

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 12, 2014

REGARDING: APPROVAL OF THE SALE AND CONVEYANCE OF PROPERTY, AUTHORIZATION TO ENTER INTO DEVELOPMENT AGREEMENTS, AND AUTHORIZATION OF EXPENDITURES FOR REDEVELOPMENT UNDER THE SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY DISPOSITION WORK PLAN AND BUDGET'S INSPIRING COMMUNITIES PROGRAM.

Requested Board Action

Approval of the sale and conveyance of four HRA-owned properties, authorization to enter into development agreements with two developers for the redevelopment of said properties, and authorization of expenditures in the amount of \$79,057 under the Saint Paul Housing and Redevelopment Authority Disposition Work Plan and Budget's Inspiring Communities program.

Background

The Inspiring Communities program has preserved or created 145 units on 117 properties. Ninety-one units have been sold for homeownership and 54 units have been rented, primarily by households at or below 50% of area median income (\$29,050 for a single person, \$33,200 for two persons and \$41,450 for a family of four). See **Attachment C** for a summary of the Inspiring Communities progress, and information on the demographic, income and tenure status of the households served by this activity. With the properties already underway with a previously-specified developer or with the HRA as the developer, and the units contemplated in this board action, the total number of properties that will be sold in 2014 is 67.

In the spring of 2013, Planning and Economic Development (PED) staff analyzed all property in the HRA inventory in an effort to make informed recommendations regarding the retention and disposition of properties, and create a disposition strategy and budget to advance redevelopment plans for the sites analyzed. The resulting strategy was designed to address 240 of the 535 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. The Disposition Work Plan and Budget (DWPB) was presented to and approved by the HRA Board of

Commissioners on July 24, 2013 by Resolution 13-1097. As a component of the Resolution, the Neighborhood Stabilization Program and Invest Saint Paul were rebranded as the Inspiring Communities program, which prioritizes subsidy to address two categories of the DWPB: Cluster Area Parcels and Parcels with Obligations. Goals of the Inspiring Communities program include:

- Use HRA property as a catalyst for neighborhood transformation;
- Construct or rehabilitate 130 lots or buildings to create a variety of housing opportunities in focused cluster areas;
- Create job opportunities for local residents, Section 3 certified businesses, minority and women-owned businesses, or small businesses; and
- Inspire 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, the Board approved, via Resolution 13-1592, key terms of the Inspiring Communities Homeowner Program Manual and Rental Program Manual; and the scoring criteria for the Inspiring Communities RFP.

On October 15, 2013 staff released the Inspiring Communities RFP to solicit proposals for 77 HRA-owned properties. The total budget for properties under the RFP is \$2,690,000. The list of properties included 28 buildings and 49 vacant lots. Proposals were due and received by November 27, 2013. Responses were received from 14 developers for 41 properties. Twenty-nine property applications were determined eligible; funding was sufficient to address 27. On January 22, 2014, the Board approved the following via Resolution 14-26:

- Sale and conveyance of twenty-seven HRA-owned parcels;
- Authorization to enter into development agreements with nine different developers to redevelop the parcels; and
- Authorization to expend value gap in the amount of \$2,465,351.46 from the previously-established Disposition Strategy Budget.

Proposed Action

This Board action is a second request related to the 2013 Inspiring Communities Request for Proposals. Following the January 22, 2014 Board action, Urban Homeworks was awarded four properties. Urban Homeworks has now determined that they do not have the capacity to complete all four properties, and is no longer seeking the purchase of 515 and 675 Lafond Avenue. Staff is recommending that these two properties be reassigned to Habitat for Humanity, which was the RFP respondent with the second highest score. Habitat is seeking less subsidy for these two properties than Urban Homeworks; therefore, \$178,990 is now available to address additional properties. Specifically, we received quality proposals under the RFP for 1082 Galtier Street and 113 Winnipeg Avenue. These properties were not awarded to a developer, however, due to insufficient availability of funding. These properties can now be addressed, and staff is recommending that they be awarded to Neighborhood Development Alliance (NeDA). The value gap needed for the Galtier and Winnipeg properties is \$258,047 and the new value gap needed on the Lafond properties is \$0. Between the expenditure amount of \$2,465,352 authorized on January 22, 2014, and the authorization of an additional \$79,057, the total value gap expenditure of \$2,544,409 will be sufficient to address all 29 properties under the RFP. See **Attachment B – 2013 Inspiring Communities RFP Award Recommendation** for awards recommended to date.

(Note: Staff plans to release a second RFP in the fall of 2014. The timing will be driven by funding award timelines, the ability to leverage additional funds, and the success of fundraising efforts. The RFP will include all remaining properties prioritized for subsidy.)

Budget Action

No budget action is required, as a budget for the HRA Disposition Strategy in the amount of \$5,060,642 was approved on July 24, 2013 by Resolution 13-1097. Budget authorization is required per Resolution 13-1097 for any future expenditure. HRA Board Action is required, rather, for expenditures under the approved budget. Resolution 14-26 authorized the expenditure of \$2,465,352. An additional expenditure authorization of \$79,057 is required to fund all awards detailed in **Attachment B - 2013 Inspiring Communities RFP Award Recommendation**.

Future Action

No future action will be required. Once the HRA takes action approving the sale of these properties, staff will proceed to execute development agreements and convey property.

Financing Structure

Financing will be as indicated in the Homeownership Program Manual. Value gap assistance will be secured with a note and mortgage at 0% interest. At the time the property is sold to a homeowner, the value gap assistance loan will be forgiven. Funds will be disbursed on a reimbursement basis at up to three points in the project schedule. The final disbursement will be at the time the property is sold to a homeowner, when all expenditures can be reconciled and the value gap amount can be modified based on the final purchase price and actual costs incurred.

Homebuyers purchasing a home with NSP investment will be eligible for up to \$5,000 in assistance toward lowering the amount of the first mortgage or to augment a down payment. The assistance is structured as a loan and is forgiven over a five-year period. Homebuyer assistance for homes with NSP funding is funded with program income generated by NSP home sales.

In total, funds released through this RFP process will result in \$7,927,409 worth of development and will leverage an additional \$4,435,766 in private financing and equity. See **Attachment F – Sources and Uses Summary Form** for more detail.

PED Credit Committee Review

Credit Committee review is not a requirement of the sale of property. The Credit Committee reviewed the Homeownership and Rental Program Manuals on September 23, 2013 and September 30, 2013 respectively. The terms and conditions contained therein were recommended for approval by the Credit Committee at that time.

Compliance

Development under the Inspiring Communities program will comply with all applicable requirements, which may include the following:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Section 3

4. Limited English Proficiency
5. NSP Affordability Covenants
6. Fair Housing Opportunities
7. Two Bid Policy

Green/Sustainable Development

All Inspiring Communities projects will be in compliance with the approved Design Criteria, which meets both the Saint Paul Sustainable Development Policy and the Saint Paul/HRA Sustainability Initiative. All projects will meet the Home Performance for ENERGY STAR or ENERGY STAR for New Homes standards, and be certified by Enterprise Green Communities.

Environmental Impact Disclosure

The Tier 1 environmental review determined that all activities were either exempt or categorically excluded.

Historic Preservation

All projects located in an historic district will comply with the appropriate historic district guidelines and regulations.

Public Purpose/Comprehensive Plan Conformance

Please see **Attachment G** – Public Purpose Form. **Attachment D** includes a list of Comprehensive and Neighborhood Plan documents that the proposed actions fulfill.

Statement of Chairman

“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 conveyance of certain Parcels of land located in North End District 6 and Frogtown District 7 by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Sunday, February 2, 2014. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

The HRA proposes to convey the following properties in North End District 6:

Property Description	Purchaser/Developer	Purchase Price
1082 Galtier Street	Neighborhood Development Alliance	\$10,000
113 Winnipeg Avenue	Neighborhood Development Alliance	\$10,000

The HRA proposes to convey the following properties in Frogtown District 7:

Property Description	Purchaser/Developer	Purchase Price
515 Lafond Avenue	Habitat for Humanity	\$9,000
675 Lafond Avenue	Habitat for Humanity	\$9,000

The above property will be conveyed for the purpose of redevelopment and sale at fair market value for the purpose of homeownership.

Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The Executive Director recommends approval of the sales, entrance into development agreements and the associated expenditure authorization in accordance with the attached resolution.

Sponsored by: Commissioner Brendmoen

Staff: Sarah Zorn (651-266-6570)

Roxanne Young (651-266-6581)

Attachments:

- **Attachment A -- Resolution**
- **Attachment B – 2013 Inspiring Communities RFP Award Recommendation**
- **Attachment C – Summary of Activities to Date**
- **Attachment D – Comprehensive Plan Conformance**

- **Attachment E -- Project Summary Form**
- **Attachment F -- Sources and Uses Summary Form**
- **Attachment G -- Public Purpose Form**
- **Attachment H - Map**
- **Attachment I -- Census Facts**