

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

REPORT TO THE COMMISSIONERS

DATE: May 14, 2014

REGARDING: APPROVAL OF TAX FORFEIT PROPERTY HOLD POLICY AND SALES  
PROCEDURE, CITYWIDE

## **Requested Board Action**

Approval of a tax forfeit property hold policy, sales procedure and application for said sale of property.

## **Background**

Staff has developed the Tax Forfeit Hold Sales Procedure (“TFHSP”) to convey residential tax forfeit property from Ramsey County to developers in order to return tax forfeit properties to productive use. HRA receives a list of tax forfeit properties from Ramsey County and has 120 days to put a “hold” on the properties. Properties that are placed on hold through an action by the Saint Paul City Council can be analyzed for a six month period. Traditionally, property that is placed on hold by the HRA must either be:

- (1) purchased by the HRA or
- (2) released back to Ramsey County.

When the HRA acquires property through the Ramsey County tax forfeiture process, it typically must pay for the acquisition costs charged by Ramsey County and also pay for holding costs while the property waits to be redeveloped. When property is released back to Ramsey County, the property is sold through an auction process (**see Attachment B** for an analysis of the last four Ramsey County auction results). The TFHSP provides a third option for disposition of tax forfeit properties.

The TFHSP was developed in partnership with staff from Ramsey County. As a pilot, the policy and procedure is currently being implemented with the 2013 list of tax forfeit properties that were put on hold by the HRA in February 2014. During the 2014 pilot implementation, the HRA notified developers that specifically approached the HRA with a request for a hold and subsequent purchase of tax forfeit property in 2013. In subsequent years the HRA intends to broadly advertise the opportunity for purchase of tax forfeit property through the TFHSP.

Successful proposals through the TFHSP pilot application process would come before the HRA in June and July 2014 and be requested for purchase from Ramsey County in August 2014. See **Attachment C** for the letter to interested developers and list of properties currently placed on hold. Because the HRA is not directly providing any subsidy to projects under the TFHSP, HRA staff recommend that the compliance requirements set forth by Ramsey County shall be the only compliance requirements imposed on TFHSP projects. When properties meet the eligibility requirements of the TFHSP, the TFHSP shall supersede the Policy and Procedures for the Disposition of HRA Owned Real Estate (Resolution 11-1810).

Goals of the TFHSP include:

- build Saint Paul's density and tax base by ensuring tax forfeit properties are developed.
- create a clear, straightforward, and efficient procedure for the HRA and developers to act on acquisition of tax forfeit property.
- encourage developer investment in Saint Paul neighborhoods.

The TFHSP sales procedure only applies to residential property. The TFHSP requires developers to submit an application detailing their plans to improve the property. Ramsey County will provide a discount for the property's purchase price to for-profit or nonprofit developers that are constructing housing affordable to families at or below 115% of Area Median Income (see **Attachment D**). Applications will be accepted on a first come first served basis.

Once an application is accepted by HRA staff, the developer is required to provide to the HRA:

1. the acquisition price payable to Ramsey County
2. a \$500 processing fee payable to the HRA
3. a signed acquisition contract between the HRA and the developer
4. a \$1,000 maintenance and holding cost payment payable to the HRA

Upon receipt of all four requirements, HRA staff will request HRA and Ramsey County board action to facilitate the sale of the property. If both boards approve the acquisition, the HRA will purchase the tax forfeit property and simultaneously sell to the developer. Any maintenance or holding costs incurred by the HRA from the date of placing a hold on the property to transfer to the developer will be paid for from the \$1,000 maintenance and holding cost payment. Unused

maintenance and holding costs funds will be returned to the developer at closing. Developers will have 18 months after closing on the property to complete improvements detailed in their application. Failure to complete improvements according to the 18 month requirement will prohibit future acquisition through the TFHSP until the default is resolved. See **Attachment E** for the TFHSP, property application, and staff evaluation form.

### **Budget Action**

No budget action is required at this time.

### **Future Action**

The TFHSP requires the HRA to take the following future actions:

- Action to place a hold on properties as identified annually by the TFHSP
- Action to approve developer applications, authorize entering into a contract between the HRA and the selected developer, and authorization to acquire property from Ramsey County on the selected developer's behalf

### **Financing Structure**

Under the TFHSP, no financing being provided by the HRA.

### **PED Credit Committee Review**

Because there is no financing being provided by the HRA, credit committee review is not required.

### **Compliance**

Because there is no financing being provided by the HRA, there are no compliance requirements.

### **Green/Sustainable Development**

Because there is no financing being provided by the HRA, there are no green/sustainable development requirements.

### **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

N/A

### **Public Purpose/Comprehensive Plan Conformance**

See **Attachment F** for the *Public Purpose Form*. Primary benefit of this policy is encouraging the development of affordable housing.

The TFHSP was developed in partnership with the Frogtown Rondo Home Loan Fund and Ramsey County staff.

### **Recommendation:**

The Executive Director recommends approval of the attached resolution.

**Sponsored by:** Commissioner Brendmoen

**Staff:** Roxanne Young, 651-266-6581

Cindy Carlson, 651-266-6608

### **Attachments**

- **Attachment A -- Resolution**
- **Attachment B – Ramsey County Auction Analysis**
- **Attachment C –Pilot of TFHSP Letter and 2013 Tax Forfeit Hold List**
- **Attachment D—Ramsey County Property Discount Policy**
- **Attachment E – Tax Forfeit Property Hold Policy and Sales Procedure, Application, and Staff Evaluation Form**
- **Attachment F -- Public Purpose Form and Comprehensive Plan Conformance**