

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

REPORT TO THE COMMISSIONERS

DATE: JANUARY 14, 2026

REGARDING: RESOLUTION APPROVING AND AUTHORIZING ADDITIONAL EXPENDITURES FOR REDEVELOPMENT OF 560 BRUNSON STREET UNDER THE HOUSING AND REDEVELOPMENT AUTHORITY'S INSPIRING COMMUNITIES PROGRAM. DISTRICT 5, WARD 2.

Requested Board Action

Approval of an additional \$87,313 of subsidy funds for an Inspiring Communities project at 560 Brunson Street.

Overview of HRA Request

On June 12, 2024, by Resolution PH 24-144, the Housing and Redevelopment Authority (“HRA”) Board of Commissioners approved the sale and conveyance of 560 Brunson Street (owned by the HRA) to Amani Construction & Development (“Developer”), authorized the HRA to enter into a development agreement with the Developer, and authorized expenditure of \$1,048,559 for development gap subsidy, all under the Saint Paul HRA Disposition Work Plan and Budget’s (“DWPB”) Inspiring Communities program. Since that approval, the Developer has encountered unexpected circumstances regarding stormwater management requirements, which have increased the construction cost of the proposed project. Staff from the City’s Department of Planning and Economic Development have analyzed the new project budget and recommend that HRA provide \$87,313 additional subsidy.

Inspiring Communities Program Background

The HRA Board of Commissioners first approved the DWPB on recommendation of staff on July 24, 2013 by Resolution 13-1097, simultaneously creating the Inspiring Communities program as a component of the DWPB to redevelop certain high-priority HRA properties. The goals of the Inspiring Communities program are to:

- Leverage HRA property to build community wealth.
- Create job opportunities for local residents, including low-income residents, small and emerging businesses, and businesses owned by women and people of color.

- Achieve goals identified in the Housing Chapter of the City of Saint Paul's 2040 Comprehensive Plan.
- Inspire innovative and environmentally sound design and construction.

Staff released the seventh Inspiring Communities Request for Proposals ("RFP") in August 2022. This proposed project at 560 Brunson Street originated with a response from the Developer to RFP 7.

To date:

- The program has created over 240 affordable homeownership opportunities and over 50 affordable rental units.
- Nearly two out of every three homeowners and more than three out of every four renters served are people of color.
- Funding has come from a combination of local, state and federal resources.
- By returning vacant, City, and HRA-owned properties to productive use, maintenance costs to the City have been reduced and tax revenues have increased.

On July 13, 2022, by Resolution 22-1072, the HRA Board of Commissioners authorized a request for \$2,000,000 from the Housing Trust Fund to fund Inspiring Communities projects. By the same action, the HRA Board of Commissioners approved key terms of the Inspiring Communities Program Manuals. The Inspiring Communities Homeownership Program Manual and Inspiring Communities Rental Program Manual guide implementation of the Inspiring Communities program. These manuals explain program requirements to developers, standardize processes and foster consistency and transparency. Manual key terms, clarifications and amendments have been approved on October 9, 2013 by Resolution 13-1592, July 13, 2016 by Resolution 16-1190 (which was rescinded), and July 13, 2022 by Resolution 22-1072.

Approvals of key terms have included a maximum gross subsidy cap per unit. In 2013, the cap began at \$150,000, it was raised to \$175,000 in 2016 and to \$200,000 in 2022.

Project Overview

On December 14, 2022 staff presented the results of RFP7 to the HRA Board of Commissioners, prior to requesting authorization to proceed with the selected developers and enter into development agreements including the proposal to develop 560 Brunson Street. Since then, staff has been working with developers to clarify proposals and collect due diligence items. At this time, staff is prepared to proceed with the Developer's proposal to construct four units identified in this report.

560 Brunson Street is a .26 acres lot and is located in District 5, Ward 2. The Developer proposes constructing four, 3 bedrooms and 2.5 baths townhome units, each totaling approximately 1,576 square feet. The intention is to build energy-efficient units using sustainable materials to meet or exceed the Department of Energy's Zero Energy Ready Home Program guidelines. Following completion, the Developer has committed to selling the homes to homebuyers at or below 80% of area median income.

The HRA has agreed to sell the land to the Developer for \$96,500. Per Inspiring Communities program design, the land cost will be 100% financed with a loan to be forgiven in its entirety upon completion of the project. The current cash subsidy request is \$1,135,872. Combining land contribution and cash contribution results in a gross subsidy request of \$1,232,372. This is an increase of \$87,313 above the previously approved gross subsidy. The primary reason for the cost increase is a result of the stormwater management requirements due to the size of the lot. Per City of Saint Paul code, lots above .25 acres require onsite management of stormwater. Staff has been working with the Developer and staff from the Department of Safety and Inspections (DSI) to ensure all requirements are met. Staff has reviewed all cost increases and deemed they are reasonable in the current market.

The total development cost for this project is \$2,512,372 and the estimated combined sales price for the four units is \$1,280,000. The per-unit gross subsidy is \$308,093. The development subsidy request requires a waiver of the \$200,000 cap.

Project costs are broken out as follows:

Land	\$ 96,500
Construction Costs	\$ 1,851,069

Soft Costs	\$ 354,075
Developer Fee	\$ 210,278
Total Development Cost	\$ 2,512,372
<i>Estimated Sales Price</i>	<i>\$ 1,280,000</i>
Total Development Gap	\$ 1,232,372
HRA Land Contribution	\$ 96,500
HRA Cash Contribution	\$ 1,135,872

The end-buyers will be eligible to receive down payment assistance and/or affordability gap in accordance with program guidelines.

Staff has determined that (a) the construction costs are competitive and do not have any excessive design elements; (b) the proposed developer fees are within program parameters; (c) the estimated sale prices are in line with the market; and (d) a reduced subsidy request can only occur if there is a reduction in construction costs in the future and/or an increase in sales prices, which is unknown at this time. By proceeding with the proposed sales and subsidy allocation, the HRA will save holding and maintenance costs, the properties will be put back on the tax rolls and contribute to the city's economy, and 4 units of owner-occupied housing for low- and moderate-income households will be produced.

Recommendation

The Interim Executive Director recommends approval of the requested \$87,313 of additional subsidy.

Budget Action

No additional budget action is required. This project is funded via the DWPB which was approved in 2022 and the additional subsidy being requested for this project falls under that approval. The 2022 HRA budget actions pertaining to the DWPB authorized overall spending, but the HRA Board requires that expenditures for each project be approved.

Future Action

No future action will be required. Once the HRA takes action to approve additional expenditures, staff will proceed to execute development agreements and convey property.

Financing Structure

As indicated in the program manual, development subsidy and land purchase financing (development gap) provided to awardees will be secured with a note and mortgage at 0% interest. At the time the property is sold to eligible homeowners, the value gap assistance loan will be forgiven. Funds will be disbursed, along with any additional project financing, throughout the project schedule. The final disbursement will be at the time the property is sold to homeowners or when all expenditures can be reconciled, and the final value gap amount can be determined based on the purchase price and actual costs incurred.

PED Credit Committee Review

The Credit Committee has periodically reviewed financing terms contained in the Homeownership and Rental Program Manuals, initially in 2013 and most recently on November 30, 2021, and has recommended approval.

Compliance

Development under the Inspiring Communities program will comply with all applicable requirements, which may include:

1. Affirmative Action/Equal Economic Opportunity
2. Vendor Outreach
3. Section 3
4. Two Bid Policy
5. Applicable affordability requirements
6. Fair Housing Opportunities

Projects included in RFP7 (including this property) were exempted from the Project Labor Agreement area of compliance via Resolution 22-1074.

Green/Sustainable Development

On May 10, 2023, the HRA Board of Commissioners approved a partial waiver of Chapter 81 of the City of Saint Paul Administrative Code by Resolution 23-698. These projects will comply with Enterprise Green Communities criteria as modified by the Minnesota Housing Overlay and those

portions of the Sustainable Building Ordinance that are not waived with the aforementioned action, as applicable.

Environmental Impact Disclosure

Environmental determinations are dictated by a project's funding source and proposed redevelopment plans. All projects will adhere to applicable environmental requirements.

Historic Preservation

This property is not located in a Heritage Preservation District and is currently a vacant lot.

Public Purpose/Comprehensive Plan Conformance:

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

- 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-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, [...] 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.

Sponsored by: Commissioner Noecker

Staff: Joe Musolf 651-266-6594

Attachments

- **Map**
- **D5 Neighborhood Profile**