Analysis and Disposition Strategy

Corporate FACTS

HRA Property Analysis

The following people contributed to the creation of this property analysis and disposition strategy

| PED Staff	PED Staff	Corporate FACTS (HUD Consultants)	Frogtown Home Loan Fund
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What Are We Trying To Achieve?

- Stimulate market to "preserve, grow & sustain" neighborhoods

- Use inventory as a catalyst for neighborhood transformation

- Create programs that leverage investment in weak and/or borderline markets

- Meet our legal obligations and reduce holding costs

- Standardize the HRA's disposition policy with clearly understood procedures and application process
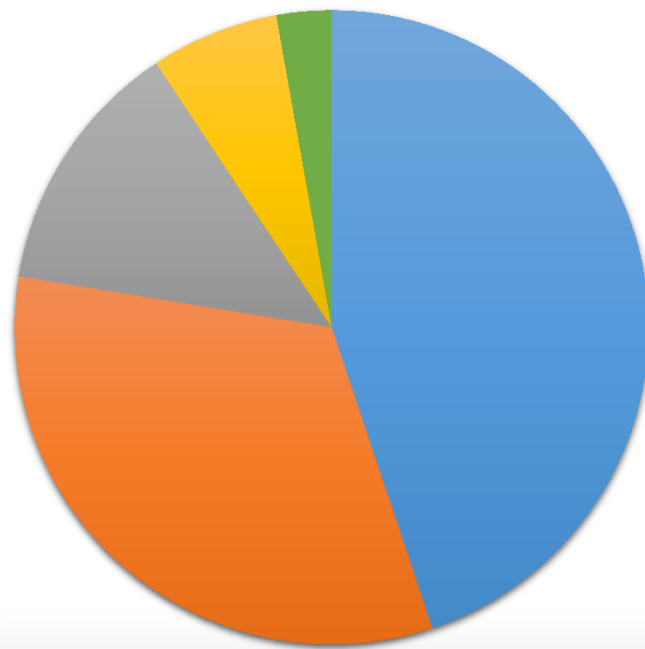
Properties Acquired

Acquired per Funding Source

- 169 NSP
- 60 CDBG
- 221 HRA
- 85 ISP
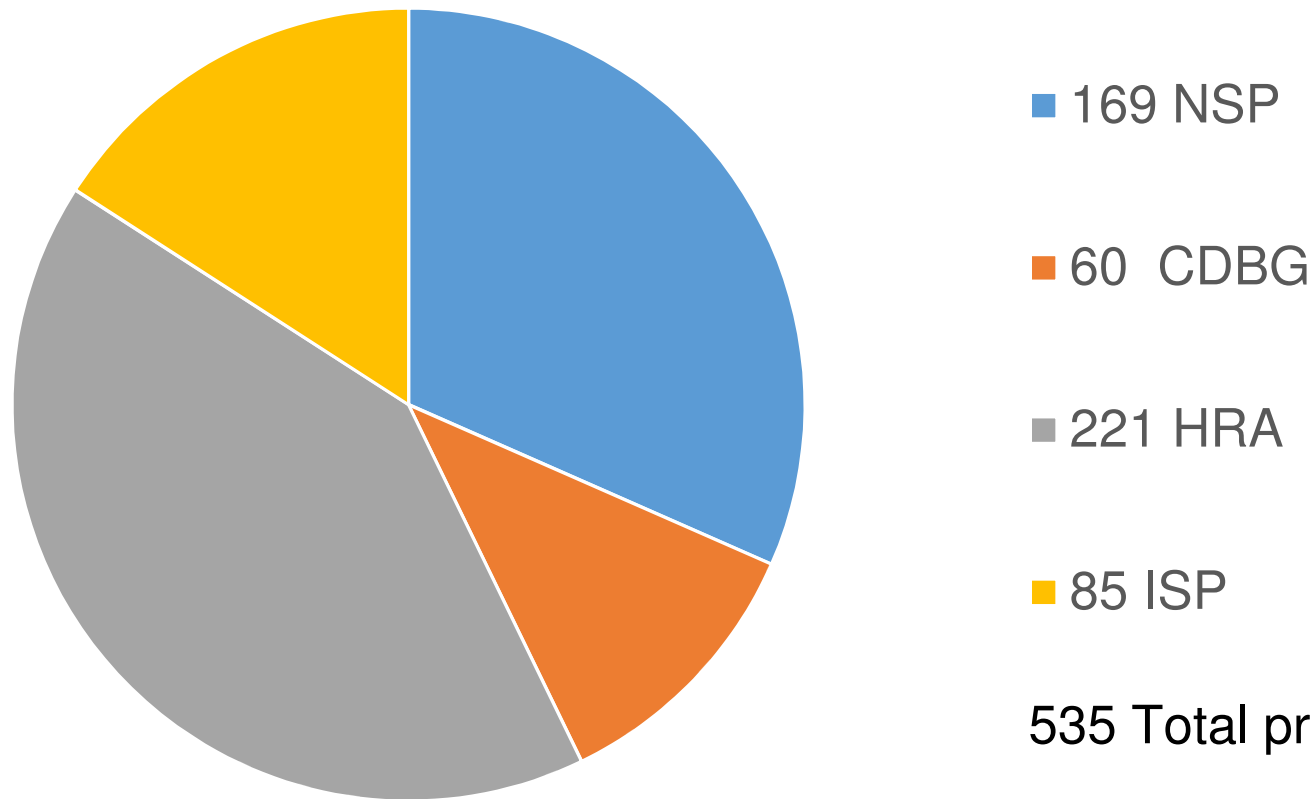
535 Total properties purchased

What does the HRA own?

Property Classification

240	◼ Disposition Analysis Inventory
175	◼ Large Redevelopment Sites (hold)
70	◼ NSP/ISP Buildings Under Construction (sale 2013)
35	◼ Commercial Buildings and Parking Lots (hold)
15	◼ Parking Ramps and Homeless Shelter (hold)
535	**Total Parcels**

HRA Staff focused analysis on the 240 parcels classified as "Disposition Analysis Inventory"

Parcel Disposition Strategies

Non-Cluster Properties with Obligations

Properties to Sell

Cluster Area Properties

Disposition Strategies Proposals

Splinter Parcel

240 parcels

Parcel Disposition Strategies

Disposition Strategy

70	🟦 Cluster Area Properties
60	🟪 Non-Cluster Properties with Obligations
56	🟩 Properties to Sell
54	🟨 Splinter Parcels

240 Total Disposition Analysis Inventory

Cluster Area Investment Strategy (70 Parcels)

Cluster Area Investment Strategy

- **Target investments in "cluster areas" of 10-15 blocks**

- **Disposition Strategy**: Work with stakeholders to address all HRA owned property within a cluster area during a 2-3 year period

Address properties through a diversity of product types including:

Rental housing	Homeowner occupied housing	Rehabilitation of existing HRA owned property	New construction on infill lots

Clustering Properties: Why this approach?

- Focus development subsidies to achieve neighborhood transformation

- Provide equal access to opportunity through predictable and clear process for city subsidy and property

- Best practice for community development nationally

- Criteria for leveraging federal, state and other gap investment

455 and 459 Banfil, West Seventh Neighborhood
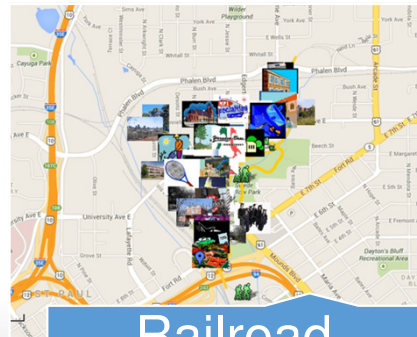
Cluster Areas

Dayton's Bluff

Frogtown

Payne Phalen


Railroad Island

West Seventh

Cluster Area Investment Strategy

- HRA will utilize a developer driven model to implement the Cluster Area Investment Strategy.

- Developer driven model will:
  - Leverage funds to produce more units
  - Incent private lending in weak and borderline markets
  - Reduce HRA investment and risk
  - Establish a clear, accessible and predictable funding process

Developer Driven Model

HRA may provide the following resources to affordable housing developers and partners in cluster areas:

Development Subsidies

Land Donations

Support to groups seeking outside sources
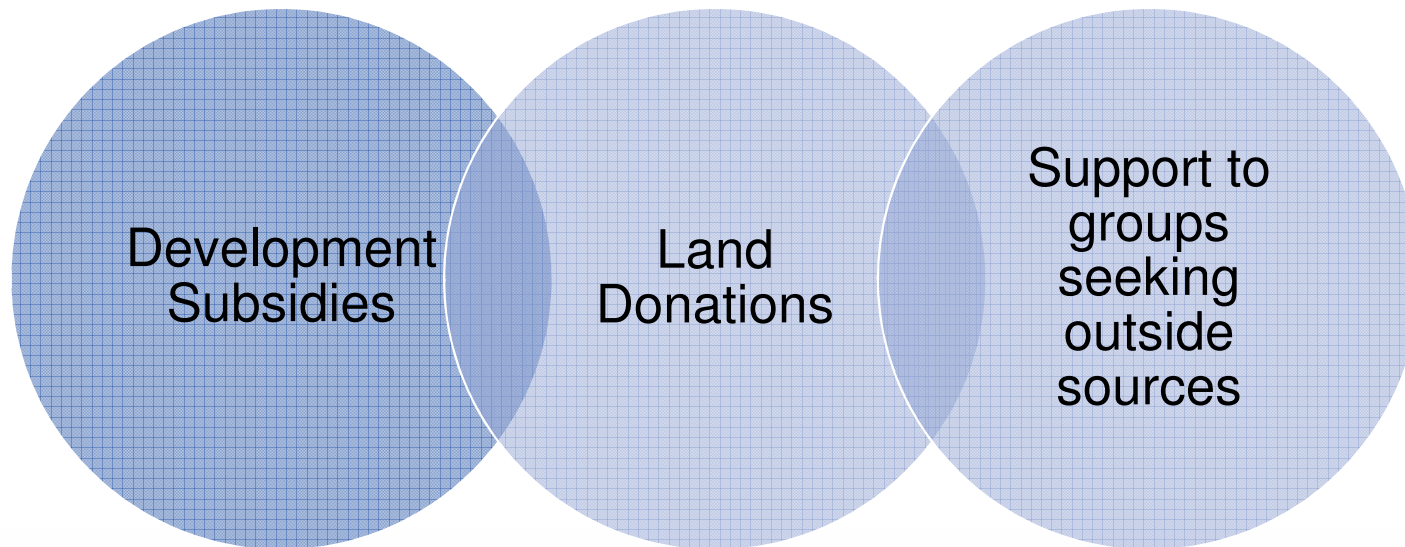
Target Area Inventory

70 parcels are located in the 5 Target areas

Target	Parcels*	Federally Funded*	City Funded
Dayton's Bluff	15	12	3
Frogtown	15	12	3
Payne Phalen	10	6	4
Rail Road Island	15	11	4
West Seventh	15	3	12
TOTAL	70	44	26

*Federally funded parcels have a timeframe and national objective to meet
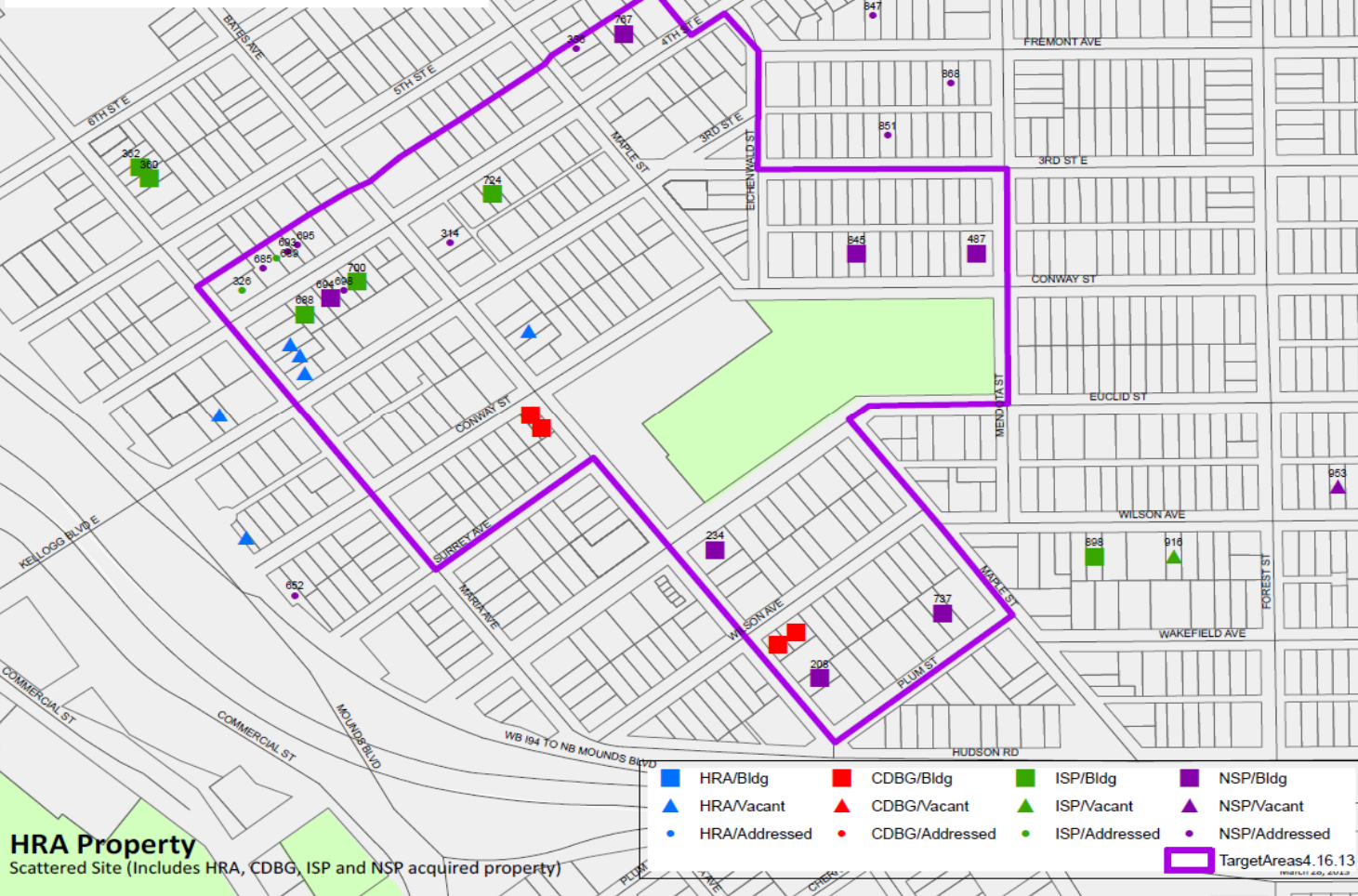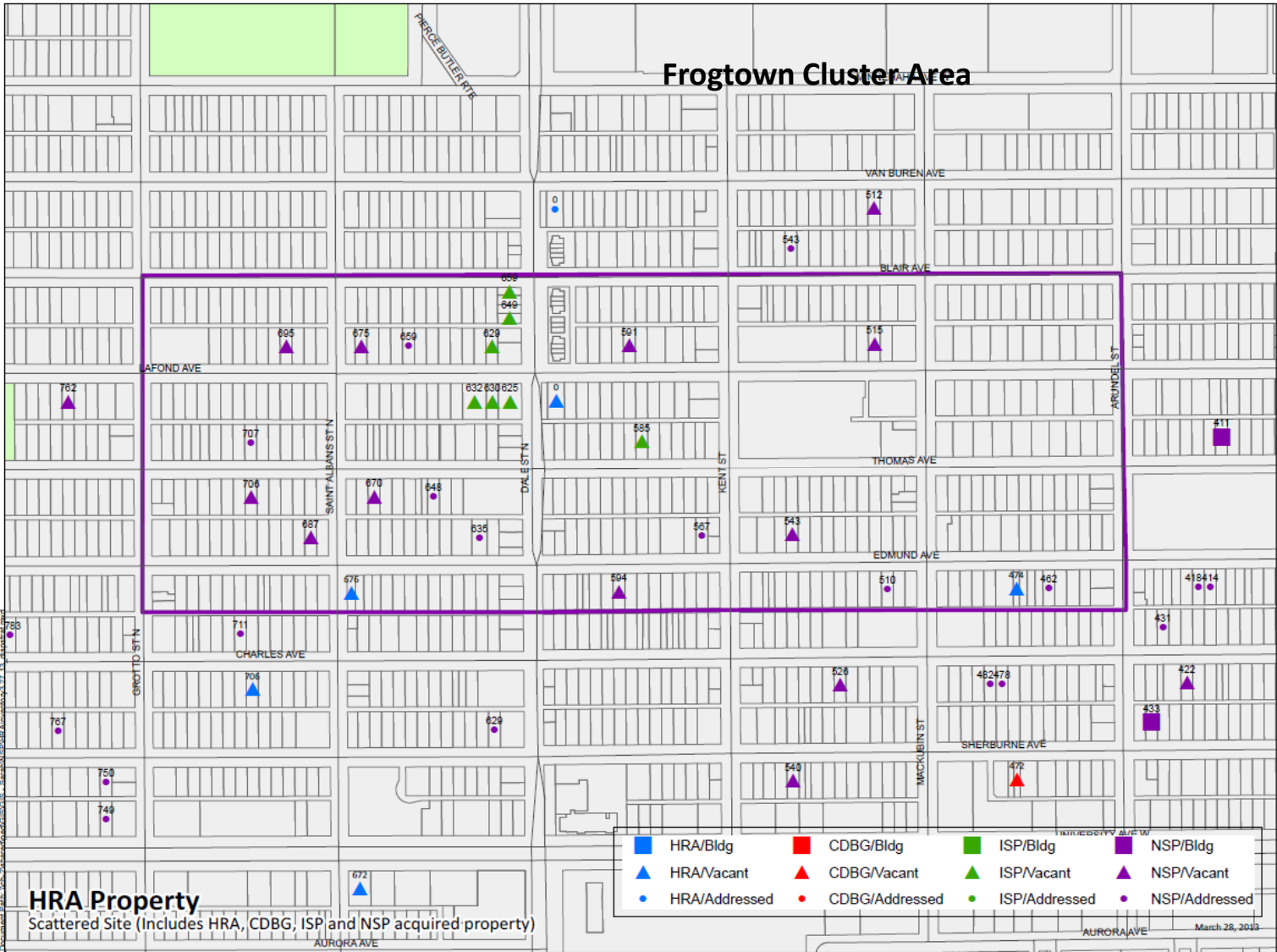
Why this cluster?

- Surrounds Dayton's Bluff Elementary School

- Includes "Fourth Street Preservation Project" – a key neighborhood stabilization effort

- Intersected by 3rd Street and Maria, high traffic streets in Dayton's Bluff

- Maximizes number of HRA owned CDBG and NSP vacant buildings addressed

- Potential to leverage funds from Minnesota Housing

Why this cluster?

- Maximizes number of NSP properties addressed

- Overlaps a portion of Frogtown Home Loan Fund target area

- Potential to leverage funds from LISC, Twin Cities Community Land Bank, Minnesota Housing and Family Housing Fund

- Maximizes number of NSP properties addressed

Frogtown Cluster Area

HRA Property
Scattered Site (Includes HRA, CDBG, ISP and NSP acquired property)

■ HRA/Bldg	■ CDBG/Bldg	■ ISP/Bldg	■ NSP/Bldg
▲ HRA/Vacant	▲ CDBG/Vacant	▲ ISP/Vacant	▲ NSP/Vacant
• HRA/Addressed	• CDBG/Addressed	• ISP/Addressed	• NSP/Addressed

March 28, 2013

Why this cluster?

- Surrounds Payne Maryland project

- Payne, Maryland and Arcade are highly travelled streets

- Builds on investments already made in NSP 3 target area

- Maximizes ISP and NSP buildings addressed

- Opportunity to leverage rehab of non-HRA owned buildings through ESNDC's "Community of Choice" initiative

Payne-Phalen Target Area

HRA Property
Scattered Site (Includes HRA, CDBG, ISP and NSP acquired property)

■ HRA/Bldg	■ CDBG/Bldg	■ ISP/Bldg	■ NSP/Bldg
▲ HRA/Vacant	▲ CDBG/Vacant	▲ ISP/Vacant	▲ NSP/Vacant
• HRA/Addressed	• CDBG/Addressed	• ISP/Addressed	• NSP/Addressed
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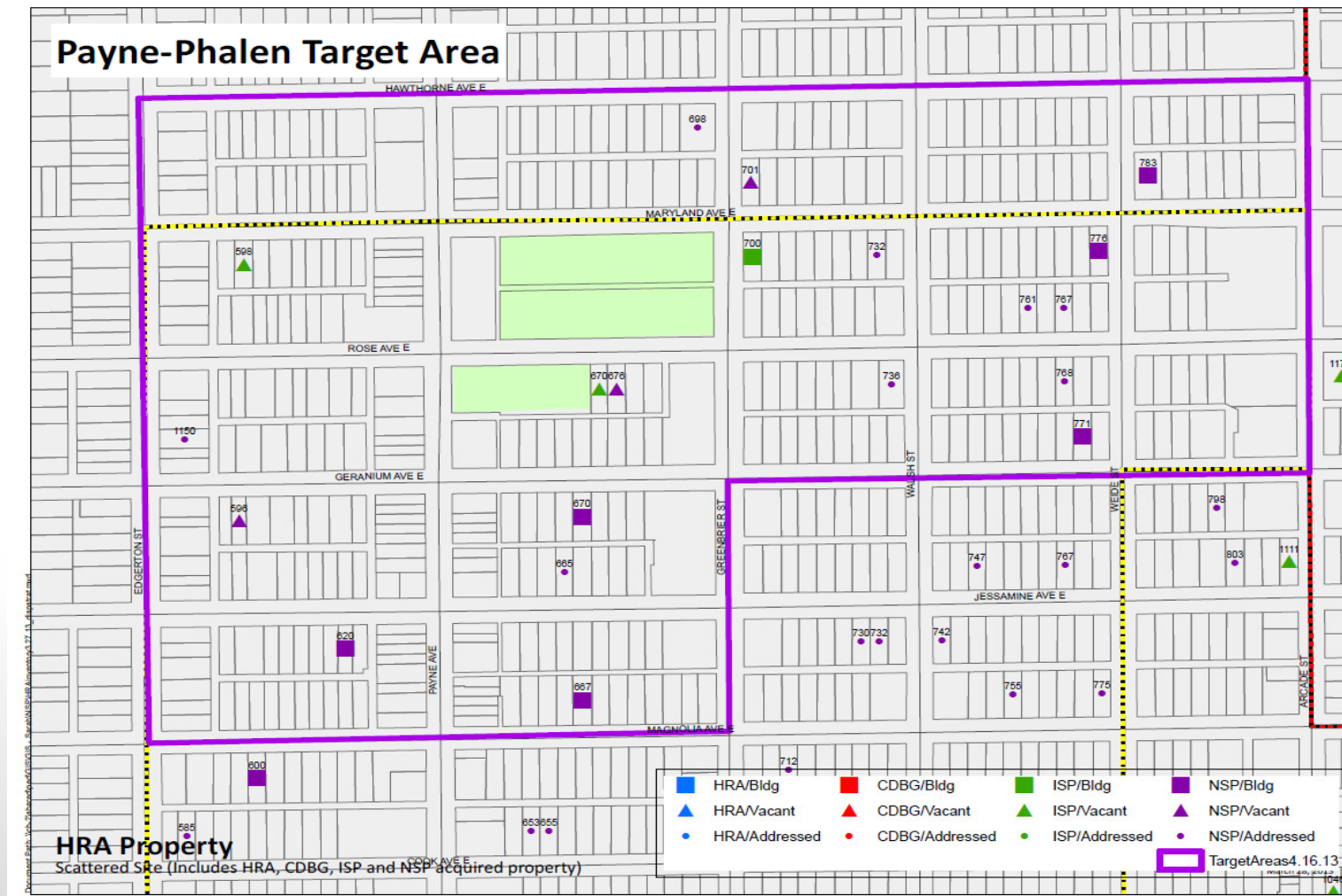
Railroad Island Target Area
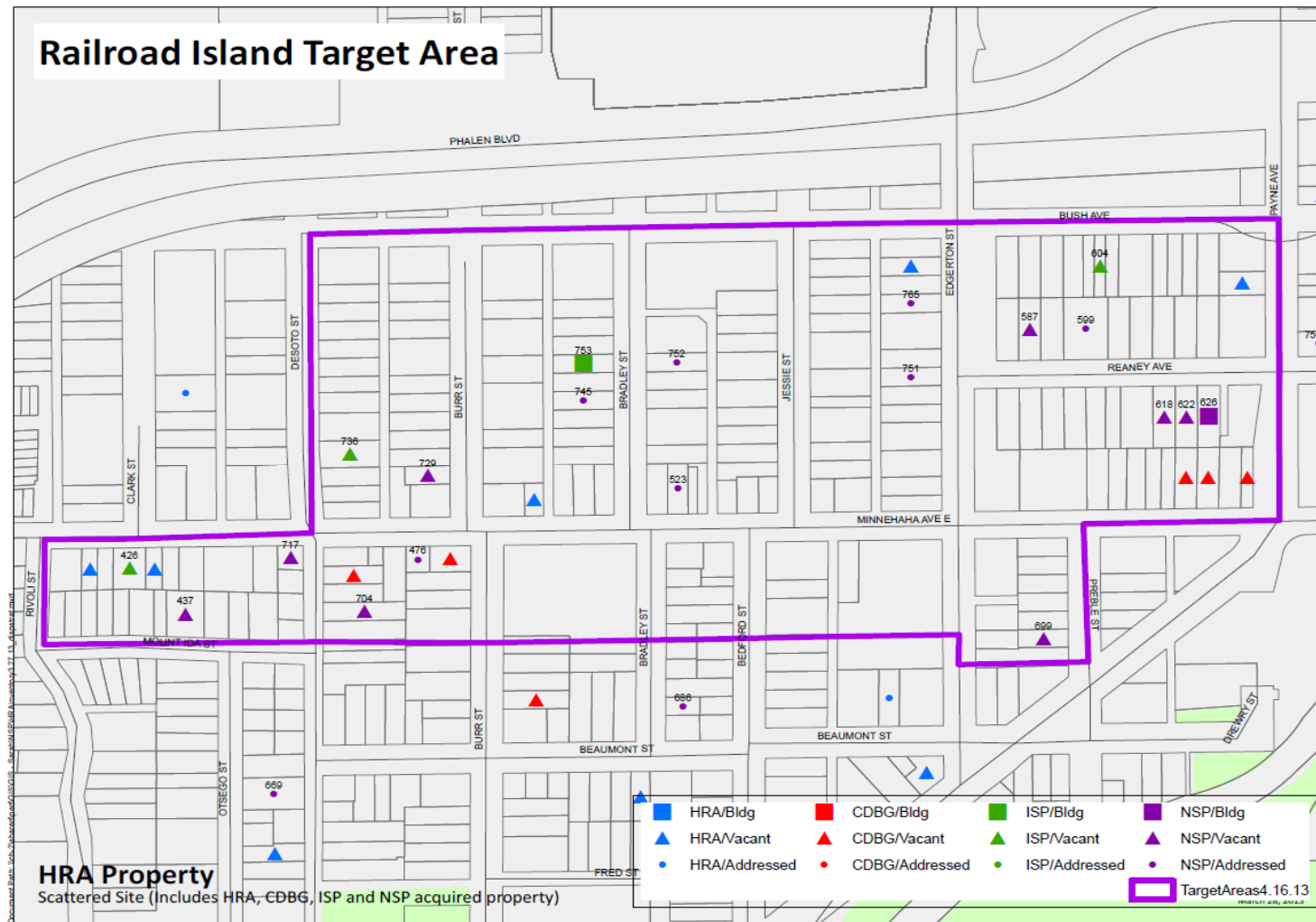
Why this cluster?

- Focus along Minnehaha Avenue, gateway to the Rivoli Bluff development project

- Maximizes number of HRA owned property addressed

- Initial focus to begin Rivoli Bluff development

- Support neighborhood vision for community gardens or pocket parks with splinter parcels

- Additional new construction in 2015-6
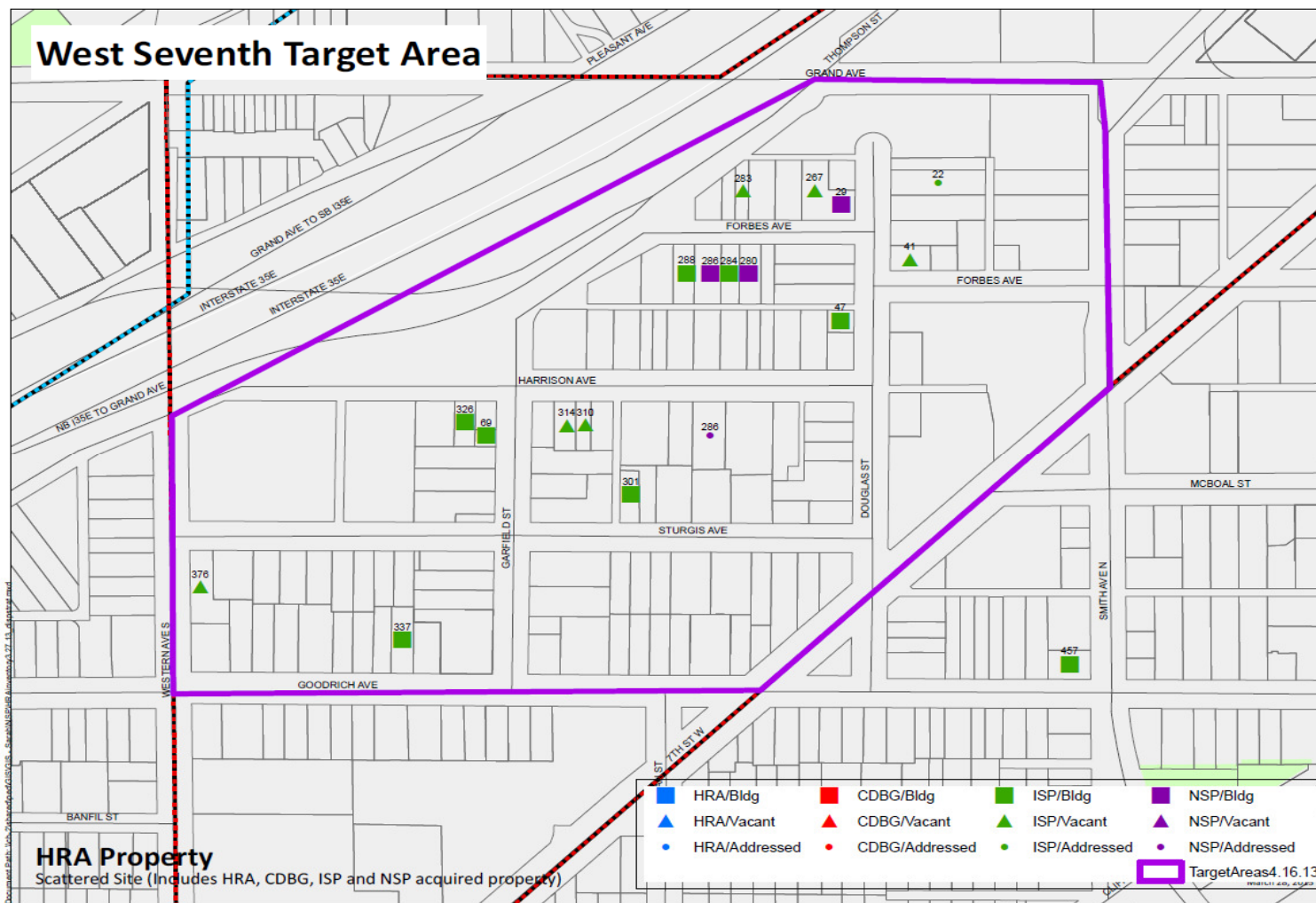
Why this cluster?

- Target area maximizes concentration of HRA owned buildings addressed

- Homes are clustered by high frequency bus line

- Initiative with strong support from Little Bohemia Neighborhood Association and Fort Road Federation

Square Foot Construction Cost and Sales Assumptions

	Single Family Rehab and Sale	Duplex Rehab and Sale	New Construction
Construction	$110 SF	$150 SF	$125 SF
Soft Costs	25% HC	25% HC	25% HC
Sales Price	$95 SF	$110 SF	$100 SF

SF- Square Foot   HC-Hard Costs
*Rental assumptions based on actual proposals received but not yet approved and closed

Total Cluster Area Cost Projections

	Units	Estimated costs	Program Income	Subsidy Needed
Dayton's Bluff	20	$3,832,475	$2,152,355	$1,012,500
Frogtown	15	$3,509,988	$2,542,355	$967,633
Payne Phalen	10	$1,754,775	$1,098,895	$655,880
Rail Road Island	28	$5,566,650	$4,012,420	$1,554,230
West Seventh	15	$3,445,406	$2,408,820	$1,036,586
Total	**87***	**$17,859,294**	**$12,054,845**	**$5,136,829**

*87 units impacting total of 70 HRA owned properties; Dayton's Bluff neighborhood has several rental projects projected, which reduces program income and increases unit count.

Cluster Area Disposition: Next Steps

Develop Neighborhood Revitalization Initiative in collaboration with stakeholders

Facilitate idea generating session to further HRA's neighborhood stabilizing efforts with priority of addressing HRA's inventory

Engage developers, partners and investors in the single family housing delivery system

- Inform partners of delivery model change
- Communicate strategy for owned inventory and investments
- Ask for partners support to leverage other resources in cluster areas

Results from meeting:

- Leverage partner programs and resources to address properties that are not owned by the HRA
- Clarify requirements for a successful RFP process by engaging stakeholders

Non-Clustered Parcels with Obligations (60 Parcels)

Non-Clustered Parcels with Obligations (60 parcels)

Criteria for Classification

- Parcels located outside target areas with redevelopment obligations
- Types of obligation include: CDBG or NSP requirements to meet a federal national objective; tax forfeit properties with timeline for redevelopment; vacant buildings owned by the HRA

Disposition Strategy

- Provide limited subsidy to address buildings and lots to meet obligations

Timeline

- Offer buildings (23 buildings) and high priority parcels for sale through RFP process (spring 2014/2015)
- Hold NSP Eligible Use E lots (20 lots) until 2016-18

Budget Implications

- *Short term*: $2,000/parcel x60 parcels = $122,000/year
- *Long term*: Incremental redevelopment of buildings add to tax base.

Total Parcels with Obligations Cost Projections

	Units	Estimated costs	Program Income	Subsidy Needed
CDBG Projects	21	$5,031,250	$3,220,000	**$1,811,250**
Multi-Family Rehab	13	$2,946,375	$1,728,540	**$1,217,835**
Single Family Rehab	16	$3,899,775	$2,694,390	**$1,205,385**
NSP Required New Construction	20	$5,000,000	$3,200,000	**$1,800,000**
Total	**70***	**$16,877,400**	**$10,842,930**	**$6,034,470**

*70 units impacting total of 50 HRA owned properties; difference due to rental projects projected and CDBG obligated large redevelopment sites.

Splinter Parcel Strategy
(54 Parcels)

Splinter Parcel Strategy   **(54 Parcels)**

Criteria for Classification

- Substandard lot size or undevelopable due to topography or soil

Disposition Strategy

- Sell to adjacent residential property owners for nominal fee
- Utilize unsellable parcels as community gardens or pocket parks

Timeline

- Phase lot sales in groups of 10 per month
- Completion by Spring 2014

Budget Implications

- Short Term: $500/parcel x 54 parcels = $27,000
- Long Term: Savings of $100,000 annually in holding costs
- Exempt properties are returned to tax base

Buildable Lots for Sale
(56 Parcels)

Buildable Lots for Sale   (56 Parcels)

Criteria for Classification

- Buildable vacant residential lots located outside of target areas

Disposition Strategy

- Sell for appraised value with no additional subsidy
- Create program in partnership with stakeholders to facilitate sale

Timeline

- Pilot sale of 5 parcels in Summer 2013
- Clarify procedures for sale in partnership with stakeholders in Q4 2013
- Full implementation in 2014

Budget Implications

- *Short Term:* $4,000/parcel x 56 parcels = $224,000
- *Long Term:*   Savings of $112,000 annually in holding costs

Summary: Scattered Residential Lots Disposition

Property Classification	# of Parcels	Timeline	Budget implications	Priority Rationale
Cluster Area Properties	70 Parcels	RFPs in fall of 2013 and 2014	Matching funds will be sought to leverage with HRA investment in cluster areas	Highest staff priority: potential to leverage funds and maximize neighborhood impact
Splinter Parcels	54 Parcels	Developing infrastructure currently, implement aggressively in 2013	Holding costs budgeted: revenue generated expected to off-set holding costs	Second Priority: Properties are likely to sell easily and are "low hanging fruit" for reducing inventory
Non-Cluster Obligations	60 Parcels	2 rounds of RFPs in spring of 2014 and 2015 to address buildings; hold lots until 2016-18	HRA likely only funder for subsidy due to inability to demonstrate impact/neighborhood change	Third Priority: Cost is higher and neighborhood impact is lower
Lots to Sell	56 Parcels	Pilot Summer 2013, develop policies, procedures, and program infrastructure in fall, implement in 2014	Holding costs in 2013 budgeted: revenue generated expected to off-set holding costs in 2014-15	Fourth Priority: Development of infrastructure to facilitate lot sale needed prior to implementation

Disposition Timeline

	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	2016-18
Splinter Parcel Disposition											
Identify parcels for sale (50 parcels)	▓										
Develop procedures policies	▓										
Implement (sale of 10 parcels/month)		▓	▓	▓							
Explore alternative sale for remaining parcels				▓	▓						
Non- Target Area Disposition											
Identify non-target parcels and prioritize	▓										
Develop RFP for high priority projects (2 phases)				▓				▓			
Implement RFP and close projects					▓	▓			▓	▓	
Develop policies/procedures for vacant land sale			▓								
Implement (publicly post all properties)				▓	▓	▓	▓				
Complete development of land banked NSP lots											▓
Target Area Disposition											
Identify target area parcels	▓										
Develop fundraising strategy and engage partners	▓										
Apply for funding	▓				▓						
Develop RFP for each target area		▓				▓					
Implement RFP and close projects			▓	▓			▓	▓			
		▓	Completed activities								
		▓	Projected timeline								