

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 13, 2014

REGARDING: Resolution Approving and Authorizing Action Related to the Saint Paul Housing and Redevelopment Authority's (HRA) Disposition Strategy and Work Plan: 1) Property Valuation Policy; 2) Disposition Policy and Procedure for the Sale of Vacant Lots for Market Value (VLS); 3) Expenditures for Hazard Mitigation and Property Maintenance; 4) Application to Minnesota Housing's Community Housing Impact Fund; and 5) Reimbursement of Expenses Incurred by Habitat for Humanity, Citywide.

Requested Board Action

Approval of continued implementation of activity under the Saint Paul Housing and Redevelopment Authority's (HRA) Disposition Strategy and Work Plan, which was approved by the HRA Board on July 24, 2013 (Resolution 13-1097). The specific actions being requested of the HRA Board are approval of the following:

1. Property Valuation Policy;
2. Disposition Policy and Procedure for the Sale of Vacant Lots for Market Value (VLS);
3. Expenditure of up to \$40,000 for hazard mitigation and property maintenance at 234-238 Bates Avenue;
4. Application to Minnesota Housing Finance Agency's (MHFA) Community Housing Impact Fund (CHIF) RFP; and
5. Expenditure of \$3,951.30 to reimburse Habitat for Humanity for expenses incurred on HRA-owned property.

Background

Planning and Economic Development (PED) staff analyzed all HRA-owned property 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. Property that was considered as part of the disposition analysis was predominantly scattered site vacant lots (no more than four contiguous lots) and buildings that are no more than four units. This

information was presented to, and the Disposition Strategy and Work Plan (DSWP) was approved by, the HRA Board of Commissioners on July 24, 2013 via Resolution 13-1097.

Progress has been made regarding the implementation of the DSWP under the Inspiring Communities Program, and the policies and actions detailed in this report assist in maintaining this momentum. “Inspiring Communities” is currently used for the marketing campaign for homes both rehabilitated and newly constructed, and consolidates property acquired under the NSP, ISP, and Community Development Block Grant (CDBG) programs, along with some HRA acquired property, under one strategy.

Previous Board action related to Inspiring Communities includes:

- Approval of the Disposition Strategy, Work Plan, and Budget (13-1097)
- Approval of Program Manuals, and Guidelines for Disposition of Splinter Parcels (13-1592)
- Acceptance of \$840,000 from MHFA and \$200,000 from the Metropolitan Council through the 2013 CHIF RFP (14-295)

The July 24, 2013 Board action established four disposition categories: two that allocated future subsidy and two that were sales strategies. Properties eligible for subsidy were either located in cluster areas (Dayton’s Bluff, Railroad Island (Payne-Phalen), Payne-Maryland (Payne-Phalen), Frogtown, and West Seventh) or had obligations for redevelopment (vacant buildings, some tax forfeit properties, some federal properties). The remaining properties were either buildable lots to be sold for market value, or splinter parcels to be sold for a nominal price. The intention of the Work Plan was to allocate properties eligible for subsidy through a competitive RFP process as funding sources became available.

After approval of the DSWP, staff organized a workshop with realtors, for profit and nonprofit developers, district councils, lenders, intermediaries, and university representatives to gain feedback for the Work Plan’s implementation. Comments from the workshop directly shaped the program manuals, RFP, and policies and procedures included in and referenced by this report.

Property Valuation Policy

Staff is seeking approval of the Property Valuation Policy, detailed in **Attachment C**, in order to establish a clear and equitable process for the valuation of Vacant Lots. Market value will be determined through a third party appraisal or broker's opinion of value dated within 12 months of the property listing. Efficiency will be maintained by ordering a single Base Appraisal for similar Vacant Lots within a Planning District. If a Vacant Lot is not within 200 square feet of the Base Appraisal or has unique site conditions, adjustments will be made according to the policy. After two unsuccessful application cycles, the lot price will be adjusted to encourage sale. After four unsuccessful application cycles, the Vacant Lot will be re-categorized and eligible for sale as a Splinter Parcel as defined by HRA Resolution 13-1592. Per the policy, application cycles will take place at least once annually.

Disposition Policy and Procedure for Sale of Vacant Lots for Market Value (VLS)

Staff is seeking approval of the VLS Policy, detailed in **Attachment D**. The proposed policy updates the property list and maps, and application form as detailed in **Attachments B and E**, respectively. A primary purpose of the VLS is to reduce inventory held by the HRA, subsequently increasing Saint Paul's tax base. Lots sold under the VLS do not have funding program restrictions or encumbrances attached, therefore, they are not eligible for additional HRA subsidy and will be sold "as-is" and at market value as determined by the aforementioned Property Valuation Policy. Applications for lots will be accepted at least once annually and will be considered according to four pre-defined priorities, as detailed in the Policy. The sale of lots under the VLS is contingent upon HRA Board Approval.

Hazard Mitigation and Property Maintenance

The property located at 234-238 Bates Avenue was under negotiation with a developer who had responded to an HRA RFP at the time of the October 9, 2013 Board Action (13-1592) when the "Pre-RFP" property list was established. At that time the developer had no request for subsidy, therefore the property was left off of the Pre-RFP list, but was still included in the 240 parcels identified for disposition. While there is still no request for a development subsidy, the HRA has not yet sold the property, this will likely happen at the end of September. The property is full of trash, has developed a significant amount of mold and has proved difficult to secure. In order to

protect this asset, staff requests authorization to expend up to \$40,000 in Disposition Strategy funding to immediately correct these issues.

Application to MHFA's Community Housing Impact Fund (CHIF)

Staff requests retroactive approval to apply for funding through MHFA's "Super RFP," which allocates CHIF and Metropolitan Council's Local Housing Incentive Account (LHIA) funds for single family residential development. In 2013, staff applied for and received, combined funds in the amount of \$1,040,000 (14-295). These funds represented approximately 45% of the funds awarded through the 2013 Inspiring Communities RFP. Under the current MHFA RFP, staff applied for \$960,000; the application was due June 17, 2014. MHFA will make funding awards in November.

Reimbursement of Expenses Incurred by Habitat for Humanity

Under the 2013 Inspiring Communities RFP Habitat for Humanity had been awarded a vacant lot located at 515 Lafond Avenue. Habitat proceeded to order soil borings and a survey with the intent to construct a new single family home. Much of the south half of this block is owned by the Church of St. Agnes. While the Church has not requested to purchase the lot from the HRA, there is an interest in having a broader community conversation relative to the outcome of this particular lot. Staff worked with Habitat to find an alternate lot for development and agreed to reimburse Habitat for expenses incurred on 515 Lafond. Staff requests the authorization to expend Disposition Strategy Budget funds to reimburse Habitat for soil boring and survey expenses totaling \$3,951.30.

Budget Action

No budget action is required.

Future Action

- Public hearings and HRA Board approval for the sale of property.
- Authorization to accept funds awarded by MHFA.
- Budget action to 2013 and 2014 CDBG funds into the Disposition Strategy Budget.

Financing Structure

Vacant Lots will be sold for market value, plus closing costs and conveyed via quit claim deed.

PED Credit Committee Review

Credit committee review is not a requirement of these actions.

Compliance

Vacant Lots will be sold for market value with no financing, and improvements are not a condition of sale, therefore there are no compliance requirements.

Green/Sustainable Development

The Sustainable Development Policy does not apply to the requested actions.

Environmental Impact Disclosure

A Tier 1 environmental impact study was conducted for the target area of NSP 1, 2, and 3, which encompasses the area of all Inspiring Communities program activities.

Historic Preservation

A 106 review is conducted at the time of acquisition for all HRA properties.

Public Purpose/Comprehensive Plan Conformance

See *Public Purpose Form*, attached as **Attachment G**. **Attachment H** includes a list of comprehensive and neighborhood plan documents that the proposed actions fulfill.

The Disposition Strategy has been presented to the planning councils most affected by the disposition strategy - the District 5 CPED and Railroad Island committees, District 4 Board, and District 7 Board - and received their support.

Recommendation:

The Executive Director recommends approval of this board action.

Sponsored by: Commissioner Brendmoen

Staff: Sarah Zorn, 651-266-6570

Attachments:

- **Attachment A – Resolution**
- **Attachment B – List of Properties, Maps**
- **Attachment C – Property Valuation Policy**
- **Attachment D – Disposition Policy and Procedure for Sale of Vacant Lots for Market Value**
- **Attachment E – Application for Purchase of Market Value Vacant Lot**
- **Attachment F – District Council Census Facts**
- **Attachment G – Public Purpose Form**
- **Attachment H – Comprehensive Plan Applicability**