

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 12, 2015

**REGARDING: APPROVAL OF THE SALE AND CONVEYANCE OF PARCEL 694/696
4th STREET EAST UNDER THE INSPIRING COMMUNITIES
PROGRAM, DAYTON'S BLUFF, DISTRICT 4, WARD 7**

Requested Board Action

Approve the sale and conveyance of Parcel 694/696 4th Street East to Brittany Kellerman and Ricardo Bennett Guzman.

Background

The City of Saint Paul HRA has been implementing the work plan authorized by the HRA in 2007 (which was periodically amended in the succeeding years) for the Invest Saint Paul (ISP) Program and Neighborhood Stabilization Program (NSP). Authorizing HRA resolutions include:

Invest Saint Paul work program (07-08/08-3)

Neighborhood Stabilization Program 1 (09-02/25-6)

Neighborhood Stabilization Program 2 (10-3/24-3)

Neighborhood Stabilization Program 3 (11/721 and 11/623)

Through the above resolutions, the stage was set for an investment of \$17 million of ISP municipal bonds and \$32 million of NSP federal grants into Saint Paul's neighborhoods that were most impacted by the mortgage foreclosure crisis and the resulting dramatic increase in vacant properties. Funding received through the Neighborhood Stabilization Program had specific expenditure requirements, which the HRA has met for all three rounds of NSP. During the course of the respective work programs, the HRA aggressively acquired blighted, vacant, and foreclosed property, provided support to community organizing initiatives, and redeveloped vacant commercial and residential buildings into neighborhood assets.

Activities begun under the ISP and NSP initiatives have been folded into the Inspiring Communities Program (Program), a single family housing program that involves the development, or redevelopment, of HRA-owned property. The Program stemmed from the HRA

Land Disposition Strategy (LDS), which was designed to address 240 parcels in the HRA inventory; the LDS was approved by the HRA on July 24, 2013 by Resolution 13-1097.

694/696 4th Street East

The property located at 694/696 4th Street East was purchased on June 8, 2012, under the Neighborhood Stabilization Program (NSP) and Rebuilding Plan 2009-2013 approved by HRA Resolution 09-02/25-6. The HRA purchased the property for \$18,220. This property is a two-story, side-by-side duplex built in 1884. Each unit is approximately 1,188 square feet with 2 BD/1 BA. The purchaser will occupy one unit and may lease the other; there are no income restrictions on the rental unit. NSP treats owner-occupied property with 1 – 4 units as single family homes and only requires that the purchaser/owner income-qualify. The range of rehabilitation costs for all completed ISP/NSP projects has been between \$87 and \$219/square foot, which considers all rehabilitation requirements, energy efficiency and curb appeal. The range of sale prices has been between \$67 and \$144/square foot. The per square foot rehab costs and sales price on this home were \$142 and \$90 respectively. See the financing structure below for a breakdown of gap/subsidy, assistance and estimated program income.

The sale of this and other Inspiring Communities homes will generate program income that will be recycled and used to fund like activities.

See **Attachment B – Marketing Process and Procedures/Homebuyer Incentive Program** for more information on fair marketing efforts.

Budget Action

No budget action is being requested. The City Council approved required NSP budget actions on November 19, 2008 (Resolution 08-1270), January 28, 2009 (Resolution 09-103) and February 6, 2013 (Resolution 13-32). The HRA approved required actions on February 25, 2009 (Resolution 09-02/25-6); February 13, 2013 (Resolution 13-198); July 24, 2013 (Resolution 13-1097); February 12, 2014 (Resolution 14-295); September 10, 2014 (Resolution 14-1577); January 28, 2015 (Resolution 15-212). All actions identified the eligible funding activities approved under the Inspiring Communities Program.

Future Action

No future action will be required. Once the HRA takes action approving the sale of the property, staff will proceed to schedule a closing and convey the property.

Financing Structure

The property is being sold based on the after-rehab appraisal, comparable sales, and in consideration of project costs for \$213,400. A deed conveying the property includes a restriction requiring owner-occupancy. The first mortgage will be FHA financing held by Marketplace Home Mortgage, LLC. In addition, the purchaser will be using mortgage affordability assistance provided by the Inspiring Communities Homebuyer Assistance Program.

(The Homebuyer Assistance Program is both an incentive and a tool to assist in keeping mortgage payments affordable over the long term. The assistance is provided to any home buyer purchasing an Inspiring Communities house assisted by HRA. The assistance being provided to the home buyer at 694/696 4th Street East is \$2,500.)

Subsidy Analysis:

	Project Costs	
Acquisition Price	\$	18,220
Rehabilitation	+ \$	338,381
Soft Costs	+ \$	7,255
Realtor Fees/Closing Costs	+ \$	12,804
Total Development Cost	= \$	376,660
Sale Price	- \$	213,400
Development Gap	= \$	163,260*
Homebuyer Assistance/Affordability Gap	+ \$	2,500
Total Gap	= \$	165,760
Program Income	\$	198,096

Note: Soft costs include: marketing, insurance, holding costs, construction management, etc.

*\$163,260 represents development gap for 2 units (\$81,360/per unit)

PED Credit Committee Review

Credit Committee review is not a requirement of the sale of property.

Compliance

This development complied with all the following requirements:

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

The project complies with the Saint Paul/HRA Sustainability Initiative. The project also meets the following:

1. HUD Healthy Home requirements;
2. state requirements for asbestos removal as applicable;
3. local and state building codes, together with the HRA's NSP guiding principles adopted February 24, 2009 to "provide healthy, affordable and quality housing, improving the housing stock above minimum standards by addressing lead, mold, radon, energy efficiency and curb appeal elements;"
4. all items related to energy efficiency as addressed in the Neighborhood Energy Connection (NEC) audit; and
5. lead removal or abatement.

Environmental Impact Disclosure

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

Historic Preservation

This property was found to be in compliance with all applicable regulations.

Public Purpose/Comprehensive Plan Conformance

This action supports all three strategies of the Housing Chapter of the City's Comprehensive Plan: 1) build on Saint Paul's strengths in the evolving metropolitan housing market; 2) preserve and promote established neighborhoods; and 3) ensure the availability of quality and affordable housing across the City.

The purchase, rehab and sale of this property supports the goal of the Inspiring Communities Program to strategically channel resources and build upon stabilization efforts in neighborhoods most impacted by vacancy and foreclosure in order to further the HRA's mission to "preserve, grow and sustain" neighborhoods.

Statement of Chair

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 a certain Parcel of land located in Dayton's Bluff, District 4, 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 Saturday, October 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 District 4, Dayton's Bluff:

<u>Property Description</u>	<u>Purchaser/Developer</u>	<u>Purchase Price</u>
694/696 4th Street East	Brittany Kellerman and Ricardo Bennett Guzman	\$213,400

The above property was purchased and rehabilitated by the HRA and is being sold at a 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 and staff recommend approval of this sale in accordance with the attached resolution.

Sponsored by: Commissioner Finney

Staff/Project Manager: Sarah Zorn (651-266-6570)

Attachments:

- **Attachment B – Marketing and Incentives**
- **Attachment C – Photos**
- **Attachment D – Map**
- **Attachment E -- Public Purpose**
- **Attachment F – District 4 Profile**