

# Tax Forfeit Property Hold Policy and Sales Procedure

## Tax Forfeit Hold Policy

The purpose of this policy is to ensure tax forfeit property in the City of Saint Paul is returned to productive use.

Primary goals of this policy are:

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

The HRA receives a list of tax forfeit properties ("Properties") from Ramsey County annually and has 120 days to put properties on hold and 6 months to complete due diligence related to acquiring the properties from the State of Minnesota through Ramsey County as administrator.

The HRA will put a hold on properties that are either:

- a. Required to achieve commercial or residential redevelopment strategies approved by the HRA board
- b. Adjacent to existing HRA owned property
- c. Requested by a developer or a community organization

Residential Properties that the HRA does not desire to acquire will be made available to developers or community organizations ("Developers") utilizing the Tax Forfeit Hold Sales Procedure outlined below. Properties that both are not desired by the HRA and do not receive eligible applications through the Tax Forfeit Hold Sales Procedure shall be released to Ramsey County.

## Tax Forfeit Hold Sales Procedure

The following procedure will apply:

1. **Application:** Developer submits a Property application. Developers that initially requested a hold of a tax forfeit property (option c above) will be provided the first opportunity to purchase. HRA staff reviews remaining applications on a first come first served basis.
  - **Relocation:** If a Property is an occupied building, relocation costs may apply. The Developer will be responsible for any relocation costs. The HRA will clarify whether relocation costs will apply and assist the Developer to estimate the amount of payment required.
  - **Discount:** The Ramsey County Board has adopted a policy that states a discount will be provided to developers constructing affordable housing. "Affordable" means the end occupant is at or below 115% of Area Median Income, as defined by the Department of Housing and Urban Development. To receive the discounted price, developers must record a declaration of covenants that establishes a 7 year affordability period, which will be monitored by the HRA. The discounted purchase price will be 50% of market value for for-profit developers and 25% of market value for non-profit developers, or as amended by the Ramsey County Board. The market value is the purchase price as determined by Ramsey County.

- **Application limit:** A Developer may not be awarded more than 10 properties through the Process in a given calendar year.
2. **Contract:** When an application is accepted, HRA staff will send a contract to the Developer. HRA staff require the following before taking further action:
    - **Signed contract between Developer and the HRA.**
    - **Ramsey County acquisition price.** The price will either be the full market value or the discounted price for affordable housing per Ramsey County policy plus fees known.
    - **\$500 non-refundable acquisition fee payable to the HRA.**
    - **\$1,000 maintenance and holding cost payment payable to the HRA.** The maintenance and holding cost payment will be used to pay Ramsey County or the HRA's holding and maintenance costs; any funds not expended will be returned to the Developer.
  3. **HRA Board Approval:** HRA staff will seek HRA board approval for the acquisition. If approved, the HRA will execute the contract and proceed to seek Ramsey County approval. If denied, the HRA will either review additional applications received until an HRA board approval is achieved, or the property will be released to Ramsey County and refundable fees returned.
  4. **Ramsey County Approval:** Once the HRA board approves the application, HRA staff will send the acquisition price to Ramsey County. If approved by the Ramsey County Board, the HRA will proceed to schedule closing with the Developer. If denied, the HRA will request the acquisition price be returned to the HRA and subsequently the Developer. If the Ramsey County board denies an acquisition discount request, at the discretion of Ramsey County, the Developer may have the option to pay the remaining balance owed to Ramsey County or to withdraw its application and request a refund of its acquisition price.
  5. **Closing:** Once the Ramsey County board approves the application, a deed to HRA will be prepared and recorded by Ramsey County, HRA will schedule a closing between HRA and developer.. At the closing, the Developer will be responsible to pay from funds held or directly all closing costs, holding costs, or additional fees charged by Ramsey County and will immediately take title to the tax forfeit property.
  6. **Property Development:** After closing, the Developer will be responsible to pay for all improvements and maintenance to the property. The HRA and Ramsey County expects that improvements will be complete within 18 months.
  7. **Failure to Perform:** If Developer fails to complete improvements within 18 months of closing, no additional property may be acquired by that developer through the tax forfeit acquisition process until the default is cured.

**PART 1  
BUSINESS APPLICATION**

1. Business/Developer Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Telephone: \_\_\_\_\_ FAX: \_\_\_\_\_  
Contact: \_\_\_\_\_  
E-Mail Address: \_\_\_\_\_  
Federal Tax ID number: \_\_\_\_\_

2. List individuals having an interest of ten percent (10%) or more in the business.

Name	Title	Description of Interest	Percentage of Interest

3. The business was established on \_\_\_\_\_, \_\_\_\_\_, organized or operating under the laws of the state of \_\_\_\_\_, as:

- \_\_\_\_\_ A corporation  
\_\_\_\_\_ A limited liability company  
\_\_\_\_\_ A non-profit or charitable institution or corporation  
\_\_\_\_\_ A partnership known as \_\_\_\_\_  
\_\_\_\_\_ A business association or a joint venture known as \_\_\_\_\_

4. Number of years in business: \_\_\_\_\_

5. List the members of the development team and consultants.

Name	Title	Firm	Role

6. The Respondent is a certified as a:

- a. Section 3 organization  
b. CERT Certified business (check all that apply) \_\_\_\_\_MBE \_\_\_\_\_WBE \_\_\_\_\_SBE

The information contained herein is true and correct to the best of my/our knowledge and belief.

_____ Signature	_____ Title	_____ Date
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The HRA reserves the right to request additional documentation of capacity.

**PART 2**  
**PROJECT APPLICATION**

**Property Address:** \_\_\_\_\_

**Developer:** \_\_\_\_\_

**Ramsey County Listed Acquisition Price:** \_\_\_\_\_

1. Is a discounted purchase price to construct affordable housing requested? \_\_\_\_\_ Yes \_\_\_\_\_ No  
☐ 50% of market value (for profit)      ☐ 25% of market value (non profit)

2. Proposed project description: Building square footage, # of bedrooms and bath, # garage stalls, etc.

3. Will building be owner occupied \_\_\_\_\_ Yes \_\_\_\_\_ No

4. For rental projects: Describe your organization's asset management plan and experience below.

5. How quickly will your company complete construction after the property is sold to you?

☐ 18 Months or less      ☐ More than 18 months \_\_\_\_\_  
*(write in expected timeline)*

6. Additional Comments:

The information contained herein is true and correct to the best of my/our knowledge and belief.

Signature	Title	Date
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**Attachments**

Budget worksheet, either:

- ☐ Homeowner: Sources and Uses  
☐ Rental: Sources and Uses and 15 year cashflow projection

Design drawings, either:

- ☐ New construction: Schematic design/floor plan  
☐ Rehabilitation: Description of intended scope of work and 2-3 pictures of existing property condition

## **DISCLOSURE AFFIDAVIT**

### 1. BUSINESS INFORMATION

This affidavit must be completed by an authorized person or persons on behalf of the business or non-profit entity ("Business") submitting the proposal. If the Business is a for-profit, investors, officers, and principal members having an interest of ten percent (10%) or more of the Business must submit individual copies of this affidavit.

Business Name \_\_\_\_\_

Business Address \_\_\_\_\_

Individual Name \_\_\_\_\_

Title: \_\_\_\_\_

Email Address \_\_\_\_\_

Phone: \_\_\_\_\_

### 2. BUSINESS DISCLOSURES

Check the boxes below regarding each individual and/or Business listed above. For each item listed below answered in the affirmative, please provide a full explanation including, as appropriate, (1) date, (2) charge or claim, (3) place, (4) court and case number, (5) current status of case, and (6) outcome of case. Attach documentation as necessary.

- ☐ YES ☐ NO    a. Business/Individual is a party in a pending lawsuit.
- ☐ YES ☐ NO    b. Business /Individual is the subject of a judgment or has a conviction or pending case for criminal or civil fraud or bribery.
- ☐ YES ☐ NO    c. Business /Individual has a conviction or pending case for arson.
- ☐ YES ☐ NO    d. Business /Individual has been indicted for or convicted of any felony within the past 10 years.
- ☐ YES ☐ NO    e. Business /Individual has been a debtor in a bankruptcy proceeding, either voluntary or involuntary, within the past 10 years.
- ☐ YES ☐ NO    f. Business /Individual has unpaid delinquent taxes, municipal liens, and/or outstanding civil money judgments.
- ☐ YES ☐ NO    g. Business /Individual has been declared in default of a loan or failed to complete a development project.
- ☐ YES ☐ NO    h. Is the Business /Individual subject to any defaults, liens, or judgments?
- ☐ YES ☐ NO    i. Has the Business /Individual failed to complete or currently in violation of a development agreement or other agreement involving the City of Saint Paul or the Housing and Redevelopment Authority of the City of Saint Paul?
- ☐ YES ☐ NO    j. Has the Business /Individual previously been involved in a lawsuit with the City of Saint Paul or the Housing and Redevelopment Authority of the City of Saint Paul?
- ☐ YES ☐ NO    k. Does the Business /Individual own property that is currently subject to three or more housing code violations or prompted three or more police calls within the last year?
- ☐ YES ☐ NO    l. Has the Business /Individual failed to obtain a required permit for work performed in the City of Saint Paul?

## Statement of Non-Collusion

The Individual signing this affidavit, on his/her own behalf or on the Business's behalf, as applicable, swears or affirms that:

1. He or she is fully informed respecting the preparation and contents of the subject proposal.
2. The proposal is genuine and is not a collusive or sham offer, nor does the Business/Individual , as applicable, intend to hold said property as a “speculative” investment.
3. The price or prices quoted in this offer are fair and proper and this Business/Individual or any of its officers, partners, agents, representatives, owners, or employees, as applicable, has not in any manner sought to secure through any collusion, conspiracy, connivance, or unlawful agreement any advantage against the City, or any person interested in the proposed contract and/or redevelopment.

I swear or affirm, on my own behalf or on the Business's behalf, as applicable, that the information contained in this Disclosure Affidavit is true and correct to the best of my/our knowledge and belief. I further acknowledge that the statements made in this Disclosure Affidavit are material and will be relied upon by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota, in determining what action to take on this proposal.

Signature	Title	Date
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**STATE OF** \_\_\_\_\_ )  
 ) ss.

**COUNTY OF \_\_\_\_\_ )**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2013, by \_\_\_\_\_, (individually) (on behalf of \_\_\_\_\_).

Notary Public

# Homeowner Sources and Uses

<b>Address:</b>	xxx Street
<b>Description:</b>	Rehab/new const of xxx sq ft building, # BD, # BA

## ACQUISITION COSTS

Purchase Price	\$ -	Use full price from Ramsey County listing
Closing Costs - Acquisition	\$ -	Include \$500 fee payable to HRA
<b>Total Acquisition Costs</b>	<b>\$ -</b>	

## CONSTRUCTION COSTS (HARD COSTS)

Hard Construction Costs	\$ -	Estimated Contract Amount
Contingency	\$ -	
<b>Total Construction Costs</b>	<b>\$ -</b>	

## SOFT COSTS

Design and Construction Management	\$ -
Legal Work	\$ -
Radon/Abestos/Lead Tests	\$ -
Real Estate Commission Fee	\$ -
Soil Tests	\$ -
Survey	\$ -
Marketing/Staging	\$ -
Seller's Closing Costs	\$ -
After Rehab Appraisal Fee	\$ -
Holding Costs (maintenance, utilities)	\$ -
Property Insurance	\$ -
<b>Total Soft Costs</b>	<b>\$ -</b>
Developer's Fee	\$ -

<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$ -</b>	Total of Acquisition, Construction Costs, Soft Costs, and Developer Fee
<b>Sale Price</b>	<b>\$ -</b>	Appraised value of home

<b>Projected Value Gap</b>	<b>\$ -</b>	Total Development Costs less Sale Price
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## Permanent Financing

First Mortgage	\$ -	Buyer's first mortgage
Ramsey County Land Discount		75% discount (non-profits) or 50% discount (for-profits) developing affordable housing
Other Source	\$ -	
Other Source	\$ -	
Other Source	\$ -	
<b>Total</b>	<b>\$ -</b>	Permanent Financing Total must equal TDC

## Interim Financing

Equity	\$ -	Developer contribution
Construction Loan	\$ -	Name terms
Ramsey County Land Discount	\$	75% discount (non-profits) or 50% discount (for-profits) developing affordable housing
Other Source	\$ -	
Other Source	\$ -	
Other Source	\$ -	
<b>Total</b>	<b>\$ -</b>	

# Rental Sources and Uses: Tax Forfeit Acquisition

**Address:** xxx Street  
**Description:** Rehab/new const of xxx sq ft building, # BD, # BA, # units

## Uses

### ACQUISITION COSTS

Purchase Price	\$ -	Ramsey County Listing Price
Closing Costs - Acquisition	\$ -	Include \$500 fee payable to HRA
<b>Total Acquisition Costs</b>	<b>\$ -</b>	

### CONSTRUCTION COSTS

Hard Construction Costs	\$ -	Contract Amount
Contingency	\$ -	
<b>Total Construction Costs</b>	<b>\$ -</b>	

### SOFT COSTS

Design and Construction Management	\$ -
Legal Work	\$ -
Radon/Abestos/Lead Tests	\$ -
Soil Tests	\$ -
Survey	\$ -
Marketing	\$ -
Holding Costs (maintenance, utilities)	\$ -
Property Insurance	\$ -
<b>Total Soft Costs</b>	<b>\$ -</b>
Developer's Fee	\$ -

<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$ -</b>	Total of Acquisition, Construction Costs, Soft Costs, and Developer Fee
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<b>Projected Value Gap</b>	Amount needed for positive cash flow (From Attachment G)
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## Permanent Sources\*

\*Developer must demonstrate ability to secure all identified sources.

Equity	\$ -	Developer contribution
Bank Loan	\$ -	Name terms
Ramsey County Land Discount	\$ -	75% discount (non-profits) or 50% discount (for-profits) developing affordable housing
Other Source	\$ -	
Other Source	\$ -	
<b>Total</b>	<b>\$ -</b>	Total of permanent sources should equal Total Development Costs.



[illegible]

## Tax Forfeit Property Hold Policy and Sales Procedure HRA Staff Evaluation Form

Property Address	
Developer	
Application Reviewed By	
Ramsey County Acq. Price	
Developer Asking Price	

If the answer to question 1 or 2 is NO, the application is denied.

- |     |    |  |
|-----|----|--|
| YES | NO | 1. Does the Developer have the capacity to complete the proposed activity? (Explain NO response below) |
| YES | NO | 2. Will the proposed activity have a public purpose? (Explain NO response below)                       |

Explanation:

If the answer to question 3 or 4 is YES, the application is denied.

- |     |    |  |
|-----|----|--|
| YES | NO | 3. Does the Developer have a history of defaulting on agreements with the HRA or pending litigation with other parties? (Explain YES response below) |
| YES | NO | 4. Does the Developer currently poorly manage other property in the City of Saint Paul? (Explain YES response below)                                 |

Explanation:

Approvals:

HRA Staff Recommendation	APPROVE	DENY	Date: _____
Acquisition Price and HRA Fee Received?	YES		Date: _____
HRA Board Action	APPROVE	DENY	Date: _____
Ramsey County Board Action	APPROVE	DENY	Date: _____
Closing Completed?	YES		Date: _____