

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

REPORT TO THE COMMISSIONERS

DATE: MARCH 11, 2020

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF 699 PREBLE STREET, 1025 SIMS AVENUE AND 633 HALL AVENUE UNDER THE INSPIRING COMMUNITIES PROGRAM; AUTHORIZATION TO ENTER INTO A DEVELOPMENT AGREEMENT, AUTHORIZATION OF EXPENDITURES FOR REDEVELOPMENT AND AUTHORIZATION TO WAIVE THE 45-DAY WRITTEN NOTICE IN THE HRA DISPOSITION POLICY, DISTRICTS 3 & 5, WARDS 2, 6 & 7

Requested Board Action

- Approval of the sale and conveyance of 699 Preble Street, 1025 Sims Avenue and 633 Hall Avenue owned by the Housing and Redevelopment Authority of the City of Saint Paul (HRA).
- Authorization to enter into a development agreement with Dayton's Bluff Neighborhood Housing Services (DBNHS) for redevelopment.
- Authorization of expenditures up to \$473,295 associated with the redevelopment of said properties.
- Waiver of the 45-day written notice in the Policy and Procedures for Disposition of HRA Owned Real Estate.

Background

The HRA took title to the property at 699 Preble in January 2010 (demolished in September 2010), the vacant lot at 1025 Sims in September 2009, and 633 Hall in August 2010 (demolished in November 2011). In 2013, PED staff reviewed the inventory of HRA-owned property, and the Inspiring Communities team took responsibility for property suitable for rehabilitation or development of single and two-family homes, including these three properties.

699 Preble Street

699 Preble has been maintained using Community Development Block Grant funds (CDBG) and is therefore required to follow CDBG regulations and meet a defined HUD National Objective. The CDBG regulations require that the investment benefit low- or moderate-income households and that new construction of housing must be carried out by a Community Based Development Organization (CBDO). The Department of Housing and Urban Development (HUD) defines what types of organizations can be certified as a CBDO, including a geographically limited and community-based service area, and board membership requirements. The only CBDO in the project area is Dayton's Bluff Neighborhood Housing Services (DBNHS). This property can be redeveloped using CDBG funds, which will directly assist in the City's ability to meet our annual HUD CDBG spending deadline of April 1.

In addition, this property was purchased and maintained with federal Neighborhood Stabilization Program (NSP) funds received through the State – Minnesota Housing Finance Agency (MHFA). HUD has been applying pressure to grantees who still have program funds in U.S. Treasury accounts to close out their grants and report on outcomes in order to close out NSP nationally. MHFA has in turn been requiring that the HRA close out each property in the grant program in order to report to HUD and close out the State grant. The HRA received five grants through NSP, three of which were directly from HUD and the other two through MHFA. Only one MHFA grant remains open, and redevelopment of this property will assist in meeting MHFA's required close out timeline for this remaining grant.

DBNHS presented a proposal to HRA staff to purchase, develop and sell the property to a household with an income at or below 80% of area median income, consistent with HUD's CDBG and NSP requirements. The proposal has been reviewed by HRA staff and deemed reasonable. DBNHS proposes to purchase the property for \$400, which is the price originally paid by the HRA, and has requested a total of \$162,460 in development gap financing to redevelop the lot.

Given that the only CBDO eligible to construct a home on this vacant lot under HUD rules is DBNHS, and the urgency associated with the federal funds, staff requests a waiver of the 45-day notification period required by the HRA's property disposition policy.

1025 Sims Avenue

The vacant lot at 1025 Sims was donated to the HRA in 2009. This property has also been funded with federal NSP dollars received through MHFA. As is the case described under 699 Preble, development of 1025 Sims will assist with the HRA's ability to meet MHFA's close out timeline requirements, as well as assist the HRA in meeting HUD's CDBG spending requirements. Accordingly, staff requests a waiver of the 45-day notification period required by the HRA's property disposition policy.

DBNHS presented a proposal to HRA staff to purchase, develop and sell the property to an eligible household, consistent with NSP requirements. The proposal has been reviewed by HRA staff and deemed reasonable. DBNHS proposes to purchase the property for \$1 and has requested a total of \$162,460 in development gap financing to redevelop the lot.

633 Hall Avenue

633 Hall has been funded with Community Development Block Grant funds (CDBG) and is therefore required to follow CDBG regulations and meet a defined HUD National Objective. In addition, this property was purchased and maintained with federal NSP funds received through MHFA. When NSP funds have been used, MHFA requires the HRA to produce a housing outcome on the site. This site has significant topographic challenges and DBNHS has produced a design and a financing proposal to accomplish a housing outcome on this challenging development site. As is the case with the other two properties, development of this site will also assist the HRA in meeting the close out requirements related to the State NSP funding. Accordingly, staff requests a waiver of the 45-day notification period required by the HRA's property disposition policy.

DBNHS presented a proposal to HRA staff to purchase, develop and sell the property to an eligible household, consistent with both NSP and CDBG program requirements. The proposal has been reviewed by HRA staff and deemed reasonable. DBNHS proposes to purchase the property for \$20,250, which is the price originally paid by the HRA, and has requested a total of \$136,665 in development gap financing to redevelop the lot.

Budget Action

No budget action is required. The projects will be funded via the Inspiring Communities Disposition Work Plan and Budget (the “DWPB”). These projects will be funded with a combination of CDBG, NSP and HRA funds that were allocated to the Inspiring Communities program.

Future Action

No future action will be required. Once the HRA approves the requested action, staff will proceed to execute a development agreement and convey the properties.

Financing Structure

Financing will be as indicated in the Inspiring Communities Ownership Program Manual. Acquisition and development gap assistance will be structured as a deferred loan, secured with a note and mortgage at 0% interest. Upon completion of construction and sale to an eligible buyer, the loan will be forgiven.

PED Credit Committee Review

The Credit Committee reviewed the Inspiring Communities Homeownership Program Manual on September 23, 2013. The program terms and conditions were recommended for approval by the Credit Committee at that time.

Compliance

Development 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. Two Bid Policy
6. Saint Paul Sustainable Building Ordinance

Green/Sustainable Development

The project will follow the Inspiring Communities program criteria, and will meet the Home Performance for ENERGY STAR standards.

Environmental Impact Disclosure

An Environmental Review for 633 Hall is in the process of being completed. Any required action will be addressed and completed prior to construction. For 699 Preble and 1025 Sims, the required publication of a Finding of No Significant Impact was completed in March of 2019 and no comments were received.

Historic Preservation

The sites are vacant and not within a locally or federally designated historic district, and do not require mitigation measures.

Public Purpose/Comprehensive Plan Conformance

Please see the attached Public Purpose Form. The attached includes a list of Comprehensive and Neighborhood Plan strategies/objectives that the proposed actions fulfill.

Statement of Chair

“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 the Payne-Phalen Planning District 5 and the West Side District 3 planning council, 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, February 29, 2020. 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 Payne-Phalen District 5:

Property Description

699 Preble Street, legally described as: Lot 6, Block 4, Irvine's Second Addition to Saint Paul, Ramsey County, Minnesota.

Purchaser/Developer

Dayton's Bluff Neighborhood Housing Services

Purchase Price

\$400.00

Property Description

1025 Sims Avenue, legally described as: Lot 28, Block 72, Dawson's Earl St. Addition to St. Paul.

Purchaser/Developer

Dayton's Bluff Neighborhood Housing Services

Purchase Price

\$1.00

The HRA proposes to convey the following property on the West Side District 3:

Property Description

633 Hall Avenue, legally described as:

Parcel 1: Lot 9, except the south 10 feet thereof in Block 121, West St. Paul together with the benefits and burdens of easement granted and reserved in Book 843 of Deeds, Page 267, Ramsey County Minnesota.

Parcel 2: The South 3 three of Lot 10, Block 121, West St. Paul, except the following portion of said lot: Commencing at a point 6.5 feet East of the Northwest corner of said Lot 10; thence West 6.5 feet on the North line of said Lot 10, to the Northwest corner of said Lot 10; thence 50 feet South along the Westerly line of said Lot 10; thence East on the Southerly line of said Lot 10, 3.5 feet thence on a straight line of said Lot 10 to the place of beginning together with a Maintenance Agreement filed for record in book 282 of Misc.; Page 447, Ramsey County, Minnesota.

All that part of Lot 10 in Block 121 of West St. Paul, and described as follows, to wit: Commencing at a point 6.5 feet East of the Northwest corner of said Lot 10, to the Northwest corner of said Lot

10; thence South 50 feet along the Westerly line of said Lot 10; thence East on the Southerly line of said Lot 10, 3.5 feet thence on a straight line of said Lot 10 to the place of beginning.

Parcel 3: All that part of Lot 10, Block 121 of West St. Paul and described as follows, to wit: Commencing at a point 6.5 feet East of the Northwest corner of said Lot 10; thence West 6.5 feet on the North line of said Lot 10 to the Northwest corner of said Lot 10; thence South 50 feet along the Westerly line of said Lot 10; thence East of the Southerly line of said Lot 10. 3.5 feet; thence on a straight line across said Lot 10 to the place of beginning, Ramsey County, Minnesota.

Purchaser/Developer

Dayton's Bluff Neighborhood Housing Services

Purchase Price

\$20,250.00

The above property will be conveyed for the purpose of redeveloping affordable ownership housing.

"Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned."

Recommendation:

The Interim Executive Director recommends approval of the sale of these properties, entrance into a development agreement, authorization of expenditures, and waiver of the 45-day notice requirement, all in accordance with the attached resolution.

Sponsored by: Commissioners Noecker, Prince and Yang

Staff: Sarah Zorn (651-266-6570)

Attachments

- **Map**
- **Public Purpose**
- **District 3 Profile**
- **District 5 Profile**
- **Comprehensive Plan Conformance**