

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 28, 2020

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE WAIVER OF THE  
MAXIMUM PER-UNIT SUBSIDY FOR FOUR PROERTIES UNDER THE  
INSPIRING COMMUNITIES PROGRAM, DISTRICTS 5, 6 AND 9, WARDS  
2 AND 5**

## **Requested Board Action**

Approval to waive the maximum per-unit gross subsidy permitted under the Inspiring Communities program to facilitate the redevelopment of four properties.

## **Background**

On July 24, 2013, via Resolution 13-1097, the HRA Board accepted and approved the HRA Disposition Strategy and Work Plan to address the disposition of certain parcels of real property owned by the HRA and included in the Inspiring Communities program. On October 9, 2013, the HRA Board approved, via Resolution 13-1592, key terms of the Inspiring Communities Homeowner Program Manual and Rental Program Manual, which included a maximum gross subsidy cap per unit of \$150,000. The gross subsidy is calculated by adding the cash subsidy in a project (development gap subsidy) and the sale price of the land to the developer (purchase price subsidy).

In 2016, the HRA Board recognized that some of the remaining properties in the HRA's Inspiring Communities inventory may require gross subsidy in excess of the established limit due to circumstances beyond the control of the HRA and the developer. These circumstances include, but are not limited to, soil conditions, buried foundations, increases in materials and labor costs, and historic considerations. By Resolution 16-1190, the HRA Board approved an increase of the maximum gross per-unit subsidy from \$150,000 to \$175,000. The aforementioned circumstances continue to significantly influence construction costs and are factors in this waiver request.

### **69 Garfield Street**

On August 9, 2017, via Resolution 17-218, the HRA authorized the sale of 69 Garfield Street to the Greater Frogtown Community Development Corporation and Greater Metropolitan Housing Corporation partnership for the purpose of rehabilitating an existing single-family home. The purchase price subsidy and development gap subsidy established at the time were \$49,900 and \$125,061.40 respectively, for a total gross subsidy of \$174,961.40. The property has not yet been sold.

This property has been maintained with Community Development Block Grant (CDBG) funds. In compliance with CDBG regulations, staff conducted a HUD environmental review, which included an historic review component. The developer assisted in removing portions of the siding to allow for historic investigation, and a consultant was hired for an archeological study as recommended by the State Historic Preservation Office. The consultant concluded that the house is eligible for listing on the National Register of Historic Places. As a result, the home must be rehabilitated to standards put forth by the Secretary of the Interior.

The amount of time lapsed and change in work scope and specifications to ensure compliance with the historic rehabilitation standards put forth by the Secretary of the Interior has added significant cost to the project. While project costs increased by \$83,697.62, the developer is able to offset some of those costs by increasing the anticipated sale price of the rehabilitated home based on more in depth recent market investigation. Staff proposes increasing the development gap subsidy by \$45,697.62, to \$170,759.02. After accounting for the purchase price subsidy, the total gross subsidy for this project will be \$220,659.02.

### **947 Sylvan Street**

On February 27, 2019, via Resolution 19-59, the HRA Board approved the sale of 947 Sylvan Street to a partnership between Greater Frogtown Community Development Corporation and Greater Metropolitan Housing Corporation for the purpose of constructing a new single-family home. The purchase price subsidy and development gap subsidy established at the time were \$13,400 and \$144,676.27 respectively. The property has not yet been sold. This property is facing

higher costs due to the lack of a proper utility connection in the public street and related to an encumbrance on the property for an access easement that serves the surrounding properties.

In order to accommodate the easement that was discovered, the home had to be redesigned and new construction bids obtained. The original design included a 30' wide home with a front-loaded 2-car garage, with the current design including a 22' wide home with a 2-car garage to the rear, adding to the project's design and concrete costs. Since the time of initial bidding, the cost of labor and materials have also increased. Costs associated with design, labor, and materials resulted in an increase in the overall project costs of \$32,960.00. While project costs increased by \$32,960.00, the developer is able to offset some of those costs by increasing the anticipated sale price of the rehabilitated home based on more in depth recent market investigation. Staff proposes to increase the total gross subsidy by \$19,960.00 from \$158,076.27 to \$178,036.27.

#### **964 Woodbridge Street**

Also via Resolution 19-59, the HRA Board approved the sale of 964 Woodbridge Street to the Greater Frogtown Community Development Corporation and Greater Metropolitan Housing Corporation partnership for the purpose of constructing a new single family home. The purchase price subsidy and development gap subsidy established at the time were \$10,700 and \$120,502.40 respectively. The property has not yet been sold. While doing their due diligence and conducting a geotechnical analysis, the developer discovered that the soils were not structurally suitable for development as planned. The home design was substantially modified to include the use of helical piers to support the foundation, which come at a considerable cost. To accommodate this method of construction and its added costs, staff proposes to increase the development subsidy by \$63,011.22, for a total gross subsidy increase from \$131,202.42 to \$194,213.64.

#### **716 Desoto Street**

On August 28, 2019, via Resolution 19-292, the HRA Board approved the sale of 716 Desoto Street to Dayton's Bluff Neighborhood Housing Services for the purpose of constructing a new single-family home. The purchase price subsidy and development gap subsidy established at the time were \$12,400 and \$162,460 respectively. The property was subsequently sold to DBNHS. During the course of excavation, the developer discovered the presence of debris left over from

the demolition of the home previously on site. The cost to excavate and haul the unusable fill exceeded the project budget by \$8,609. Evidence of this circumstance did not appear on the soil boring tests that were conducted pre-development. To cover these unforeseen costs, staff proposes to increase the development gap subsidy by \$8,609, for a total gross subsidy of \$183,469.

### **Budget Action**

The projects and the aforementioned increases will be funded via the Inspiring Communities Disposition Work Plan and Budget using a combination of CDBG and HRA funds.

### **Future Action**

No future action will be required. Once the HRA approves the requested action, staff will proceed to amend the project budgets and move forward with the execution of development agreements and property sales.

### **Financing Structure**

There will be no changes to the proposed 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**

Credit Committee review is not a requirement of this action.

### **Compliance**

Compliance requirements are the same as was indicated in the reports that authorized the sales of these properties to the respective developers.

### **Green/Sustainable Development**

The project will follow the Inspiring Communities program criteria; the rehabilitation will meet Home Performance for ENERGY STAR standards and new construction projects will be constructed to Enterprise Green Community standards.

### **Environmental Impact Disclosure**

An Environmental Review has been completed on all four parcels and all recommended or required findings or practices will be followed.

### **Historic Preservation**

Three of the sites are vacant lots and not located within a locally or federally designated historic district, and do not require mitigation measures. As noted in this report, 69 Garfield will be rehabilitated in accordance with the Secretary of Interior standards and will meet all requirements related to historic preservation.

### **Public Purpose/Comprehensive Plan Conformance**

Public purpose priorities and the ways in which these development projects conform to the Comprehensive Plan have not changed since the Board authorized their sale to developers.

### **Recommendation:**

The Executive Director recommends approval of the waiver of the maximum gross per-unit subsidy cap on four properties as described in this report and in accordance with the attached resolution.

**Sponsored by:** Commissioners Brendmoen and Noecker

**Staff:** Sarah Zorn, 651-266-6570

### **Attachments**

- **Map**