

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 26, 2020

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF 800 ROBERT STREET SOUTH; 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, DISTRICT 3, WARD 2**

## **Requested Board Action**

- Approval of the sale and conveyance of 800 Robert Street South (the “Parcel”), owned by the Housing and Redevelopment Authority of the City of Saint Paul (the “HRA”).
- Authorization to enter into a development agreement with Neighborhood Development Alliance (“NeDA”) for redevelopment.
- Authorization of expenditures up to \$112,500 plus the land value to assist with the redevelopment of said property.
- Waiver of the 45-day written notice in the Policy and Procedures for Disposition of HRA Owned Real Estate.

## **Background**

800 Robert Street South is an HRA-owned vacant residential lot on the West Side (see attached map). The HRA purchased the Parcel through the Ramsey County tax forfeit property program in March 2011. HRA purchased the Parcel for \$2,135, with Community Development Block Grant (“CDBG”) funds. Since that time, the HRA has used a combination of CDBG and local HRA funds to hold and maintain the Parcel.

The Parcel is zoned RT-1. HRA staff, in consultation with the West Side Community Organization (District 3 Planning Council), has determined that the highest public purpose redevelopment land-use for the Parcel is single-family residential.

Use of CDBG requires an outcome that meets a defined CDBG National Objective. CDBG regulations require that the investment meet a National Objective by benefitting low- or moderate-income households and that new construction of housing must be carried out by a Community Based Development Organization (“CBDO”). The United States 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 NeDA.

HUD requires that investment in the Parcel results in a CDBG National Objective being met no later than December 2021.

NeDA presented a proposal to purchase the Parcel; and build and sell a new single-family house to a household with an income at or below 80% of area median income, consistent with CDBG requirements. NeDA proposes to complete the project prior to the December 2021 HUD deadline.

NeDA agreed to apply to Minnesota Housing Finance Agency's (MHFA) Community Housing Impact Fund for additional resources to subsidize their proposed project. In July 2020, NeDA applied for an Impact Fund grant of \$42,500. NeDA also applied for an MHFA construction loan.

NeDA proposes to purchase the Parcel for its current Estimated Market Value, as determined by the Ramsey County Assessor, \$13,300. NeDA requests that HRA provide seller financing for the land purchase in the form of a forgivable loan. Additionally, NeDA requests a development gap subsidy of \$112,500, also in the form of a forgivable loan. NeDA's proposed project budget is summarized as follows:

<u>Uses</u>		<u>Sources</u>	
land acquisition	\$ 13,300	HRA land (forgivable loan)	\$ 13,300
hard construction costs	\$283,370	CDBG funds (forgivable loan)	\$112,500
soft costs	\$ 39,124	MHFA Impact Fund	\$ 42,500
developer fee	<u>\$ 32,506</u>	final sale proceeds	<u>\$200,000</u>
	\$368,300		\$368,300

NeDA's application to MHFA for an Impact Fund grant will be competitively enhanced if they can demonstrate HRA's commitment to the project prior to September 1, 2020. If adopted, the Resolution considered today will represent that commitment.

HRA staff recommend the sale of this property to NeDA for redevelopment along with the requested seller note and redevelopment subsidy for these reasons: 1) the subsidy need is reasonable; 2) NeDA is seeking MHFA participation; 3) NeDA has appropriate capacity and expertise for the proposed project; 4) NeDA is capable of meeting the HUD CDBG requirements, and 5) the WSCO Land Use Circle supports the proposal.

Given that the only CBDO eligible to construct a home on this vacant lot under HUD rules is NeDA, and the urgency associated with the NeDA's opportunity to enhance its Impact Fund

application by September 1, 2020, staff requests a waiver of the 45-day notification period required by the HRA's property disposition policy.

Although this Parcel is not part of the Inspiring Communities inventory, NeDA is proposing to follow the Inspiring Communities program guidelines in terms of deal structure, marketing methodology, and construction quality.

### **Budget Action**

This action will require a concurrent City Council budget action authorizing the \$112,500 CDBG spending.

### **Future Action**

No future action is 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 this proposal on August 4, 2020, and recommended approval.

### **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 the project is in the process of being completed. Any required action will be addressed and completed prior to construction.

### **Historic Preservation**

The Parcel is vacant and not within a locally or federally designated historic district.

### **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 a certain Parcel of land located in the West Side Planning District 3, by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota.

“Notice of time, place, and purpose of this hearing and direction on how to submit testimony was published in the Legal Ledger on Thursday, August 13, 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 West Side District 3:

#### **Property Description**

800 Robert Street South, legally described as: Lot 2, Auditor’s Subdivision of Lot 6, Bidwell’s Addition to West St. Paul.

#### **Purchaser/Developer**

Neighborhood Development Alliance

#### **Purchase Price**

\$13,300.00

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

“Public attendance at the HRA’s regular meeting location is not feasible due to the COVID-19 health pandemic. Members of the public may view HRA meetings online or on local cable channel 18. The public may comment on public hearing items in writing or via voicemail. Any

comments and materials submitted by 12:00 pm of the day before the meeting will be attached to the public record and available for review by the Board. Were any comments submitted regarding this sale? If not, the Chair will declare this Public Hearing adjourned.”

**Recommendation:**

The Executive Director recommends approval of the sale of this Parcel, 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:** Commissioner Noecker

**Staff:** Joe Musolf (651-266-6594)

**Attachments**

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