

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

REPORT TO THE COMMISSIONERS

DATE: JULY 10, 2019

**REGARDING: APPROVAL AND AUTHORIZATION TO SELL AND CONVEY 1295
GALTIER STREET TO GREATER FROGTOWN COMMUNITY
DEVELOPMENT CORPORATION, WAIVER OF THE 45 DAY WRITTEN
NOTICE IN THE HRA DISPOSITION POLICY, AUTHORIZATION TO
ENTER INTO A DEVELOPMENT AGREEMENT AND AUTHORIZATION
OF EXPENDITURES FOR REDEVELOPMENT, DISTRICT 6, WARD 5**

Requested Board Action

Staff is requesting the Housing and Redevelopment Authority of the City of Saint Paul (“HRA”) Board of Commissioners approve the sale and conveyance of 1295 Galtier Street (the “Property”) to the Greater Frogtown Community Development Corporation (GFCDC), authorize HRA staff to enter into a development agreement with GFCDC for rehabilitation and resale of the Property, waive the 45 day written notice in the Policy and Procedures for Disposition of HRA Owned Real Estate, and authorize expenditure of up to \$165,000.00 for the project.

Background

In January 2019, HRA staff requested proposals from developers, including the Greater Frogtown Community Development Corporation (GFCDC), for CDBG-eligible property acquisitions that would meet city goals as well as annual spending deadlines of the Housing and Urban Development Community Development Block Grant (CDBG) program. GFCDC has extensive experience with federal programs (including CDBG), with single-family home rehabilitation, and with provision of services to low- and moderate-income homebuyers and homeowners. (GFCDC is a subsidiary of Community Neighborhood Housing Services, doing business as NeighborWorks Home Partners.)

On February 21, 2019, GFCDC submitted to the HRA a proposal for acquisition, rehabilitation and resale of 1295 Galtier Street, and on March 14, 2019, using CDBG funds, the HRA acquired

1295 Galtier Street from the Federal Home Loan Mortgage Corporation (commonly known as Freddie Mac) for a purchase price of \$145,000.

This project has been conceived of as a package, whereby the developer would identify the property and provide the HRA with estimated costs to rehabilitate, the HRA would acquire the property and transfer it to the developer per a development agreement, and the developer would complete rehabilitation and resell to a qualified household. The HRA and GFCDC have proceeded accordingly. Therefore, a waiver of the 45 day written notice in the HRA's disposition policy is requested.

Budget Action

No budget action is required.

Future Action

No future action is anticipated.

Financing Structure

Value gap assistance will be secured with a note and mortgage at 0% interest, in an amount of \$155,379.13 from CDBG funds. At the time the Property is sold to a homeowner, the value gap assistance loan will be forgiven. Final disbursement will be made only after the Property is sold to a qualified homebuyer and all expenditures have been reconciled. The final value gap amount may be modified, depending on the final purchase price and actual costs incurred.

Another \$4,620.87 in CDBG funds will be available for payment of fees and expenses relating to the Property and incurred by the HRA. Additionally, the homebuyer will be eligible for up to \$5,000 in assistance from HRA Inspiring Communities program funds to lower the amount of the first mortgage or to augment a down payment. The homebuyer assistance is structured as a 0% interest loan and will be forgiven over a five-year period.

PED Credit Committee Review

PED's credit committee voted to recommend approval at its June 25, 2019 meeting.

Compliance

The project 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. Fair Housing Opportunities
6. Two Bid Policy

Green/Sustainable Development

Green/Sustainable development requirements do not apply to this project.

Environmental Impact Disclosure

The Tier 1 environmental review determined that all activities were either exempt or categorically excluded.

Historic Preservation

The site is not within a locally or federally designated historic district. The house on the property was built in 1947. The State Historic Preservation Office has concluded that no eligible or listed National Register properties will be affected by this project.

Public Purpose/Comprehensive Plan Conformance

This project's purpose aligns with the Comprehensive Plan, promoting housing and community development along a significant neighborhood corridor. This project meets the following goals established in the City's 2030 Comprehensive Plan:

Housing Introduction – [Maintain] an older housing stock. It is estimated the deferred maintenance needs of Saint Paul's single-family housing stock in low and moderate income

Census tracts today exceeds \$750 million. *(This property is within an identified Area of Concentrated Poverty.)*

Housing Strategy 2: Preserve and Promote Established Neighborhoods. [...] Housing rehabilitation is one of the top three funding priorities of this plan [...] and] targeted rehabilitation assistance to vacant properties is [an] immediate strategy to help ease the distress of the worried homeowners who remain on a block. *(This project will rehabilitate a vacant home and returns it to owner-occupancy.)*

Housing 2.3 – [Weigh] the market viability, maintenance needs, and neighborhood context of houses before providing public rehabilitation funds to them *(Improvements are basic and necessary, address exterior as well as interior conditions, and have been competitively bid.)*

This project also meets the following goals of the North End District 6 Plan:

Page 14 – Older houses, particularly vacant and foreclosed structures, should be maintained and improved to stabilize the residential community and to provide diverse life-cycle housing for residents.

H4 – Stabilize existing residential neighborhoods beset with high numbers of vacant and foreclosed housing units. *(This property is vacant and was owned by a bank prior to the HRA's acquisition.)*

H6 – Encourage residents to utilize low-interest rehabilitation loans and grants. *(This property will be rehabilitated using grant funds; this activity may encourage additional utilization of low-interest rehabilitation loans and grants among owners of neighboring properties.)*

The 2015-2019 Consolidated Plan also identifies housing rehabilitation as a significant need and high priority.

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 the land and structure located at 1295 Galtier Street, in the North End District 6, by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (“the HRA”) to the Greater Frogtown Community Development Corporation, for the price of \$145,000.

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, June 29, 2019. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

The 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 and conveyance, waiver of the 45 day written notice in the HRA disposition policy, entrance into a development agreement and the associated expenditure authorization in accordance with the attached resolution.

Sponsored by: Commissioner Brendmoen

Staff: Nick Boettcher (651-266-6094) and Joe Musolf (651-266-6594)

Attachments

- **Award Recommendation**
- **Map**
- **Project Summary**
- **Sources and Uses**
- **District 6 Profile**