

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 8, 2016

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF FIVE PROPERTIES UNDER THE INSPIRING COMMUNITIES PROGRAM; AUTHORIZATION TO ENTER INTO DEVELOPMENT AGREEMENTS; AUTHORIZATION OF EXPENDITURES FOR REDEVELOPMENT; AND, AUTHORIZATION TO WAIVE THE MAXIMUM PER-UNIT SUBSIDY FOR EACH PROPERTY. DISTRICT 4, WARD 7.

Requested Board Action

- 1) Approval of the sale and conveyance of five properties owned by the Housing and Redevelopment Authority of the City of Saint Paul (“the HRA”) to three different developers, for rehabilitation, at a discounted price of \$1 each;
- 2) Authorization to enter into development agreements with aforementioned developers;
- 3) Authorization to expend \$749,999 under the Disposition Work Plan and Budget in order to subsidize rehabilitation; and
- 4) Authorization to waive the HRA’s \$150,000 maximum per-unit gross subsidy policy, for each of the five properties.

The five properties and corresponding developers are as follows:

700 4 th Street East	Project for Pride in Living
767 4 th Street East	Paul Ormseth
737 Plum Street	Eden Builders, Inc.
275 Bates Avenue	Eden Builders, Inc.
987 Wilson Avenue	Eden Builders, Inc.

Overall 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 (“Strategy”) and budget to advance redevelopment plans for the sites

analyzed. The resulting Strategy was designed to address parcels in the HRA inventory and was approved by the HRA Board of Commissioners on July 24, 2013 by Resolution 13-1097. All related activities were branded as Inspiring Communities, which prioritizes subsidy to address property with an outcome prescribed by the United States Department of Housing and Urban Development (“HUD”).

Goals of the Inspiring Communities program include:

- Use HRA property as a catalyst for neighborhood transformation;
- Newly construct on vacant lots and/or rehabilitate structures 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, and small businesses; and
- Inspire innovative, sustainable design and construction methods.

Program manuals for both home ownership and rental opportunities were developed in an effort to standardize processes and requirements, and to create a predictable and transparent development program. On October 9, 2013, via Resolution 13-1592, the Board approved adoption of the Inspiring Communities Homeowner Program Manual and Rental Program Manual as the key requirements for executing the program. This includes a maximum gross subsidy cap of \$150,000 per unit.

This current Board action relates to the fourth Inspiring Communities Request for Proposals (“RFP”). Three previous RFPs were released in 2013, 2014 and 2015 respectively and resulted in the approval of 65 new construction and rehabilitation projects. Property remaining in the HRA inventory has proved challenging in that either no proposals were submitted, or proposers requested subsidy far in excess of the per-unit maximum.

Request for Proposals #4 Background

An RFP was released on March 31, 2016, seeking persons interested in the rehabilitation and re-use of any one or more of four houses in the Dayton’s Bluff Heritage Preservation District (the “District”). This RFP is referred to internally as “RFP #4”. (Simultaneously, a call for proposals

was also issued for two additional HRA structures in the District. This additional RFP has a later due date, and will be addressed by Staff separately in the near future.)

Staff is grateful for the cooperation, collaboration and input provided by the Dayton's Bluff Community Council. Their assistance resulted in greatly enhanced outreach to a wide audience of potential respondents, and they assisted Staff with keeping community members informed of the process. RFP outreach included a neighborhood-led public tour of the structures on April 17th, which attracted over 350 people.

Proposals were due on May 11, 2016 and 14 qualified responses were received from 6 developers, covering all four houses. (Responses for the two remaining structures are due on June 8, 2016.)

987 Wilson Avenue Background

During the course of the third RFP, which was released in the fall of 2015, award of the property at 987 Wilson was put on hold because the proposal exceeded the maximum per-unit gross subsidy. 987 Wilson is located just a few blocks outside the District. The proposing developer is still interested; and the proposing developer is designated by this Board action to commence rehabilitation of two of the houses from this current RFP. Staff is recommending that this project now move forward, concurrent with these new projects, and part of this Board action will approve this lingering open deal.

Conclusion and Recommendation

Staff has determined that (a) the construction costs are competitive and do not have any excessive design elements; (b) the proposing developers have proven track records of reasonable costs; (c) proposed developer fees are within program parameters; (d) estimated sale prices are in line with the market; and (e) a smaller subsidy request can only occur if there is a reduction in construction costs in the future (which is unlikely) and/or an increase in sales prices, which is unknown at this time. By proceeding with the proposed sales and subsidy allocation, the HRA will save holding and/or demolition costs, the properties will be put back on the tax rolls, the

momentum of redevelopment and investment in this area will continue, and progress toward affordable housing goals will be advanced.

Staff recommends approval of 5 proposals (See the **RFP Award Recommendation** attachment – 2016 Inspiring Communities RFP Award Recommendations) for rehabilitation. The recommended proposals will require a total net development subsidy expenditure of \$832,833.30. The total need for value gap assistance on these projects is \$1,010,533.30 (\$177,700 in acquisition + \$832,833.30 in development subsidy). This Board action will authorize expenditure of \$749,999 under the Disposition Work Plan and Budget. (An additional \$82,834.30 of Ward 7 Year-Round STAR is proposed to fund the remaining subsidy need. STAR funding will be taken up as a separate matter with the STAR Board and the City Council.)

Budget Action

No budget action is required. These projects will be funded via the Strategy budget. HRA budget actions pertaining to the Strategy have authorized an overall program spending plan, but the HRA Board requires that expenditures for each project within the plan be approved. The total expenditure of \$749,999 is detailed in the **RFP Award Recommendation** attachment.

Future Action

Regarding the projects in this Resolution, no future action will be required. Once the HRA takes action approving the sale of 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 benchmarks 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 may 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 0% interest loan and is forgiven over a five-year period.

PED Credit Committee Review

Credit Committee is not a requirement of the sale of property. However, 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. Applicable affordability requirements
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 Inspiring Communities Design Standards, which meet both the Saint Paul Sustainable Development Policy and the Saint Paul/HRA Sustainability Initiative. All projects will participate in the Home Performance for ENERGY STAR program, and/or participate in the ENERGY STAR for New Homes program, and/or be certified through Enterprise Green Communities program, as applicable.

Environmental Impact Disclosure

Environmental determinations are dictated by a project's funding source and proposed redevelopment plans. All projects will adhere to applicable environmental requirements.

Historic Preservation

700 4th Street, 767 4th Street, 737 Plum and 275 Bates are located within the Dayton's Bluff Heritage Preservation District and are required to follow District guidelines and meet all District requirements. 987 Wilson is not located within the District.

Public Purpose/Comprehensive Plan Conformance

See the **Public Purpose** attachment. The **Comprehensive Plan Conformance** attachment includes a list of Comprehensive and Neighborhood Plan documents that the proposed actions fulfill.

Statement of Chairman (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 located in Dayton's Bluff District 4 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, May 28, 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, for \$1 each, in Dayton's Bluff District 4:

Property Address

700 4th Street East

767 4th Street East

737 Plum Street

275 Bates Avenue

Developer

Project for Pride in Living

Paul Ormseth

Eden Builders, Inc.

Eden Builders, Inc.

The above property will be conveyed for the purpose of rehabilitation and sale at fair market value for the purpose of homeownership.

Recommendation:

The Executive Director recommends approval of the sales, waiver of the HRA maximum per unit gross subsidy cap, entrance into development agreements and the associated expenditure authorization in accordance with the attached resolution.

Sponsored by: Commissioner Jane Prince

Staff: Joe Musolf (651-266-6594)

Attachments

- **Attachment – 2016 Inspiring Communities RFP Award Recommendation**
- **Attachment – Project Summary**
- **Attachment – Comprehensive Plan Conformance**
- **Attachment – Map**
- **Attachment – Sources and Uses Summary**
- **Attachment – Public Purpose**
- **Attachment – District 4 Profile**