

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 12, 2015

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF TWENTY-ONE PARCELS UNDER THE INSPIRING COMMUNITIES PROGRAM; 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-one parcels owned by the Housing and Redevelopment Authority of the City of Saint Paul ("HRA"), authorization to enter into development agreements with six developers for the redevelopment of said 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 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 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 on or rehabilitate lots and 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 third Inspiring Communities Request for Proposals (“RFP”). (The first Inspiring Communities RFP was released in October 2013; the second RFP was released in November 2014 and work is underway and nearing completion.)

On August 24, 2015 staff released the third Inspiring Communities RFP to solicit proposals for 30 HRA-owned properties (one of those properties is comprised of two parcels, which will be combined). The list of properties included 11 buildings and 19 vacant lots. Proposals were due and received by September 23, 2015. Qualified responses were received from 10 developers for all 30 properties, and the applications were analyzed and ranked by staff. The gross per-unit subsidy request for 10 of the properties is in excess of the \$150,000 subsidy cap. At this time, those proposals are not being considered because they require further staff analysis. A subsequent Board action to waive the subsidy cap will be required if it is determined that these projects should proceed.

The following addresses were awarded to various developers under RES 15-48: 845 Conway Street, 1031 Reaney Avenue, 898 Wilson Avenue, 914 Jessamine Avenue East, 963 Burr Street, 477 Case Avenue, 295 Charles Avenue, 1082 Galtier Street, and 113 Winnipeg Avenue. However, the developers decided not to move forward, so under mutual agreement, the properties were released again in the most recent RFP.

Staff recommends approval of 20 proposals (See **Attachment B** – 2015 Inspiring Communities RFP Award Recommendation) for redevelopment on twenty-one parcels. The recommended proposals will require a total net development subsidy expenditure of \$1,831,551.75. The total HRA value gap assistance on these projects, which includes property acquisition price, is \$2,268,875.75.

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 \$1,831,551.75 is detailed in **Attachment B** – 2015 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.

### **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
8. Saint Paul Sustainable Development 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 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 The Greater East Side District 2, 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, 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 The Greater East Side District 2:

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
1282 Clarence Street	Twin Cities Habitat for Humanity (“TCHFH”)	\$20,825

The HRA proposes to convey the following property in Dayton’s Bluff District 4:

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
845 Conway Street	Dayton’s Bluff Neighborhood Housing Services (“DBNHS”)	\$29,525
1031 Reaney Avenue	DBNHS	\$22,000
898 Wilson Avenue	DBNHS	\$25,125
1120 Reaney Avenue	TCHFH	\$13,075

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

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
914 Jessamine Avenue	DBNHS	\$43,000
963 Burr Street and 477 Case Avenue (parcels to be combined)	Spero Properties	\$10,000
790 Case Avenue	Robert Engstrom Capital Management, LLC (“Engstrom”)	\$116,820
620 Jessamine Avenue	Project for Pride in Living (“PPL”)	\$9,100
667 Lawson Avenue	PPL	\$10,000
506 Hopkins Street	TCHFH	\$11,825
1059 Maryland Avenue	TCHFH	\$19,775

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

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
1082 Galtier Street	TCHFH	\$10,001
113 Winnipeg Avenue	TCHFH	\$10,001
952 Farrington Street	Urban Homeworks	\$10,000

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

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
295 Charles Avenue	TCHFH	\$13,625
643 Elfelt Street	TCHFH	\$12,725

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

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
47 Douglas Street	Engstrom	\$1
69 Garfield Street	Engstrom	\$49,900
276 Nugent Street	PPL	\$1

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)

**Attachments:**

- **Attachment B – 2015 Inspiring Communities RFP Award Recommendation**
- **Attachment C – Comprehensive Plan Conformance**
- **Attachment D -- Project Summary**
- **Attachment E -- Sources and Uses Summary**
- **Attachment F -- Public Purpose**
- **Attachment G – Census Facts**
- **Attachment H -- Map**