

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 14, 2016

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF 314 HARRISON AVENUE WEST UNDER THE INSPIRING COMMUNITIES PROGRAM; AUTHORIZATION TO ENTER INTO A DEVELOPMENT AGREEMENT, AND AUTHORIZATION OF EXPENDITURES FOR REDEVELOPMENT OF SAID PROPERTY UNDER THE SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY'S INSPIRING COMMUNITIES PROGRAM.

Requested Board Action

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

- Approval of the sale and conveyance of 314 Harrison Avenue West owned by the Housing and Redevelopment Authority of the City of Saint Paul (HRA).
- Authorization to enter into development agreement with Twin Cities Habitat for Humanity (TCHFH) for the redevelopment, and authorization of expenditures as identified in this report for said property.

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.

Under RES 15-48, on February 11, 2015, 314 Harrison Avenue was awarded to NeighborWorks Home Partners. However, the developer decided not to move forward, so under mutual agreement, the property was released again in the most recent RFP.

In the 2015 Inspiring Communities RFP, TCHFH submitted 12 proposals to build new houses on 12 different lots. In all 12 cases they scored higher than any competing proposal. But, TCHFH stated that they only had the capacity to take on eight projects, so they listed their eight first choices and four alternates. The vacant lot at 1059 Maryland Avenue was one of their first choices and 314 Harrison Avenue was one of their alternates. Through Resolution 15-334 on November 12, 2015, the HRA Board approved the sale of the property located at 1059 Maryland Avenue to TCHFH. The Board also authorized entrance into a development agreement with TCHFH and associated expenses. There was no support for the necessary re-zoning of 1059 Maryland. TCHFH requested the lot at 314 Harrison Avenue in its place. Consistent with the RFP process, staff agreed.

The total development cost for this project is \$208,691.73. TCHFH has requested a gross subsidy of \$100,691.73, which includes a \$12,000 land cost. The net cash subsidy for the project is then \$88,691.73. TCHFH's initial proposal on 314 Harrison Avenue indicated a gross subsidy need of \$89,320.06. Following a more thorough site investigation, TCHFH is requesting an additional \$11,371.67, which results in the gross subsidy request of \$100,691.73. The additional costs are associated with unanticipated subterranean conditions that complicate sewer and water

connections, and associated foundation work. The increase in costs associated with these conditions is permissible on a case by case basis per the Inspiring Communities program manual.

Even with the increased subsidy request, TCHFH had the highest scoring proposal for 314 Harrison Ave and is well-under gross maximum subsidy limits.

The recommended proposal is 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.

Future Action

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 in the Inspiring Communities program are eligible for up to \$5,000 in assistance to decrease 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.

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. Inspiring Communities 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 program development criteria, and 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

This project is not located in a Historic Preservation District.

Public Purpose/Comprehensive Plan Conformance

Please see the attached **Public Purpose** Form. The attached **Comprehensive Plan** 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 Parcel of land located in the Fort Road / West Seventh District 9 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, September 3, 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 Fort Road / West Seventh District 9:

Property Description	Purchaser/Developer	Purchase Price
314 Harrison Avenue	TCHFH	\$12,000

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 sale, entrance into development agreement and the authorization of expenditures in accordance with the attached resolution.

Sponsored by: Commissioner Noecker

Staff: Tchu Yajh (651-266-6592)

Attachments:

- **Attachment – Comprehensive Plan Conformance**
- **Attachment -- Project Summary**
- **Attachment -- Sources and Uses Summary**

- **Attachment -- Public Purpose**
- **Attachment – District 9 Profile**
- **Attachment -- Map**