

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

REPORT TO THE COMMISSIONERS

DATE: APRIL 13, 2022

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF 1381 PROSPERITY AVENUE LOCATED IN DISTRICT 2, WARD 6, TO YARDHOMESMN, SBC, OR A WHOLLY OWNED AFFILIATE, FOR A SALE PRICE OF \$45,000.00.

Requested Board Action

- Approve and authorize the sale and conveyance of HRA-owned property located at 1381 Prosperity Avenue to YardHomes MN, SBC, or a wholly owned affiliate, for a sale price of \$45,000.00.
- Approve and authorize the Executive Director, staff, and appropriate officials to take all actions necessary to implement the activities needed to effectuate the sale and conveyance contemplated herein including, but not limited to, execution of a purchase agreement and related documents.

Background

YardHomes, SBC ("YardHomes") submitted a proposal to the HRA on or around May 9, 2021 (the "Proposal") to acquire and redevelop the parcel of property owned by the HRA at 1381 Prosperity Avenue. YardHomes, subject to required, and to the extent permitted by, land use and zoning requirements, proposes to place on the site a veterans village consisting of six modular-built compact (single-level efficiency or one-bedroom) dwelling units connected to City water and sewer, and other utilities, for occupancy by veterans formerly experiencing homelessness. Architectural renderings of a prototypical one-bedroom unit are attached.

YardHomes has successfully partnered with the Minnesota Assistance Council for Veterans (MACV) to implement a model whereby tenants, who are recipients of U.S. Department of Housing and Urban Development-Veterans Affairs Supportive Housing (HUD-VASH) vouchers are made aware of housing opportunities and connected with supportive services by the Minnesota Assistance Council for Veterans (MACV). YardHomes and MACV plan to expand this model to the development at 1381 Prosperity Avenue.

YardHomes was incorporated in 2020 by several individuals with decades of experience in real estate. This will be the first land conveyance completed between the HRA and YardHomes.

Staff received no competing proposals during the 45-day notice period required by the Policies and Procedures for Disposition of HRA Owned Real Estate.

The HRA purchased this property from Ramsey County in 2002, following tax forfeiture in 2000, and has used only local HRA funds to pay holding and maintenance costs. To determine valuation of the property, staff obtained an appraisal which shows the fair market value as of October 15, 2021 was \$82,000.

YardHomes' stated sources and uses for the project are as follows:

<u>Uses</u>		<u>Sources</u>	
Land acquisition	\$ 82,000	HRA sales price reduction	\$ 37,000
Hard construction costs	\$615,000	Venn Foundation PRI Loan	\$ 150,000
Soft costs	\$ 76,100	Bank Loan	<u>\$ 586,100</u>
Developer fee	<u>\$ 0</u>		
	\$773,100		\$ 773,100

YardHomes' 15-year proforma shows an operating budget deficit. YardHomes plans to address this deficit through acquisition of additional philanthropic funds, a bank loan refinance, or both.

Staff has evaluated the Proposal according to the Policies and Procedures for Disposition of HRA Owned Real Estate (the "Policies and Procedures") and determined that it achieves the objectives of the Policies and Procedures. In particular:

- The proposed scale and density are appropriate in the context of the 2040 Comprehensive Plan.
- The proposal is responsive to demands for deeply affordable housing.
- The District 2 Community Council voted in support of the proposal.
- YardHomes' development model, if scalable, could represent a useful tool to increase the supply of housing, particularly affordable housing.
- The proposal promises to return a site that has been vacant and maintained with public dollars for more than two decades to productive use and private ownership.

Budget Action

No budget action is required. Net proceeds from the HRA's sale of the property will be deposited to the HRA General Fund.

Future Action

No future action is required. Upon the Board's approval and authorization, staff will proceed to execute a purchase agreement, and ancillary documents thereto, and convey the property to YardHomes.

Financing Structure

The HRA is providing no cash financing for the project. The sales price of the property is reduced by \$37,000 from the appraised value of \$82,000 in order to cover a project financing gap. The sales price of the property will be \$45,000.00.

Consistent with the Policies and Procedures, conditions will be placed on the conveyance of the property via a deed restriction or other mechanism to ensure the land reverts to the HRA if the developer fails to timely construct the project.

PED Credit Committee Review

Credit Committee review is not required for the sale or conveyance of property.

Compliance

Staff provided early notification as required under the Policy and Procedures for Disposition of HRA Owned Real Estate on July 23, 2021. The 45-day notice period expired on September 7, 2021. Staff received no competing proposals during the notice period.

Development of the property must comply with all applicable requirements, which may include but are not limited to the following:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Saint Paul Sustainable Building Initiative

Green/Sustainable Development

The project must comply with the Saint Paul Sustainable Building Initiative.

Environmental Impact Disclosure

Not applicable.

Historic Preservation

The parcel is not within a locally or federally designated historic district and contains no structures.

Public Purpose/Comprehensive Plan Conformance

As more fully described in the attached Public Purpose Summary, YardHomes' Proposal promises significant public benefits, including deeply affordable housing and increased tax base.

The Proposal promises to substantially meet most of the seven major goals of the City's 2040 Comprehensive Plan's housing chapter. Those specific policies of the housing chapter which the Proposal promises to address to the greatest degree are:

- Policy H-7. Reduce overcrowding within housing units, caused by doubling up of households and inadequate space for large families, through the production of small and family-sized affordable housing options.
- Policy H-8. Encourage creativity in building design and site layout.

- Policy H-10. Encourage the use of energy efficient mechanical systems and building products in rehabilitation and new construction to decrease building operation costs and impacts on the environment.
- Policy H-12. Demonstrate the effectiveness of new construction technologies or techniques, such as passive building standards, that push the boundaries of energy efficiency in housing.
- Policy H-18. Foster the preservation and production of deeply affordable rental housing (housing affordable to those at 30% or less of AMI), supportive housing and housing for people experiencing homelessness.
- Policy H-26. Increase awareness around tenant and landlord rights, responsibilities, best practices and resources to increase access to rental units and decrease conflicts that could lead to evictions.
- Policy H-31. Support the development of new affordable housing units throughout the city.
- Policy H-32. Continue to use City/HRA resources to support affordable rental housing citywide with at least ... 10 percent of all units being affordable to households earning 30 percent of AMI.
- Policy H-39. Promote preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.
- Policy H-42. Pursue public and private funding sources, including local sources, for affordable housing preservation and production.
- Policy H-44. Make achieving the Metropolitan Council's affordable housing goals a top priority both in planning and legislative efforts.
- Policy H-46. Support the development of new housing, particularly in areas identified as Mixed Use, Urban Neighborhoods, and/or in areas with the highest existing or planned transit service, to meet market demand for living in walkable, transit-accessible, urban neighborhoods.
- Policy H-48. Expand permitted housing types in Urban Neighborhoods ... to include duplexes, triplexes, town homes, small-scale multifamily and accessory dwelling units to allow for neighborhood-scale density increases, broadened housing choices and intergenerational living.

To a significant degree, the Proposal promises to address these strategies and goals identified in the Greater East Side District Plan:

- Support a mix of housing types for all ages, incomes, family type, and household sizes.
- District 2 will be a diverse neighborhood with commercial centers and both owner-occupied and rental housing to serve all household types. Affordability of single-family homes ... is also important.

Statement of Chair

"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 proposed sale and

conveyance of a certain parcel of land located in the Greater East Side District 2, by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota, to YardHomesMN, SBC, or a wholly owned affiliate, for \$45,000.00 for the purpose of private development of affordable housing. Notice of time, place, and purpose of this hearing and direction on how to submit testimony was published in the Legal Ledger, the official newspaper of the HRA, on Thursday, March 31, 2022. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings. HRA meetings are open for in-person attendance and live testimony. Additionally, comments on public hearing items may also be made in writing or via voicemail. Any comments and materials submitted by 12:00 pm of the day before the meeting will be attached to the public record and available for review by the Board. Were any comments submitted regarding this sale or is there anyone who wishes to be heard on this matter? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The Executive Director recommends approval and authorization to sell and convey the HRA owned parcel at 1381 Prosperity Avenue to YardHomesMN, SBC, or a wholly owned affiliate, for the purpose of private development of affordable housing, in accordance with the attached resolution.

Sponsored by: Commissioner Yang

Staff: Nick Boettcher, Project Manager

Attachments

- **Architectural Renderings**
- **Public Purpose**
- **Map**
- **District 2 Profile**