

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

REPORT TO THE COMMISSIONERS

DATE: MAY 10, 2023

**REGARDING: RESOLUTION AUTHORIZING ADDITIONAL EXPENDITURES FOR THE
REDEVELOPMENT OF 800 ROBERT STREET SOUTH; DISTRICT 3,
WARD 2**

Requested Board Action

Authorization of expenditures up to \$185,961, plus the land value, to assist with the redevelopment of 800 Robert Street South. This is an increase of \$45,500 from the prior approval of \$140,461.

Background

800 Robert Street South was 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. The HRA purchased the Parcel for \$2,135, with Community Development Block Grant (“CDBG”) funds.

HRA Staff, in consultation with the West Side Community Organization (District 3 Planning Council), determined that the highest public purpose redevelopment land-use for the Parcel was single-family residential.

The use of CDBG funds to hold and maintain the property required an outcome that meets a defined CDBG National Objective. 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 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.

NeDA presented a proposal to HRA staff to purchase the Parcel; and to 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 initially proposed to purchase the Parcel for its current Estimated Market Value of \$13,300, as determined by the Ramsey County Assessor. NeDA requested that the HRA provide seller

financing for the land purchase in the form of a forgivable loan. Additionally, NeDA requested a development gap subsidy of \$112,500, also in the form of a forgivable loan.

On August 26, 2020, by Public Hearing Resolution PH 20-178, the HRA approved the sale of the Parcel to NeDA for redevelopment, along with the requested seller note and redevelopment subsidy as described above.

Due to the COVID-19 pandemic, NeDA was unable to commence construction in the Fall of 2020 as originally intended. Rebidding the work in 2021 resulted in significant cost increases due to labor and materials shortages. On August 25, 2021, by Resolution 21-1225, the HRA authorized expenditures up to \$140,461, plus the land value, to fill the additional gap and allow construction to commence.

NeDA was awarded a \$42,500 grant from the Minnesota Housing Finance Agency's (MHFA) Community Housing Impact Fund to subsidize the project. This source of funding is no longer available to NeDA because their contract with MHFA could not be extended. In addition to the lost source of development subsidy, they have encountered an unforeseen rise in construction costs.

PREVIOUS PROJECT BUDGET

<u>Uses</u>		<u>Sources</u>	
land acquisition	\$ 13,300	HRA land (forgivable loan)	\$ 13,300
hard construction costs	\$375,561	CDBG funds (forgivable loan)	\$140,461
soft costs	\$ 47,900	MHFA Impact Fund	\$ 42,500
developer fee	<u>\$ 34,500</u>	final sale proceeds	<u>\$200,000</u>
	\$471,261		\$471,261

CURRENT PROJECT BUDGET

<u>Uses</u>		<u>Sources</u>	
land acquisition	\$ 13,300	HRA land (forgivable loan)	\$ 13,300
hard construction costs	\$422,832	CDBG funds (forgivable loan)	\$185,961
soft costs	\$ 46,666	MHFA Impact Fund	\$ 0
developer fee	<u>\$ 27,690</u>	final sale proceeds	<u>\$290,000</u>
	\$510,488		\$489,261
		<i>Remaining Gap</i>	<i>(\$21,227)</i>

This action provides an additional \$45,500 for the project for a total funding amount of \$185,961 in CDBG funds. The remaining gap will be covered by unused contingency, an increased sales price, and reduced developer fee.

Budget Action

City Council previously authorized \$140,461 of CDBG funds. This action will require a concurrent City Council budget action authorizing an additional \$45,500 in CDBG funds.

Future Action

No future action is required. Once the HRA approves the requested action, staff will proceed with the disbursement of funds.

Financing Structure

Acquisition and development gap assistance are 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 terms of this loan and risk rating will remain unchanged as previously approved by the credit committee on August 4, 2020. HRA staff returned to credit committee on May 5, 2023, and received approval for the risk rating to remain forgivable.

Compliance

Development will comply with all applicable requirements, which may include the following:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Limited English Proficiency
4. Two Bid Policy

Green/Sustainable Development

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

Environmental Impact Disclosure

An updated Environmental Review has been completed for this project as of April 21, 2023.

Historic Preservation

Prior to the current development of a single-family unit, the Parcel was vacant. It is not within a locally or federally designated historic district and does 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.

Recommendation:

The Executive Director recommends approval of the additional funding for this project.

Sponsored by: Commissioner Noecker

Staff: Maryan Abdi, 651-266-6592

Attachments

- **Map**
- **Public Purpose**
- **D3 West Side Neighborhood Profile**
- **Comprehensive Plan Conformance**