

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

**REPORT TO THE COMMISSIONERS**

**DATE: July 13, 2016**

**REGARDING: RESOLUTION APPROVING A CHANGE TO THE MAXIMUM PER-UNIT  
SUBSIDY POLICY FOR THE INSPIRING COMMUNITIES PROGRAM, WARDS  
1, 2, 5, 6, 7.**

**Requested Board Action**

Authorize a change in the HRA policy on the maximum per-unit subsidy in the Inspiring Communities Program. The new maximum amount will be \$175,000.

**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. A budget fund was created, commonly referred to as the “Disposition Work Plan Budget” (DWPB).

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 (collectively, “the Manuals”) as the key requirements for executing the program. As part of Resolution 13-1592, the Board enacted a maximum gross subsidy cap of \$150,000 per unit. This maximum cap was articulated in the Resolution and also incorporated into the Manuals.

96 properties remain in the Inspiring Communities inventory. The majority of these properties will require minimal HRA subsidy to achieve Inspiring Communities designated outcomes. But 33 properties in this inventory will likely require substantial HRA subsidy in order to accomplish viable rehabilitation or redevelopment outcomes. These 33 properties include:

- 20 vacant single-family lots
- 11 houses
- 2 larger structures

Staff has analyzed these 33 properties and is concerned that some or all will require gross HRA subsidy in excess on \$150,000. There are a few factors pushing the required gross subsidy higher including 1) the rising costs of construction; 2) the poor condition of these remaining unrehabilitated houses; and 3) higher acquisition costs for some of these remaining properties. Staff recommends the maximum per-unit subsidy be increased to \$175,000. This will expedite completion of the Inspiring Communities Program.

The gross subsidy is calculated by adding the required cash subsidy and the write-down of HRA’s original acquisition cost. Gross subsidy requests in excess of the maximum per-unit subsidy cap require specific authorization from the HRA Board.

**Budget Action**

This is not a Budget Action. This is a policy change in the Inspiring Communities Program.

**Future Action**

All expenditures of the DWPB will be specifically authorized through future HRA Board Action.

**PED Credit Committee Review**

This policy change has no effect on Credit Committee's review of the credit structure of Inspiring Communities projects.

**Compliance**

Not applicable to this policy change.

**Green/Sustainable Development**

Not applicable to this policy change.

**Environmental Impact Disclosure**

A Tier I environmental impact study was conducted for the target areas of NSP 1, 2, and 3, which encompass the entirety of Inspiring Communities program activities.

**Historic Preservation**

A 106 review is conducted at the time of acquisition for all HRA properties.

**Public Purpose/Comprehensive Plan Conformance**

The Inspiring Communities Program is in conformance with, and advances goals of The City of Saint Paul Comprehensive Plan.

**Recommendation:**

The Executive Director recommends approval of this HRA Board Resolution.

**Sponsored by:** Commissioner Brendmoen

**Staff:** Joe Musolf 266-6594