and Budget (the “DWPB”). As a component of the Resolution, the Neighborhood Stabilization Program (“NSP”) and Invest Saint Paul were rebranded as the Inspiring Communities Program (the “Program”) which prioritizes subsidies to address two categories of the DWPB: Cluster Area Parcels and Parcels with Obligations. Goals of the Inspiring Communities program articulated at that time included:

- Using HRA property as a catalyst for neighborhood transformation;
- Constructing or rehabilitating lots and buildings to create a variety of housing opportunities in focused cluster areas;

- Creating job opportunities for local residents, Section 3 certified businesses, minorities, women-owned businesses, or small businesses; and
- Inspiring innovative, sustainable design, and construction methods.

Program manuals for both homeownership and rental opportunities were developed in an effort to standardize processes and requirements, and create a predictable and transparent program from the development community perspective.

On October 9, 2013, by Resolution 13-1592, the HRA Board approved key terms of the Inspiring Communities Homeowner Program Manual and Rental Program Manual, including a maximum gross subsidy cap per unit of \$150,000. On July 13, 2016, by Resolution 16-1190, the HRA Board accepted and approved a change to the maximum per-unit subsidy for the Inspiring Communities Program from \$150,000 to \$175,000 (in Wards 1, 2, 5, 6, and 7).

On September 20, 2018, PED staff released the sixth Inspiring Communities Request for Proposals (“RFP”) to solicit proposals for 21 HRA-owned properties. The list of properties included 21 vacant lots. Qualified responses were received from 6 developers for 17 of the 21 properties, and the applications were analyzed and ranked by staff.

On February 27, 2019, by Resolution PH 19-59, the HRA approved and authorized award of properties, sale of properties, and expenditures to support the redevelopment of a number of projects awarded through the sixth RFP. 1080 Ross Avenue was included in this approval. The HRA approved and authorized the sale of 1080 Ross Avenue to Green Affordable Homes of Minnesota, and also authorized a gross subsidy of \$68,087 for the project.

After this approval, PED staff proceeded to finalize and execute a development agreement with the Developer and conveyed the property to the Developer. Due to extenuating conditions, including the COVID-19 pandemic and unforeseen underground soils conditions, the project was paused.

The Developer has since been accepted by Twin Cities LISC into its Developers of Color Capacity Building Initiative. Twin Cities LISC is providing technical assistance and a \$50,000 grant to support the Developer's advancement of the project.

The Developer has submitted a revised budget to PED staff which reflects the increased costs due to previously unanticipated development conditions and cost increases in the construction market. Some of the cost increase is offset by a higher anticipated home sale value. The LISC grant has also been incorporated into the development budget.

The revised requested gross subsidy is \$153,843, which will be provided through a combination of a forgivable development gap loan of \$136,343, and a forgivable acquisition loan of \$17,500. The development gap will be funded with local HRA funds from the Inspiring Communities budget.

Due to the source of funds HRA used for initial acquisition of the property, this project will be subject to Neighborhood Stabilization Program requirements. Thus, the end-buyer household income will be limited to 120% AMI.

The new proforma is as follows:

Sources:	\$275,000 sale proceeds
	\$ 50,000 LISC grant
	\$136,343 HRA development gap subsidy (forgivable loan)
	<u>\$ 17,500</u> HRA acquisition subsidy (forgivable loan)
	<b>\$478,843 total sources</b>

Uses:	\$373,097 hard construction costs
	\$ 46,746 soft costs
	\$ 41,500 developer fee
	<u>\$ 17,500</u> land acquisition
	<b>\$478,843 total uses</b>

**Budget Action**

N/A. The subsidy will be funded from available balance in the Inspiring Communities DWPB.

**Future Action**

N/A

**Financing Structure**

Financing will be as indicated in the Inspiring Communities Ownership Program Manual. Development gap assistance will be structured as a deferred loan, secured with a note and mortgage at 0% interest. Upon completion of construction and sale to an eligible buyer, the loan will be forgiven. Consistent with Inspiring Communities Program guidelines, HRA will also provide home-buyer assistance of up to \$5,000 to the end-buyer. This will be provided as a forgivable loan over 5 years, forgiven 20% per year, if the homeowner continues to owner-occupy the house.

**PED Credit Committee Review**

The Credit Committee reviewed the Inspiring Communities Homeownership Program Manual on September 23, 2013. The terms and conditions contained therein were recommended for approval by the Credit Committee at that time.

**Compliance**

Development will comply with all applicable requirements, which will include at least the following:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach Program
3. Limited English Proficiency
4. Two Bid Policy
5. PED/HRA Sustainability Initiative

**Green/Sustainable Development**

The project will comply with the PED/HRA Sustainability Initiative.

**Environmental Impact Disclosure**

An Environmental Review for the project has been completed and no required mitigations were identified.

**Historic Preservation**

This is new construction on a vacant lot. The site is 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 sale of the new subsidy expenditure and recommends proceeding with a new development agreement with the Developer in accordance with the attached Resolution.

**Sponsored by:**

Commissioner Yang

**Staff:**

Joe Musolf (651-266-6594)

**Attachments**

- **Map**
- **Public Purpose**
- **District 4 Neighborhood Profile**
- **Comprehensive Plan Conformance**