

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

**REPORT TO THE COMMISSIONERS**

**DATE: APRIL 27, 2016**

**REGARDING: RESOLUTION AUTHORIZING A BUDGET AMENDMENT TO ALLOCATE  
VALUE GAP SUBSIDY, CONVEY PROPERTY AND ENTER INTO A  
DEVELOPMENT AGREEMENT FOR THE VILLAGE ON RIVOLI PROJECT,  
DISTRICT 5, WARD 5**

## **Requested Board Action**

The specific actions being requested of the HRA Board are as follows:

1. Approval of a budget amendment to allocate \$463,442 in value gap subsidy for the first two phases of the Village on Rivoli project.
2. Approval of the sale and conveyance of HRA-owned property intended for redevelopment as Phase I of the Village on Rivoli project.
3. Approval to execute an updated development agreement with Dayton's Bluff Neighborhood Housing Services.

## **Background**

In June of 2004 the HRA entered into a development agreement for the redevelopment of several properties in the Railroad Island neighborhood (RRI), which included parcels in the planned Village on Rivoli area. Dayton's Bluff Neighborhood Housing Services (DBNHS) has been working with the City, HRA, MHFA, HUD, PCA, District 5 and the RRI Task Force to fund cleanup, redevelopment and planning efforts in RRI for well over 15 years. Redevelopment of the Village on Rivoli site was a phase of development in RRI that was never completed due to the economic downturn; however, much of the site cleanup and grading was completed prior to that time. DBNHS has been working over the last several years to secure funding for infrastructure and construction, and is now ready to begin the project in the spring save for the acquisition of key parcels and a commitment of value gap funding from the HRA.

Because DBNHS has been continuously working on this project, and work described under a previously executed development agreement has been ongoing, staff is seeking approval to

execute a new and updated development agreement. The 2004 agreement refers to funds that have already been spent, some through programs that no longer exist. In addition, the agreement references neighborhood and city plans that have since expired and development plans that have been completed. The new agreement will refer specifically to the Village on Rivoli development, which will ultimately result in the construction of 35 housing units, an orchard, a solar garden, and bike and pedestrian trails/connections. Funding and budgets, project plans, adopted plan references, and compliance requirements will all be updated.

In November of 2012, by Resolution 12-2129, the HRA approved the allocation plan for the \$2.5 million Housing Trust Fund. Part of that approval reserved funding for new construction projects and the DBNHS SHOP™ program. The allocations were \$500,000 and \$200,000 respectively. The current unspent balances are \$175,000 in new construction and \$200,000 in SHOP™. Because the SHOP™ funds were intended to be used by DBNHS, and the program was unable to move forward, staff would like to reallocate those funds to the Rivoli project, where they can still be used by DBNHS. In addition to the \$375,000 in Housing Trust Fund dollars, PED staff has reserved funds from the HRA Enterprise Fund in the amount of \$88,442. Staff is seeking approval to allocate these funds for value gap financing for the construction of Phase I (7 homes) and Phase II (5 homes).

In order to construct Phase I of the housing development (seven homes), the HRA will need to convey seven parcels to DBNHS.

### **Budget Action**

The requested budget action is to designate \$175,000 from the Affordable Housing Trust Fund's new construction allocation, \$200,000 from the SHOP™ Foreclosure Buyback Program, and \$88,442 from the HRA Enterprise Fund. These funds are to be used for value gap financing in the construction of twelve single family homes.

### **Future Action**

Future Board action will be the conveyance of additional property as the project progresses. Phase II of the project will be to construct an additional five single family homes. The final

phase of the project will include the construction of an additional twenty-eight units of housing, an orchard, a solar garden, and pedestrian and bike trails and connections. The land for the final phase of development has not yet been platted.

### **Financing Structure**

	<b>PHASE I</b>	<b>PHASE II</b>	<b>TOTAL</b>
<b>USES</b>	<b>7 Houses</b>	<b>5 Houses</b>	<b>12 Houses</b>
Acquisition Costs	\$21,000	\$15,000	\$36,000
Construction Costs	\$2,042,110	\$1,569,775	\$3,611,885
Soft Costs	\$328,720	\$236,800	\$565,520
Developer's Fee	\$191,345	\$145,725	\$337,070
<b>Total Development Cost</b>	<b>\$2,583,175</b>	<b>\$1,967,300</b>	<b>\$4,550,475</b>
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Less Sales Price	(\$1,379,000)	(\$1,005,000)	(\$2,384,000)
Less Site Preparation	(\$241,220)	(\$172,300)	(\$413,520)
Construction Gap	\$962,955	\$790,000	(\$1,752,955)
MHFA	(\$361,610)	\$0	(\$361,610)
STAR	(\$234,437)	(\$167,455)	(\$401,893)
Met Council LCDA	\$0	(\$75,000)	(\$75,000)
HRA*	\$270,341	\$193,101	(\$463,442)
Remaining MHFA Gap/Equity	\$96,567	\$354,444	\$451,011

DBNHS intends to apply to the Minnesota Housing Finance Agency to help fill the remaining value gap need.

\*HRA authorization would allow value gap funds to be shifted from one phase to another to allow for flexibility in market conditions.

### **PED Credit Committee Review**

The terms of project assistance were approved by the Credit Committee on April 25, 2016.

### **Compliance**

Staff is working with HREEO and the City Attorney's Office to determine applicable

compliance requirements. The project is subject to Section 3, Vendor Outreach, Affirmative Action, Sustainable Building Policy, Limited English Proficiency, and Two Bid Policy. The project may be subject to Labor Standards, Living Wage and Project Labor Agreement.

### **Green/Sustainable Development**

The project will comply with the Sustainable Building Policy.

### **Environmental Impact Disclosure**

The Village on Rivoli site has been through several stages of remediation in cooperation with the MPCA and is suitable for residential development. No further disclosure is required.

### **Historic Preservation**

This project is vacant land and is not located within a historic district.

### **Public Purpose/Comprehensive Plan Conformance**

This development will return vacant, publicly-owned property back to the tax rolls and increase homeownership options within Railroad Island and the Payne-Phalen neighborhood.

The Housing Chapter of the Comprehensive Plan lists the following strategies:

Strategy 1: Build upon Saint Paul's Strengths in the Evolving Metropolitan Housing Market

1.1 Increase housing choices across the city to support economically diverse neighborhoods.

Strategy 3: Ensure the Availability of Affordable Housing Across the City.

### **Statement of the Chair (for Public Hearing)**

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 Payne-Phalen, District 5, by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota.

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, April 16, 2016. 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 5, Payne-Phalen to Dayton's Bluff Neighborhood Housing Services for \$1 each:

**Property Description**

Lots 1 through 7, Block 1, Village on Rivoli Addition, commonly known as follows:

673 Rivoli Street

677 Rivoli Street

681 Rivoli Street

685 Rivoli Street

689 Rivoli Street

693 Rivoli Street

697 Rivoli Street

The above property is being sold for the purpose of construction of seven single-family, for-sale homes.

**Recommendation:**

The Executive Director recommends approval to allocate \$463,442 in project funds, convey the aforementioned property, and enter into an updated development agreement.

**Sponsored by:** Commissioner Brendmoen

**Staff:** Sarah Zorn, 651-266-6570

**Attachments**

- **Attachment A – Budget Amendment**
- **Attachment B - Map**
- **Attachment C – Public Purpose**
- **Attachment D – District 5 Profile**