

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 11, 2015

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF TWENTY-SEVEN PROPERTIES UNDER THE INSPIRING COMMUNITIES PROGRAM; AUTHORIZATION TO WAIVE THE MAXIMUM PER-UNIT SUBSIDY FOR SEVEN PROPERTIES; AUTHORIZATION TO ENTER INTO DEVELOPMENT AGREEMENTS, AND AUTHORIZATION OF EXPENDITURES FOR REDEVELOPMENT UNDER THE SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY'S INSPIRING COMMUNITIES PROGRAM.

Requested Board Action

Approval of the sale and conveyance of twenty-seven properties owned by the Housing and Redevelopment Authority of the City of Saint Paul ("HRA"), authorization to enter into development agreements with five developers for the redevelopment of said properties, authorization to exceed the HRA's maximum gross subsidy per-unit cap for seven of the properties, and authorization of expenditures as identified in this report under the Saint Paul HRA Disposition Work Plan and Budget's ("DWPB") Inspiring Communities program.

Background

In the spring of 2013, staff from the City's Department of Planning and Economic Development 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 DWPB was 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, including a maximum gross subsidy cap per unit of \$150,000.

This current Board action request relates to the second Inspiring Communities Request for Proposals (“RFP”). (The first Inspiring Communities RFP was released in October 2013 and work is underway and nearing completion.) On November 3, 2014 staff released the second Inspiring Communities RFP to solicit proposals for 58 HRA-owned properties. The list of properties included 19 buildings and 39 vacant lots. Proposals were due and received by December 5, 2014. Responses were received from 9 developers for 32 properties. One property application was disqualified because it was incomplete. The remaining applications were analyzed and ranked.

The gross per-unit subsidy request for 12 of the properties is in excess of \$150,000. The HRA Board must waive the HRA maximum subsidy cap policy in order for those projects to move forward. Staff recommends the Board waive the subsidy cap policy for 7 properties, as follows:

426 Minnehaha Avenue	\$161,900 gross subsidy
430 Minnehaha Avenue	\$170,095 gross subsidy
427 Mount Ida Street	\$154,380 gross subsidy
433 Mount Ida Street	\$155,535 gross subsidy

437 Mount Ida Street	\$166,345 gross subsidy
1082 Galtier Street	\$159,422 gross subsidy
113 Winnipeg Avenue	\$176,026 gross subsidy

These 7 properties involve the new construction of homes on vacant HRA parcels and staff has determined that the construction costs are competitive and do not have any excessive design elements. The proposing developers have proven track records of reasonable costs and developer fees are within program parameters. Estimated sales prices are in line with the market and a smaller subsidy can only occur if there is a reduction in construction costs next year (which is unlikely) and/or an increase in sales prices that is unknown at this time. By proceeding with the sale and construction of these parcels, the HRA saves an average of \$3,000 per lot per year in maintenance, the parcels are put back on the tax rolls and the positive momentum of neighborhood investment in these critical neighborhood continues.

The five remaining proposals exceeding the subsidy cap involve the rehabilitation of existing homes and require further staff analysis. A subsequent Board action to waive the subsidy cap will be required if it is determined that these additional projects should proceed.

Staff recommends approval of 27 proposals (See **Attachment B** – 2014 Inspiring Communities RFP Award Recommendation). The recommended proposals will require a total net development subsidy expenditure of \$2,900,227.51.

All recommended proposals are for homeownership.

Budget Action

No budget action is required. These projects will be funded via the DWPB. HRA budget actions pertaining to the DWPB have authorized an overall program spending plan, but the HRA Board requires each specific project within the plan to be specifically approved. The total expenditure of \$2,900,227.51 is detailed in **Attachment B** – 2014 Inspiring Communities RFP Award Recommendation.

Future Action

Regarding the projects in this Resolution, no future action will be required. Once the HRA takes action approving the sale of the property, staff will proceed to execute development agreements and convey property.

Additional Board action will be required to approve any of the remaining five proposals that are in excess of the subsidy cap.

Financing Structure

Financing will be as indicated in the Homeownership Program Manual. Value gap assistance provided to awardees 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.

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 the Dayton's Bluff Historic District will comply with the appropriate historic district guidelines and regulations.

Public Purpose/Comprehensive Plan Conformance

Please see **Attachment F** – Public Purpose Form. **Attachment C** 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 Dayton's Bluff District 4, Payne-Phalen District 5, North End District 6, Thomas-Dale / Frogtown District 7 and Fort Road / West Seventh District 9 by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (“the HRA”).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, January 31, 2015. 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 property in Dayton's Bluff District 4:

Property Description	Purchaser/Developer	Purchase Price
845 Conway Street	Dayton's Bluff Neighborhood Housing Services ("DBNHS")	\$29,525
1031 Reaney Avenue	DBNHS	\$22,000
898 Wilson Avenue	DBNHS	\$25,125
587 Reaney Avenue	Spero Properties	\$12,726

The HRA proposes to convey the following property in Payne-Phalen District 5:

Property Description	Purchaser/Developer	Purchase Price
426 Minnehaha Avenue E	DBNHS	\$9,250
430 Minnehaha Avenue E	DBNHS	\$9,250
427 Mount Ida Street	DBNHS	\$6,375
433 Mount Ida Street	DBNHS	\$5,450
437 Mount Ida Street	DBNHS	\$16,350
914 Jessamine Avenue	DBNHS	\$43,000
677 York Avenue	DBNHS	\$91,375
963 Burr Street and 477 Case Avenue	NeighborWorks Home Partners	\$10,000
475 Hopkins Street	Twin Cities Habitat for Humanity	\$15,450
753 Bradley Street	Spero Properties	\$68,000
736 Desoto Street	Spero Properties	\$15,450
892 Edgerton Street	Spero Properties	\$15,450
904 Geranium Avenue E	Spero Properties	\$10,000

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

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

	Alliance (“NeDA”)	
113 Winnipeg Avenue	NeDA	\$10,000
115 Magnolia Avenue	Spero Properties	\$10,000

The HRA proposes to convey the following property in Thomas-Dale / Frogtown District 7:

Property Description	Purchaser/Developer	Purchase Price
295 Charles Avenue	NeighborWorks Home Partners	\$13,625
594 Edmund Avenue	Twin Cities Habitat for Humanity	\$10,000
433 Sherburne Avenue	Spero Properties	\$10,000

The HRA proposes to convey the following property in Fort Road / West Seventh District 9:

Property Description	Purchaser/Developer	Purchase Price
337 Goodrich Avenue	NeighborWorks Home Partners	\$52,700
310 Harrison Avenue and 314 Harrison Avenue	NeighborWorks Home Partners	\$12,000
376 Sturgis Street	NeighborWorks Home Partners	\$17,300

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, waiver of the HRA maximum per-unit gross subsidy gap cap, 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)

Joe Musolf (651-266-6594)

Attachments:

- **Attachment A -- Resolution**
- **Attachment B – 2014 Inspiring Communities RFP Award Recommendation**
- **Attachment C – Comprehensive Plan Conformance**
- **Attachment D -- Project Summary Form**
- **Attachment E -- Sources and Uses Summary Form**
- **Attachment F -- Public Purpose Form**
- **Attachment G – Census Facts**
- **Attachment H -- Map**