

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

**REPORT TO THE COMMISSIONERS**

**DATE: MAY 12, 2021**

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF 626 REANEY AVENUE, 621 MINNEHAHA AVENUE EAST, AND 629 MINNEHAHA AVENUE EAST TO DAYTON'S BLUFF NEIGHBORHOOD HOUSING SERVICES; APPROVING AND AUTHORIZING THE HOUSING AND REDEVELOPMENT AUTHORITY TO PARTICIPATE IN THE MINNESOTA HOUSING FINANCE AGENCY COMMUNITY HOMEOWNERSHIP IMPACT FUND AND TO ACCEPT GRANTS AND ESTABLISH A \$434,500 GRANT BUDGET FOR REDEVELOPMENT; APPROVING AND AUTHORIZING AMENDMENT OF THE HOUSING TRUST FUND BUDGET TO INCLUDE \$500,000 FOR THE INSPIRING COMMUNITIES PROGRAM; APPROVING AND AUTHORIZING TENTATIVE DEVELOPER STATUS TO DAYTON'S BLUFF NEIGHBORHOOD HOUSING SERVICES FOR 616 REANEY AVENUE AND 622 REANEY AVENUE; APPROVING AND AUTHORIZING EXPENDITURES OF UP TO \$934,500 FOR REDEVELOPMENT, DISTRICT 5, WARD 6**

## **Requested Board Action**

- Approval and authorization of the sale and conveyance of HRA-owned properties located at 626 Reaney Avenue, 621 Minnehaha Avenue East, and 629 Minnehaha Avenue East, to Dayton's Bluff Neighborhood Housing Services ("DBNHS");
- Approval and authorization for the HRA to participate in the Minnesota Housing Finance Agency's Community Homeownership Impact Fund program ("MHFA Impact Fund") and to accept grants from the MHFA Impact Fund in the amount of \$434,500 and establish an HRA budget for the grants to provide development gap subsidy and homebuyer assistance;
- Approval and authorization for the HRA to enter into development agreements with DBNHS for the redevelopment of 626 Reaney Avenue, 621 Minnehaha Avenue East, and 629 Minnehaha Avenue East;
- Approval and authorization for the HRA to enter into a grant agreement for site preparation work at 616 Reaney Avenue and 622 Reaney Avenue;
- Approval and authorization to designate DBNHS as tentative developer of 616 Reaney Avenue and 622 Reaney Avenue until December 31, 2022;
- Approval and authorization to amend the Housing Trust Fund budget to include \$500,000 for the HRA Disposition Work Plan and Budget ("DWPB") Inspiring Communities program; and

- Approval and authorization of expenditures of up to \$500,000 from a combination of federal funds and the HRA DWPB Inspiring Communities program, plus the land value and MHFA Impact Fund grants, to assist with the redevelopment.

## **Background**

In October 2018, recognizing the potential for accessory dwelling units (ADUs) to increase density in established neighborhoods, provide opportunities for affordable and life-cycle housing, and help build community wealth, the City of Saint Paul significantly expanded the zone where ADUs may be built, allowing them citywide. (Previously, ADUs had been allowed only within one-half (½) mile of University Avenue between Emerald Street and Lexington Parkway.)

In early 2019, HRA staff began discussions with DBNHS and Lunning Wende architects to explore challenges and opportunities for development of accessory dwelling units in Saint Paul generally, and for affordable housing and community and family wealth building specifically. The Family Housing Fund financially supported Dayton's Bluff Neighborhood Housing Services' and Lunning Wende's participation in this engagement. These parties identified a cluster of HRA-owned sites in the Railroad Island neighborhood, at 621-629 Minnehaha Avenue East and 616-622 Reaney Avenue, with potential to demonstrate various types of accessory structures in close proximity, while responding to a desire within the community for new, affordable large-household housing particularly well suited to multigenerational families.

626 Reaney Avenue is an HRA-owned vacant single-family home. 616 Reaney Avenue and 622 Reaney Avenue are HRA-owned vacant lots. In January 2012, the HRA purchased these properties from a private party using \$97,500 in federal Neighborhood Stabilization Program ("NSP") funds. Since that time, the HRA has used a combination of NSP and local HRA funds to hold and maintain the properties.

621 and 629 Minnehaha Avenue East are HRA-owned vacant lots. In March 2001, the HRA purchased these properties for approximately \$26,000 using federal 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 properties.

Because 621 and 629 Minnehaha Avenue East were purchased with CDBG funds, the United States Department of Housing and Urban Development ("HUD") requires that the funds meet a CDBG national objective by December 2021. Here, that national objective is achieved benefitting low- or moderate-income households. HUD regulations further require that new construction must be carried out by a Community Based Development Organization ("CBDO"). The requirement to meet a national objective and to utilize a CBDO for new construction will also apply to any future

use of CDBG funds in the redevelopment, and DBNHS has regularly and consistently qualified as a CBDO.

DBNHS proposes to rehabilitate 626 Reaney Avenue and add a detached accessory dwelling unit. DBNHS further proposes to add an attached accessory dwelling unit at either 621 or 629 Minnehaha and an attached live/work unit at the other Minnehaha Avenue property. Each property will be sold to a household with an income at or below 80% of area median income.

DBNHS has requested, and HRA staff recommends, that DBNHS be given tentative developer status for 616 and 622 Reaney Avenue. DBNHS will pursue additional financing, likely including City, HRA, state and federal financing, and will redevelop these sites after the projects at 626 Reaney Avenue East, 621 and 629 Minnehaha Avenue East are substantially completed.

Redevelopment of 626 Reaney Avenue has been prioritized due to the deteriorating condition of the vacant home there, while the projects at 621 and 629 Minnehaha Avenue East have been prioritized because of the HUD-imposed deadlines of December 2021. However, DBNHS further proposes, and HRA staff recommends, completion of site work at 616 and 622 Reaney Avenue be done while DBNHS is a tentative developer, concurrently with site work at 621 and 629 Minnehaha Avenue and 626 Reaney Avenue.

During its time as tentative developer, DBNHS will, in regard to the properties at 616 and 622 Reaney Avenue and at its own expense:

- Complete and obtain HRA staff approval for a scope of work with architectural/engineering plans and specifications, in a form suitable for submission in a building permit application to the Department of Safety and Inspections.
- Submit evidence of availability of gap and construction financing for review by HRA staff.
- Finalize a development budget for approval by HRA staff.
- Negotiate with HRA staff terms and conditions of a development agreement, which will include all compliance requirements, details of the bidding process, and a sworn construction cost statement from the selected contractor(s).
- Continue to engage with affected community groups.

In June 2020, HRA staff applied to the MHFA Impact Fund and the Metropolitan Council's LHIA for subsidies in the form of state funds. In early 2021, HRA staff received notice of an award of \$434,500 from the MHFA Impact Fund and an LHIA award of \$40,000. This funding is sufficient to finance a portion of the development subsidy and homebuyer subsidy needed to redevelop 621 Minnehaha Avenue East, 629 Minnehaha Avenue East, and 626 Reaney Avenue.

At its April 21, 2021 meeting, by Resolution PH 21-95, the Saint Paul City Council authorized execution of the agreement with the Metropolitan Council awarding \$40,000 in LHIA grant funds to the City of Saint Paul for the project at 626 Reaney Avenue. These LHIA grant funds are accounted for in the budget for Project 3, below.

DBNHS proposes to purchase the properties at 621 Minnehaha Avenue East, 629 Minnehaha Avenue East, and 626 Reaney Avenue for current estimated market value, as determined by the Ramsey County assessor. DBNHS requests that the HRA provide seller financing for the land purchases in the form of forgivable loans. Additionally, DBNHS requests development gap subsidy, also in the form of forgivable loans. PED staff will prioritize utilizing available federal funds for this project, subject to fund eligibility requirements and City Council budget authorization, which could occur in early June. Any required City/HRA subsidy up to \$500,000 that cannot be covered by federal funds will be drawn from the Inspiring Communities program account. The proposed project budgets are summarized as follows:

Project 1: 621 Minnehaha Large Family Housing & Wealth Building (single-family home plus attached ADU)

<u>Uses</u>		<u>Sources</u>	
acquisition price	\$ 36,500	HRA land (forgivable loan)	\$ 36,500
hard construction costs	\$445,875	City/HRA	\$ 172,300
soft costs	\$ 76,675	MHFA Impact Fund	\$ 149,750
developer fee	<u>\$ 29,500</u>	final sale proceeds	<u>\$ 230,000</u>
	\$588,550		\$ 588,550

Project 2: 629 Minnehaha T2 Zoning Demonstration (single-family home plus attached live/work unit)

<u>Uses</u>		<u>Sources</u>	
acquisition price	\$ 36,500	HRA land (forgivable loan)	\$ 36,500
hard construction costs	\$445,875	City/HRA	\$ 172,300
soft costs	\$ 76,675	MHFA Impact Fund	\$ 149,750
developer fee	<u>\$ 29,500</u>	final sale proceeds	<u>\$ 230,000</u>
	\$588,550		\$ 588,550

Project 3: 626 Reaney Acquisition, Rehabilitation and Resale + ADU Addition

<u>Uses</u>		<u>Sources</u>	
acquisition price	\$116,500	HRA property (forgivable loan)	\$ 116,500
rehab & construction	\$381,000	City/HRA	\$ 79,205

soft costs	\$ 78,205	MHFA Impact Fund	\$ 135,000
developer fee	<u>\$ 25,000</u>	Met Council LHIA	\$ 40,000
		final sale proceeds	<u>\$ 230,000</u>
	\$600,705		\$ 600,705

#### Project 4: Site Preparation at 616 Reaney Avenue and 622 Reaney Avenue

<u>Uses</u>		<u>Sources</u>	
site preparation	<u>\$ 35,173</u>	HRA	<u>\$ 35,173</u>
	\$ 35,173		\$ 35,173

All affected properties are part of the Inspiring Communities inventory and will generally follow Inspiring Communities program guidelines.

#### **Budget Action**

This action requires a budget action establishing a budget for the MHFA Impact Fund grants and amending the Housing Trust Fund budget as detailed in the attached Financial Analysis.

Should the amount of Housing Trust Fund dollars reserved for the DWPB Inspiring Communities program by this Budget Action exceed the amount of those resources needed to complete the four projects contemplated in this Report, those excess Housing Trust Fund dollars will remain in the DWPB Inspiring Communities program budget until and unless used for expenditures for other Inspiring Communities projects authorized by the HRA Board.

#### **Future Action**

Expenditure of federal funds for redevelopment will require future City Council budget action.

A future public hearing before the HRA Board will be required to convey and authorize execution of a development agreement for further redevelopment of 616 and 622 Reaney Avenues. No future HRA Board action is required for redevelopment of 626 Reaney Avenue, 621 or 629 Minnehaha Avenue East.

#### **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. Additional homebuyer assistance made possible by the MHFA Impact Fund will be as provided as 30-year deferred loans repayable by the homebuyer to MHFA, as provided for under that program's rules and guidelines.

**PED Credit Committee Review**

Credit Committee review is not a requirement of the sale of property. The Credit Committee reviewed the Inspiring Communities Homeownership Program Manual and approved the terms and conditions therein on September 23, 2013 and September 30, 2013.

**Compliance**

Staff provided early notification as required under the Policy and Procedures for Disposition of HRA Owned Real Estate on December 10, 2020. The 45-day notice period expired on January 25, 2021. Staff received no competing proposals.

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. NSP Affordability Covenants
6. Two Bid Policy
7. Saint Paul Sustainable Building Initiative
8. Affirmative Fair Housing Marketing Plan

**Green/Sustainable Development**

The projects will follow the Inspiring Communities program criteria and will meet the standards of the Enterprise Green Communities Criteria as modified by MHFA's Minnesota Overlay to the Enterprise Green Communities Criteria.

**Environmental Impact Disclosure**

Environmental Reviews have been completed and there is no required action.

**Historic Preservation**

These parcels are not within locally or federally designated historic districts. Four of the five parcels contain no structures. PED staff and the State Historic Preservation Office (SHPO) assessed the vacant, single-family structure at 626 Reaney Avenue and determined that it is not in or eligible for listing in a local or national district or registry.

**Public Purpose/Comprehensive Plan Conformance**

As more fully described in the attached Public Purpose Summaries, these projects provide significant public benefits, including rehabilitation of an early 20<sup>th</sup> century vacant house,

increased tax base, provision of opportunities for entrepreneurs and women and minority-owned businesses, and an increase in in-demand, affordable, owner-occupied homes.

The projects substantially meet each of the seven major goals of the City's 2040 Comprehensive Plan's housing chapter. Those specific policies of the housing chapter which these projects address to the greatest degree are:

- Policy H-3. Consider the expected lifecycle, market viability and ongoing maintenance needs of residential structures prior to providing public rehabilitation funds to ensure responsible investment of public funds and not overburden future owners with future maintenance costs.
- Policy H-8. Encourage creativity in building design and site layout.
- Policy H-10. Encourage the use of energy efficient mechanical systems and building products in rehabilitation and new construction to decrease building operation costs and impacts on the environment.
- Policy H-13. Encourage the use of long-lasting, high-quality building materials for residential buildings to decrease long-term housing maintenance and energy costs.
- Policy H-22. Consider a City or HRA sponsored down-payment assistance program and support partner organizations' down payment assistance and first time homebuyer mortgage programs to help homebuyers invest in Saint Paul.
- Policy H-24. Encourage homeowner education through continued support of organizations that provide services, such as financial counseling and pre-and post-purchase training, to help potential and new homeowners make well-informed financial and maintenance decisions.
- Policy H-26. Increase awareness around tenant and landlord rights, responsibilities, best practices and resources to increase access to rental units and decrease conflicts that could lead to evictions.
- Policy H-33. Further affordable ownership housing goals in HRA/City-financially-assisted projects by working toward 10 percent of all ownership units being affordable to residents earning 60 percent of AMI and 20 percent of all ownership units being affordable to residents earning 80 percent of AMI.
- Policy H-34. Support the development of new affordable ownership opportunities through the Inspiring Communities program, including selling vacant HRA-owned single-family lots and identifying sites appropriate for new ownership housing.
- Policy H-42. Pursue public and private funding sources, including local sources, for affordable housing preservation and production.
- Policy H-43. Encourage and support state and federal legislation that preserves existing programs and provides new funding, including a dedicated funding source, for affordable ownership and rental housing.
- Policy H-44. Make achieving the Metropolitan Council's affordable housing goals a top priority both in planning and legislative efforts.
- Policy H-46. Support the development of new housing, particularly in areas identified as Mixed Use, Urban Neighborhoods, and/or in areas with the highest existing or planned transit service, to meet market demand for living in walkable, transit-accessible, urban neighborhoods.

- Policy H-47. Encourage high-quality urban design for residential development that is sensitive to context, but also allows for innovation and consideration of market needs.
- Policy H-48. Expand permitted housing types in Urban Neighborhoods ... to include duplexes, triplexes, town homes, small-scale multifamily and accessory dwelling units to allow for neighborhood-scale density increases, broadened housing choices and intergenerational living.
- Policy H-54. Support alternative household types, such as co-housing, intergenerational housing, intentional communities or other shared-living models, that allow residents to “age in community.”

The Railroad Island Plan envisions a neighborhood that “will continue to be a safe, attractive and vibrant community that retains its distinctive character, historic housing and abundant natural amenities. ... It will be a community for a lifetime, conducive to and embracing all age groups and cultures. Residents will have a diverse choice of housing options that are affordable to a range of income levels and family types.”

The projects proposed at Reaney and Minnehaha Avenues address to a significant degree these strategies and goals identified in the Railroad Island Plan:

- Encourage better maintenance of the existing housing stock through enforcement and incentive programs.
- Address the issues of vacant housing and absentee landlords through laws and enforcement.
- Encourage new housing in the community with city grants and revolving funds.
- Preserve the affordability of housing in the area by creating new ownership opportunities for a range of income levels.
- Encourage new single-family housing to be built on lots that are at least 40 feet in width and 5,000 square feet in lot area.
- Promote the renovation of historic buildings so that they meet new code standards, while encouraging new construction.
- Call upon the Department of Planning and Economic Development, and by extension the HRA, to:
  - Work with residences and industrial/commercial establishments to soften the edge between residential properties and industrial and commercial uses through landscaping, decorative fencing as a visual barrier, and other techniques to provide a buffer.
  - Encourage the incorporation of sustainability and green-building principles in new construction and rehabilitation of buildings.
  - Support design of new housing that is appropriate to the surrounding area.
  - Promote the rehabilitation of existing housing with the assistance of City sponsored programs. (PED, East Side Neighborhood Development Corporation, Dayton’s Bluff Neighborhood Housing Services)
  - Assist the community in marketing Railroad Island to attract new residents.



**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, 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 Monday, April 26, 2021. 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, to Dayton’s Bluff Neighborhood Housing Services:

**Property Description and Purchase Price**

626 Reaney Avenue, legally described as Lot 3, Block 3, Borup and Payne’s Addition to St. Paul, Ramsey County, Minnesota, for \$116,500.00.

621 Minnehaha Avenue East, legally described as Lot 23, Block 3, Borup and Payne’s Addition to St. Paul, Ramsey County, Minnesota, for \$36,500.00.

629 Minnehaha Avenue East, legally described as Lot 24, Block 3, Borup and Payne’s Addition to St. Paul, Ramsey County, Minnesota, for \$36,500.00.

**Purchaser/Developer**

Dayton’s Bluff Neighborhood Housing Services

“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 and authorization for: (1) acceptance of \$434,500 from the MHFA Impact Fund; (2) establishment of a budget for the MHFA Impact Fund grants

and amendment of the Housing Trust Fund budget to include \$500,000 for the HRA Disposition Work Plan and Budget Inspiring Communities program; (3) the sale of parcels at 626 Reaney Avenue, 621 and 629 Minnehaha Avenue East; (4) tentative developer status to Dayton's Bluff Neighborhood Housing Services for 616 and 622 Reaney Avenue; (5) execution of development agreements for redevelopment and site preparation; (6) expenditures of up to \$434,500 of state funds from the MHFA Impact Fund; (7) expenditures of up to \$500,000 from a combination of federal funds (as they become available and subject to City Council authorization), with the remainder from the HRA Disposition Work Plan and Budget Inspiring Communities program, all in accordance with the attached resolution.

**Sponsored by:** Commissioner Yang

**Staff:** Nick Boettcher, 651-266-6094

**Attachments**

- **Financial Analysis**
- **Public Purpose**
- **Map**
- **District 5 Profile**