

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

REPORT TO THE COMMISSIONERS

DATE: September 25, 2013

REGARDING: AUTHORIZATION TO DESIGNATE WEST 7TH/FORT ROAD FEDERATION AS
TENTATIVE DEVELOPER OF 17 PROPERTIES, WARD 2, DISTRICT 9

Requested Board Action

HRA Board of Commissioners approval of designating West 7th/Fort Road Federation (the Federation) as Tentative Developer, for a period of two years, of 17 properties in order to finalize financing, development costs and approvals necessary to rehabilitate and/or redevelop the properties. The action would exempt these 17 properties from the previously approved HRA Land Disposition Strategy, Work Plan and Budget for Certain Properties Owned by the HRA, Citywide (“Land Disposition Strategy”). The Federation is also requesting a waiver of the Policy and Procedures for Disposition of HRA Owned Real Estate for these 17 properties.

Background

The Federation has requested Tentative Developer status for the following 17 HRA-owned properties:

29 Douglas Street and 267 Forbes Avenue (combined), a vacant house on combined lots

41 Douglas Street, a vacant lot

47 Douglas Street, a vacant house

280 Forbes Avenue, a vacant house

283 Forbes Avenue, a vacant lot

284 Forbes Avenue, a vacant house

286 Forbes Avenue, a vacant house

288 Forbes Avenue, a vacant house

69 Garfield Street, a vacant house

337 Goodrich Street, a vacant duplex

310 Harrison Avenue, a vacant lot

314 Harrison Avenue, a vacant lot

326 Harrison Avenue, a vacant house
276 Nugent Street, a vacant house
457 Smith Avenue North, a vacant house
301 Sturgis Street, a vacant house
376 Sturgis Street, a vacant lot

The Federation intends to rehabilitate and/or redevelop these properties in phases. Public subsidy funds will be necessary. This Board action authorizes Tentative Developer status only. Future Board actions will be required in order to sell each property to the Federation and to consider specific subsidy requests.

On July 24, 2013, by Resolution 13-1097, the HRA Board approved a Land Disposition Strategy, which includes a West Seventh Target Area containing 14 of the 17 properties in the Federation's proposal. The Land Disposition Strategy classifies one of the properties (283 Forbes) as a "splinter parcel". The remaining two properties (457 Smith and 276 Nugent) are classified as "non-clustered parcels with obligations." The Land Disposition Strategy calls for an RFP process to dispose of the Target Area properties and non-clustered parcels with obligations. The Land Disposition Strategy also outlines a disposition strategy for splinter parcels. If approved, the proposed Board action detailed in this report will exempt the Federation's requested 17 properties from this previously approved Land Disposition Strategy.

The Land Disposition Strategy calculates an estimated total West Seventh Target Area (14 properties) subsidy need of \$1,046,586, which is based upon the estimates detailed in the Land Disposition Strategy. (In addition, land write down was also contemplated.) The Land Disposition Strategy also acknowledges additional subsidy need for rehabilitation of the two non-clustered parcels. Given this estimate, staff will need to work with the Federation on their final subsidy request as they have preliminarily indicated a subsidy need of \$900,000 for just the first phase (8 properties), together with land write down to \$1.00.

The Federation estimates that their first phase will take 13 months to complete. Per Resolution 13-097, final details of the first phase subsidy, timeline and development agreement will be presented to the HRA Board for consideration and action before the properties are sold.

The Federation will rehabilitate and/or redevelop the remaining properties in future phases. As specific details are finalized for each future phase, information will be presented to the HRA Board for consideration and action before the properties are sold.

The Federation is requesting waivers of the Policy and Procedures for Disposition of HRA Owned Real Estate (adopted on May 28, 2003 and amended on 9/23/09 and 9/14/11), and the Land Disposition Strategy due to their long history of involvement with these properties. The Federation has noted the following: 1) they've worked closely with HRA staff to identify which properties were to be acquired; 2) they assessed each of these properties to determine their re-use viability; 3) they arranged for the donation of a house and oversaw the moving of the house to 29 Douglas Street; 4) they recently served as a construction management consultant overseeing the rehabilitation of five houses in the neighborhood; and 5) they have long assumed that they would continue to take part in the rehabilitation and/or redevelopment of these properties.

Budget Action

N/A

Future Action

As specific details are finalized for each phase, information will be presented to the HRA Board for consideration and action. A public hearing must also be held for each land sale.

Financing Structure

Tentative Developer designation will allow the Federation time to secure financing and finalize development budgets. The Federation estimates their first phase will require approximately \$900,000 subsidy in addition to an acquisition write-down to \$1 for each property. Again, staff will need to get detailed information on this request in order to bring it forward to the HRA board for final approval. The Federation is now negotiating terms for a construction line of credit with a private lender. Details of the financial structure of each phase will be presented to the HRA Board for consideration and action as the overall project progresses.

PED Credit Committee Review

N/A at this time. The financial parameters of the Federation's phased development agreements will be consistent with the Homeownership Development Program Manual, a summary of which will be presented to the HRA Board as an information item in the near future.

Compliance

The compliance requirements of the Federation's phased development agreements will be consistent with the Homeownership Development Program Manual, a summary of which will be presented to the HRA Board as an information item in the near future.

Green/Sustainable Development

The green/sustainability requirements of the Federation's phased development agreements will be consistent with the Homeownership Development Program Manual, a summary of which will be presented to the HRA Board as an information item in the near future.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

Detailed Public Purpose Summary forms will be attached as part of future HRA actions for land sales. Generally, the primary public benefits include rehabilitation of vacant structures, increasing the tax base, creation of affordable housing, and improved public safety.

The Housing section of the Saint Paul Comprehensive Plan includes the following:

- Strategy 2: Preserve and Promote Established Neighborhoods. 2.13 Continue to assess vacant housing conditions with City/HRA partners such as community development corporations, nonprofit organizations, private developers, district councils, and block groups and prioritize City/HRA revitalization assistance to areas with less vibrant housing markets.

Recommendation:

The HRA Executive Director is not making a recommendation on these actions.

Sponsored by:

Commissioner Dave Thune

Staff:

Joe Musolf 266-6594

Attachments

- **Attachment A -- Resolution**
- **Attachment B -- Map of the Properties**
- **Attachment C – Census Facts**