

NEIGHBORHOOD DEVELOPMENT STRATEGY WORKSHOP



Meeting Agenda

Thursday, August 1, 2013

| | | |
|---------------------------------|----------------------------------|-----------------------|
| Welcome | Allen Carlson | 1:00 – 1:05 pm |
| Purpose of Meeting | Joe Musolf | 1:05 – 1:10 pm |
| Icebreaker/Introductions | Michelle Bush | 1:10 – 1:45 pm |
| Disposition Strategy | Roxanne Young | 1:45 - 2:15 pm |
| Group Exercise | Michelle Bush/Lisa Archey | 2:15 - 3:00 pm |
| Group Report | | 3:00 – 3:30 pm |
| Partnership Model | | 3:30-3:45 pm |
| Wrap-up & Next Steps | | 3:45 – 4:00 pm |
| Evaluation | | |

Expected Outcomes

- Generate ideas on how the City can partner with neighborhood stakeholders to achieve revitalization objectives
- Determine how HRA can utilize its resources (land, technical assistance & funding) to help achieve objectives
- Learn how to structure programs & products that work for the City, affordable housing developers, financial institutions & neighborhoods
- Gain feedback on HRA's proposed investment strategy & the equitable & strategic disposal of City owned property

Introductions

Name

Organization



Disposition Strategy

Analysis and Disposition Strategy



Corporate FACTS

HRA Property Analysis

The following people contributed to the creation of this property analysis and disposition strategy

| PED Staff | PED Staff | Corporate F.A.C.T.S. (HUD Consultants) | Frogtown Home Loan Fund |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------|
| Cecile Bedor Al Carlson Roxanne Young Joe Musolf Sarah Zorn Tchu Yajh Marty McCarthy Lucas Glissendorf Jules Atangana | Angela Simons Cindy Carlson Debbie Brandis Jenny Wolfe Patty Lilledahl Jennifer Jordan Kurty Schultz Michelle Vojacek Britney Stanley | Michelle Bush Lisa Archey | Andy Barnet |

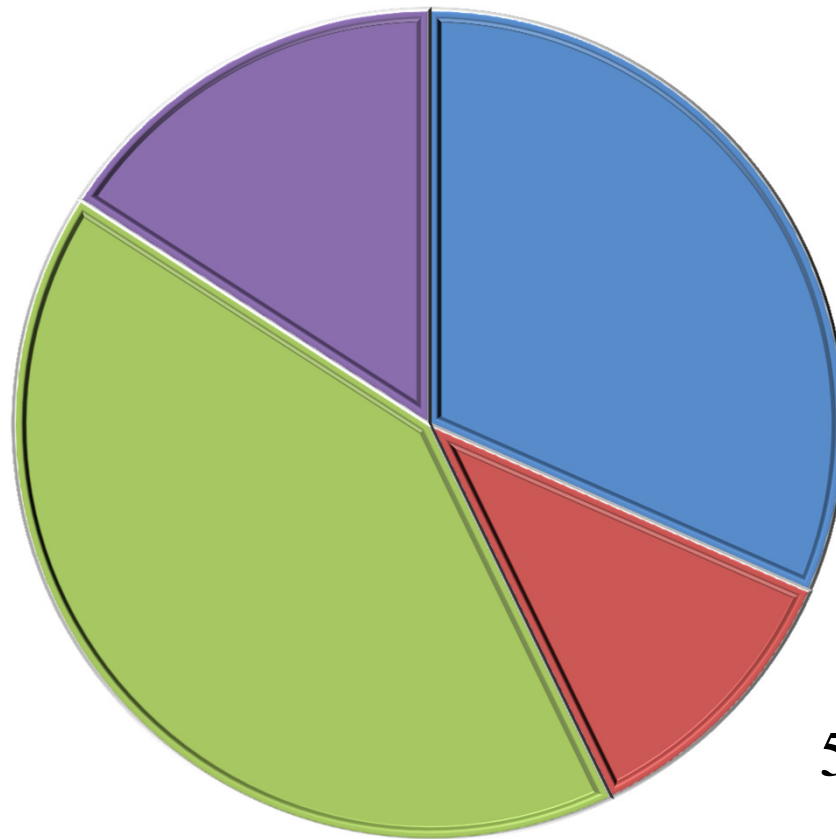
What Are We Trying To Achieve?

- Stimulate market to “preserve, grow & sustain” neighborhoods
- Use inventory as a catalyst for neighborhood transformation
- Create programs that leverage investment in weak and/or borderline markets
- Meet our legal obligations and reduce holding costs
- Standardize the HRA’s disposition policy with clearly understood procedures and application process



Properties Acquired

Acquired per Funding Source



169 NSP

60 CDBG

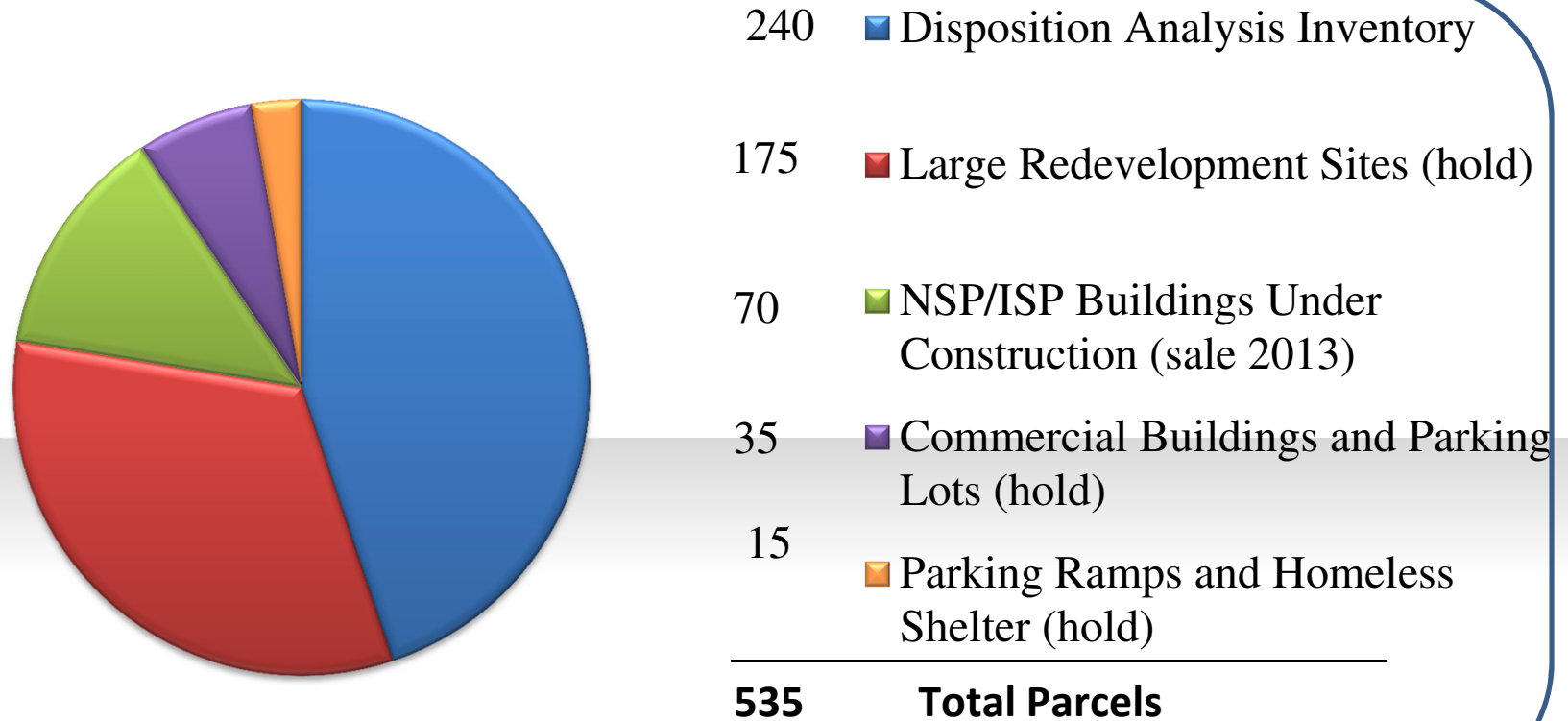
221 HRA

85 ISP

535 Total properties purchased

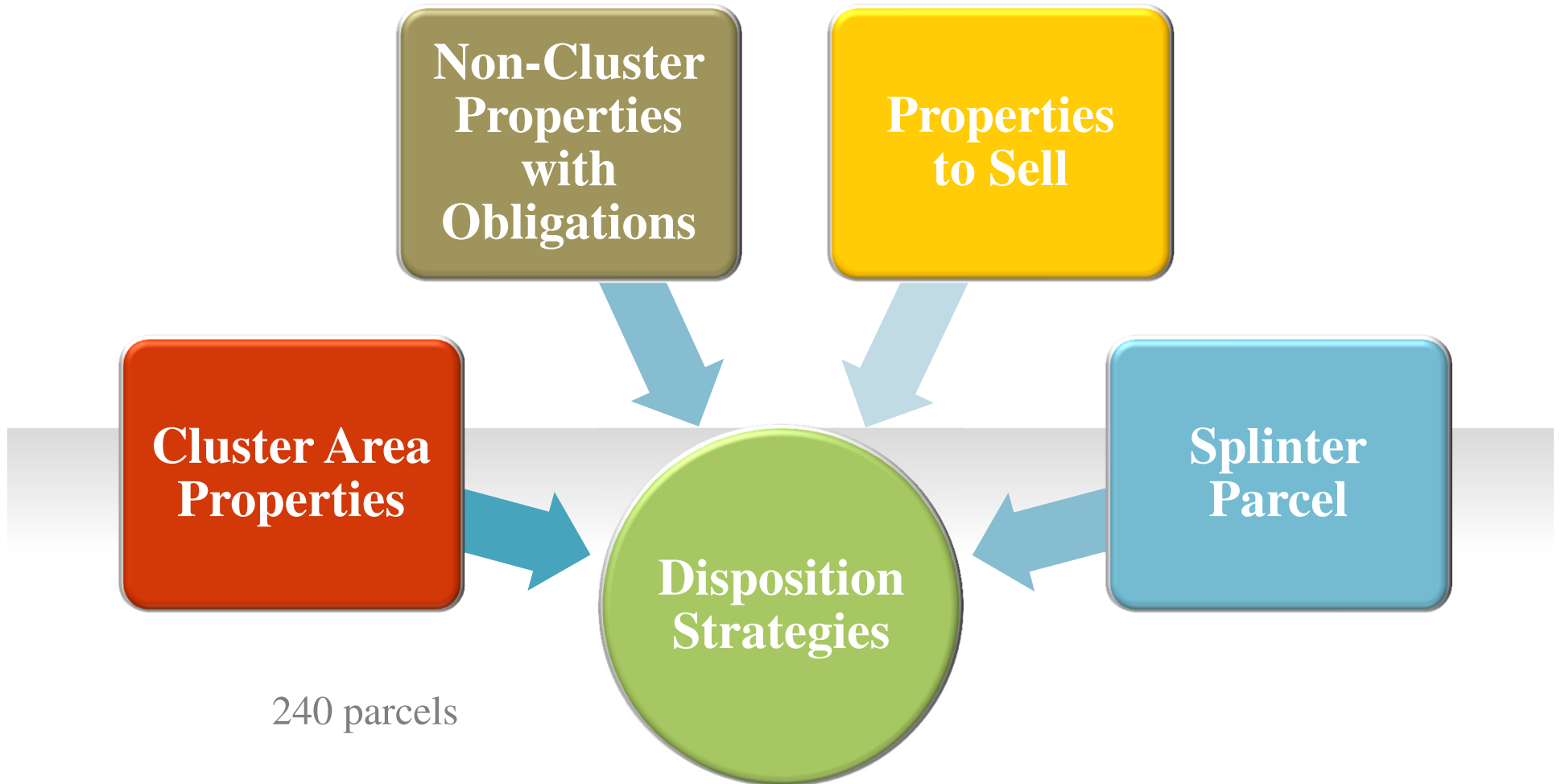
What does the HRA own?

Property Classification



HRA Staff focused analysis on the 240 parcels classified as “Disposition Analysis Inventory”

Parcel Disposition Strategies



Parcel Disposition Strategies

Disposition Strategy



70 Cluster Area Properties

60 Non-Cluster Properties
with Obligations

56 Properties to Sell

54 Splinter Parcels

**240 Total Disposition
Analysis Inventory**

Cluster Area Investment Strategy

(70 Parcels)

Cluster Area Investment Strategy

- **Target investments in “cluster areas” of 10-15 blocks**
- **Disposition Strategy:** Work with stakeholders to address all HRA owned property within a cluster area during a 2-3 year period

Address properties through a diversity of product types including:

Rental
housing

Homeowner
occupied
housing

Rehabilitation
of existing
HRA owned
property

New
construction
on infill lots

Clustering Properties: Why this approach?

- Focus development subsidies to achieve neighborhood transformation
- Provide equal access to opportunity through predictable and clear process for city subsidy and property
- Best practice for community development nationally
- Criteria for leveraging federal, state and other gap investment



*455 and 459 Banfil,
West Seventh Neighborhood*

Cluster Areas



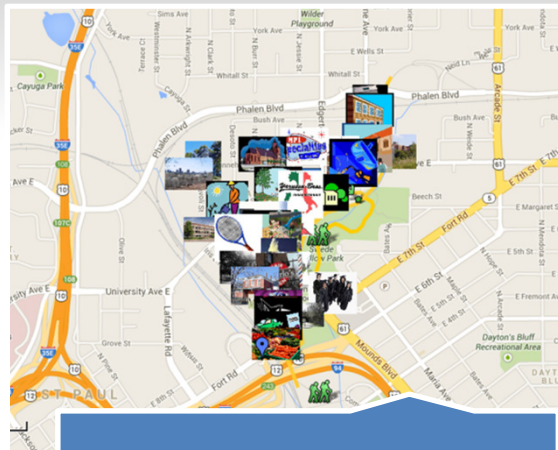
Dayton's Bluff



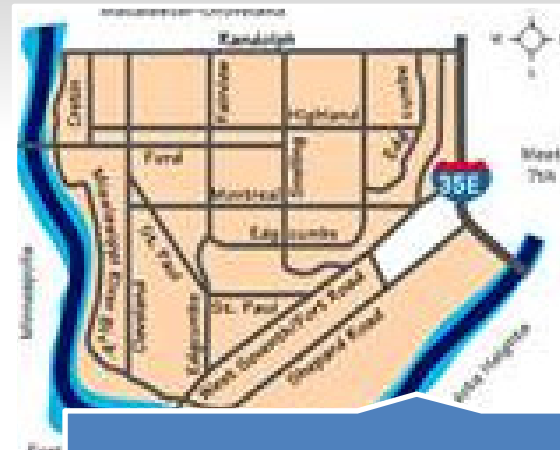
Frogtown



Payne Phalen



Railroad Island



West Seventh

Cluster Area Investment Strategy

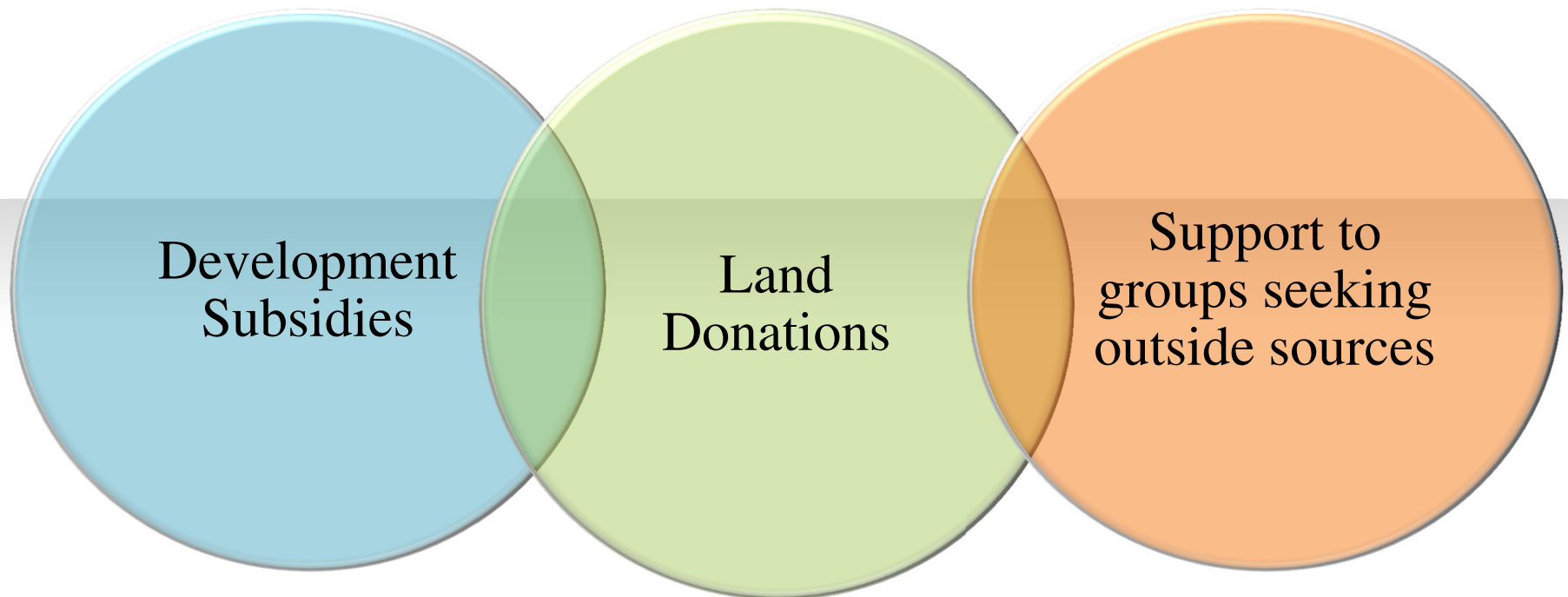
HRA will utilize a developer driven model to implement the Cluster Area Investment Strategy.

- **Developer driven model will:**
 - Leverage funds to produce more units
 - Incent private lending in weak and borderline markets
 - Reduce HRA investment and risk
 - Establish a clear, accessible and predictable funding process



Developer Driven Model

HRA may provide the following resources to affordable housing developers and partners in cluster areas:

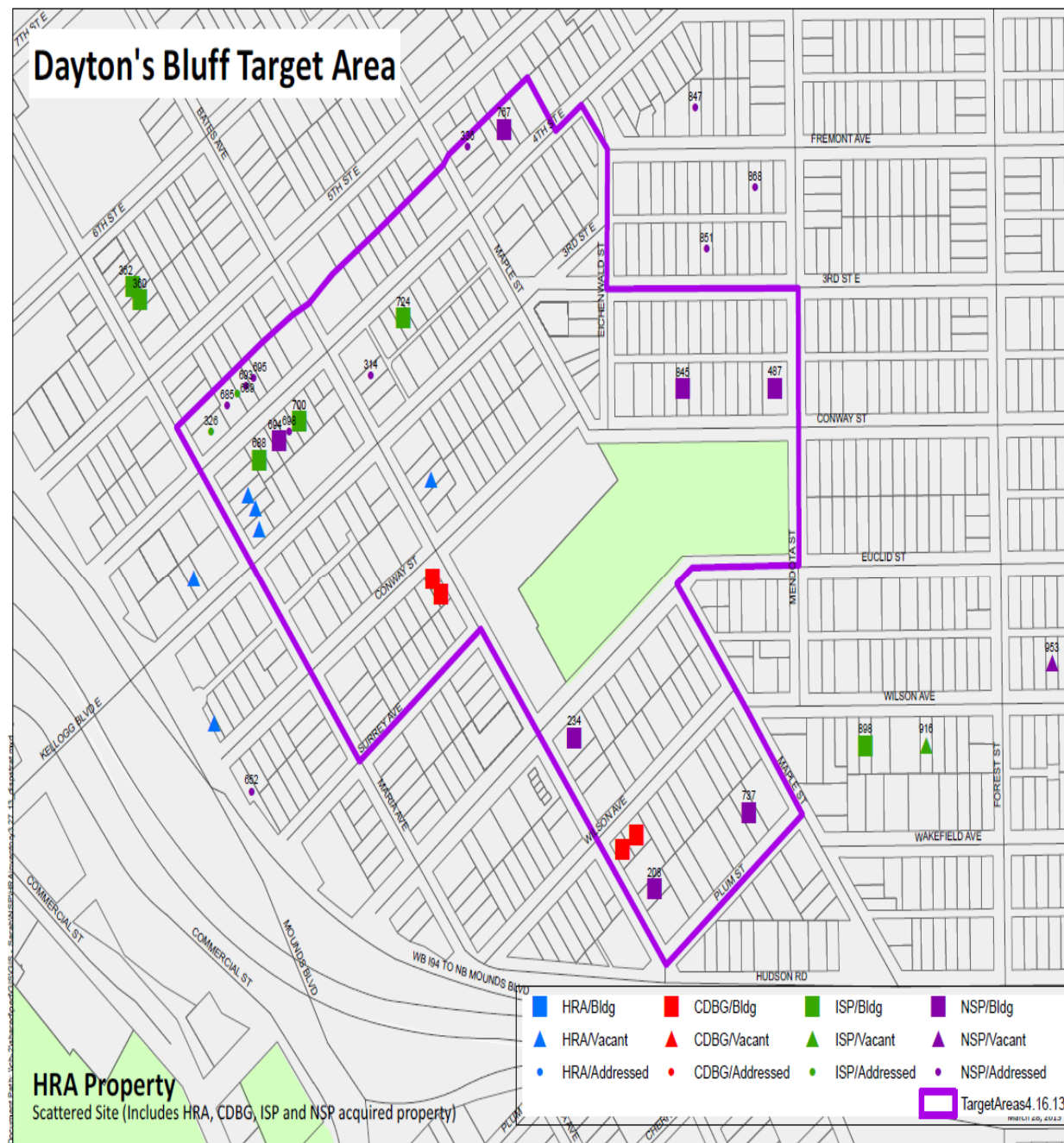


Target Area Inventory

70 parcels are located in the 5 Target areas

| Target | Parcels* | Federally Funded* | City Funded |
|------------------|----------|----------------------|----------------|
| Dayton's Bluff | 15 | 12 | 3 |
| Frogtown | 15 | 12 | 3 |
| Payne Phalen | 10 | 6 | 4 |
| Rail Road Island | 15 | 11 | 4 |
| West Seventh | 15 | 3 | 12 |
| TOTAL | 70 | 44 | 26 |

*Federally funded parcels have a timeframe and national objective to meet

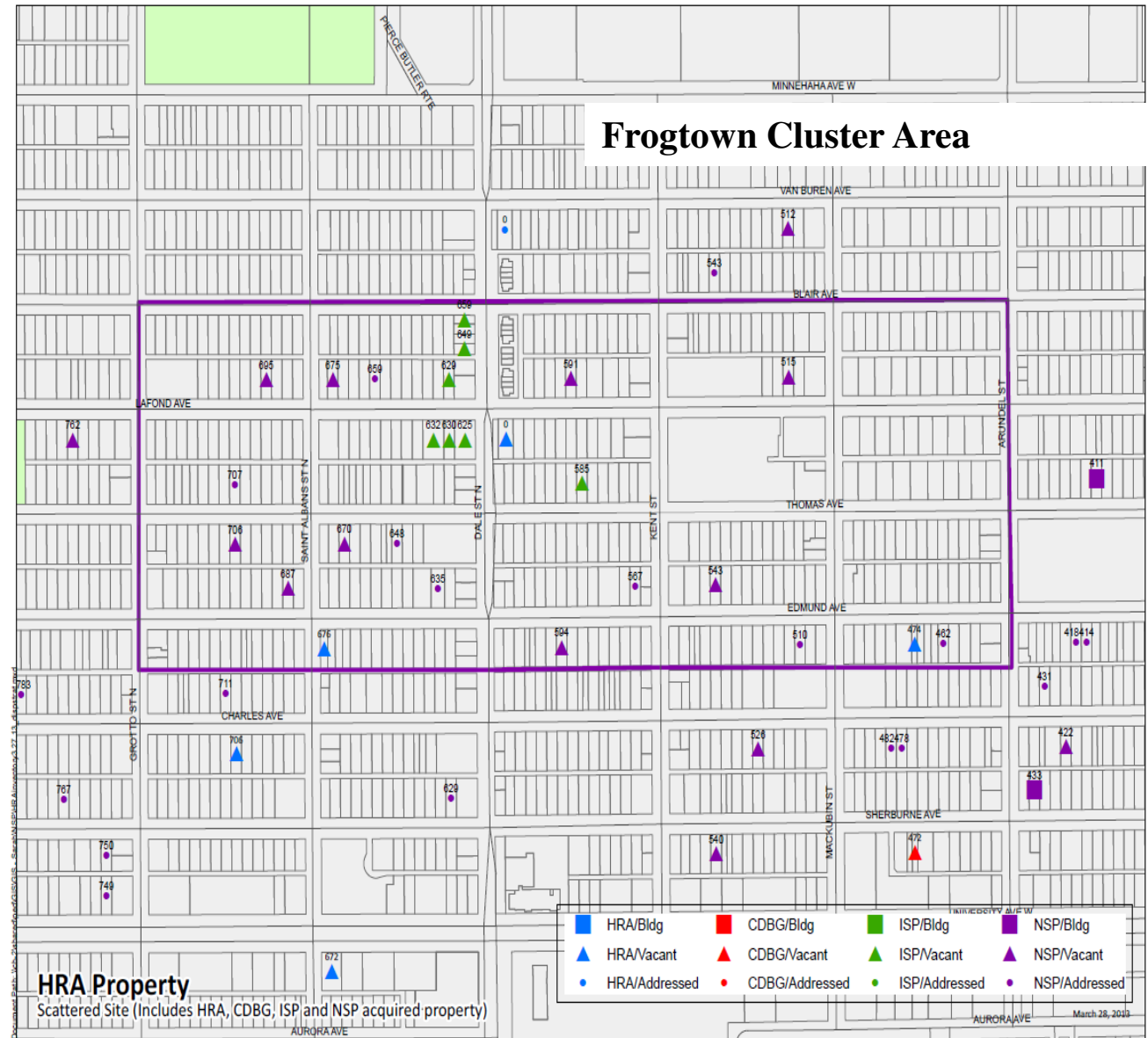


Why this cluster?

- Surrounds Dayton's Bluff Elementary School
- Includes "Fourth Street Preservation Project" – a key neighborhood stabilization effort
- Intersected by 3rd Street and Maria, high traffic streets in Dayton's Bluff
- Maximizes number of HRA owned CDBG and NSP vacant buildings addressed
- Potential to leverage funds from Minnesota Housing

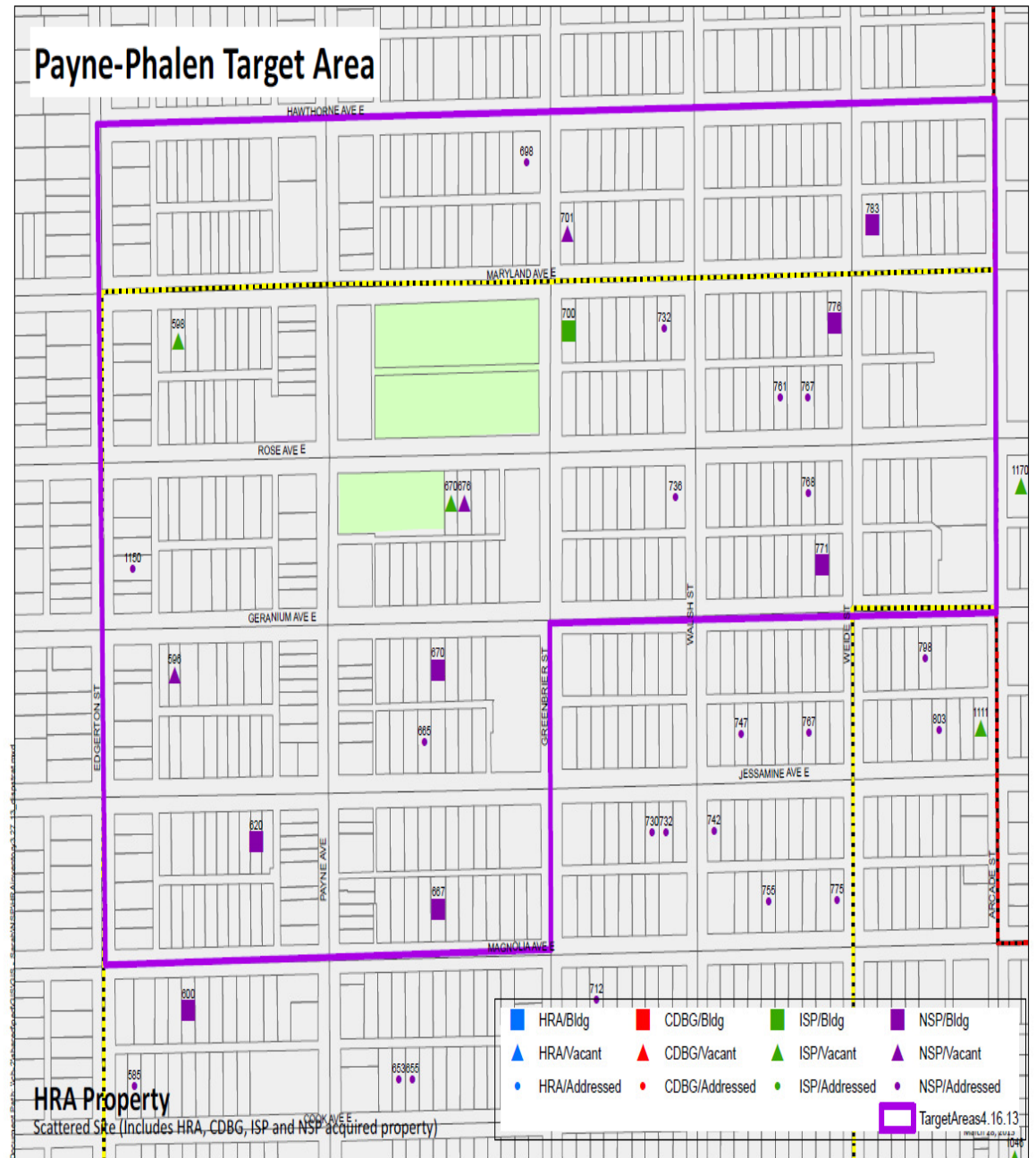
Why this cluster?

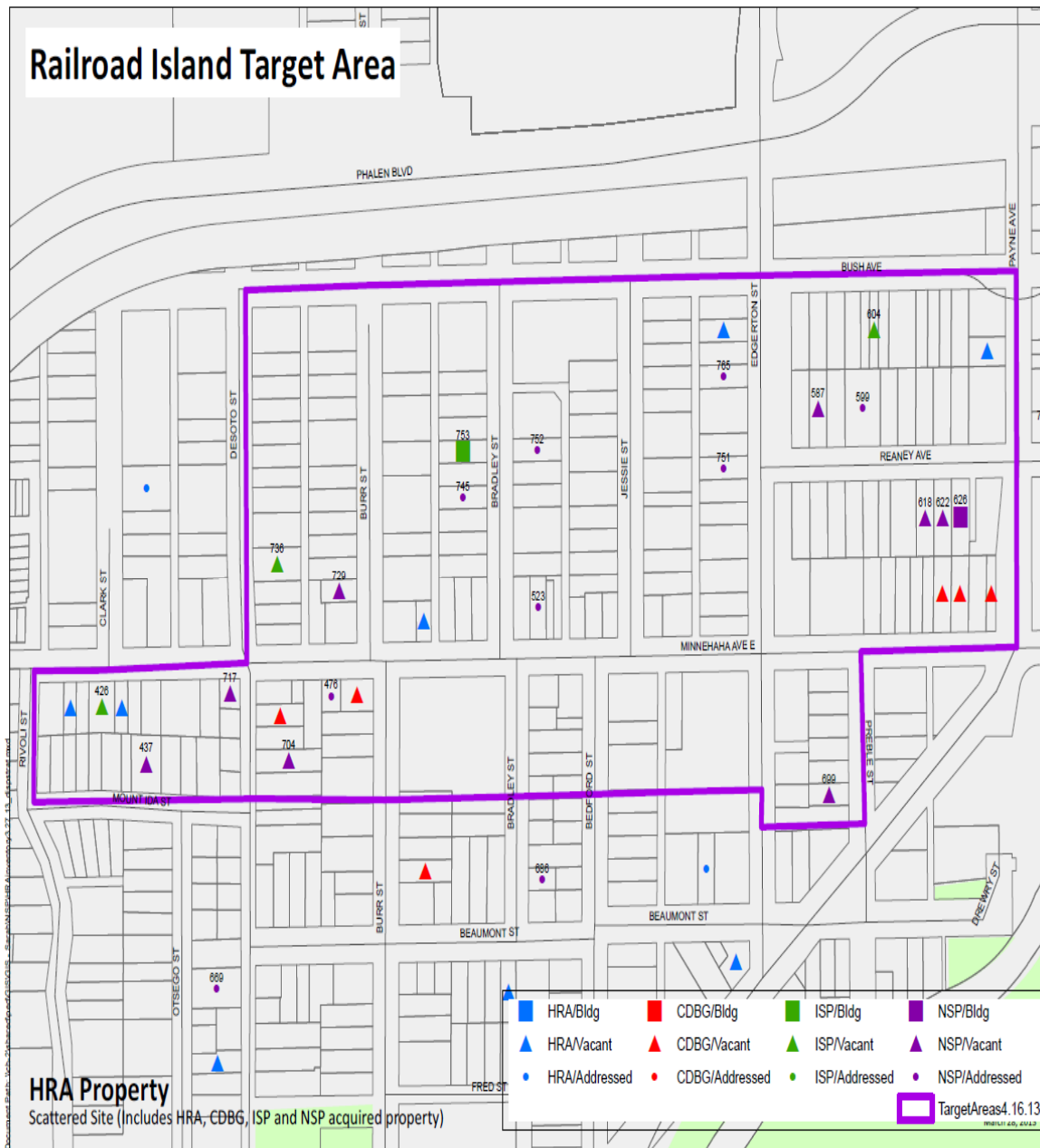
- Maximizes number of NSP properties addressed
- Overlaps a portion of Frogtown Home Loan Fund target area
- Potential to leverage funds from LISC, Twin Cities Community Land Bank, Minnesota Housing and Family Housing Fund



Why this cluster?

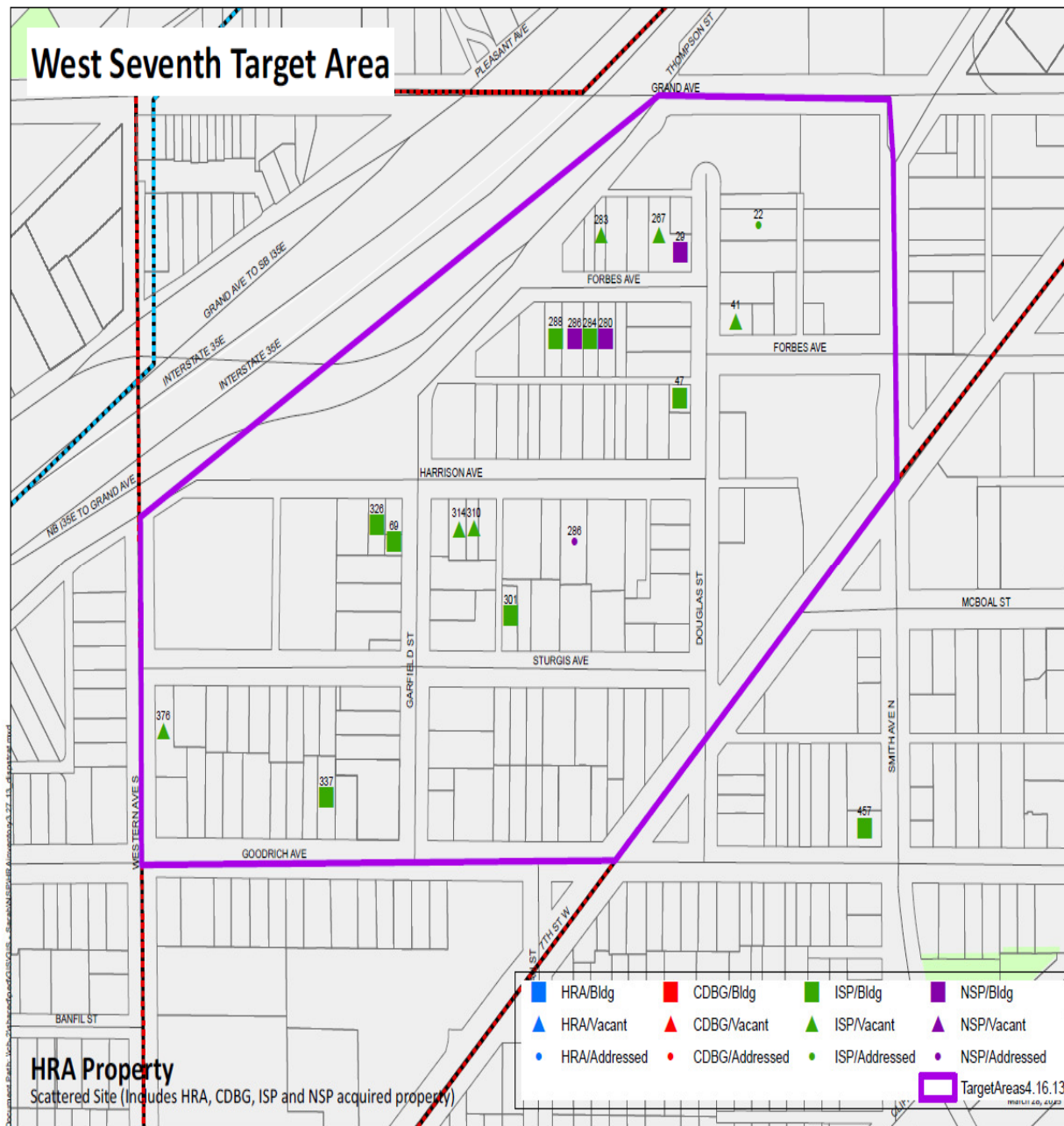
- Surrounds Payne Maryland project
- Payne, Maryland and Arcade are highly travelled streets
- Builds on investments already made in NSP 3 target area
- Maximizes ISP and NSP buildings addressed
- Opportunity to leverage rehab of non-HRA owned buildings through ESNDC's "Community of Choice" initiative





Why this cluster?

- Focus along Minnehaha Avenue, gateway to the Rivoli Bluff development project
- Maximizes number of HRA owned property addressed
- Initial focus to begin Rivoli Bluff development
- Support neighborhood vision for community gardens or pocket parks with splinter parcels
- Additional new construction in 2015-6



Why this cluster?

- Target area maximizes concentration of HRA owned buildings addressed
- Homes are clustered by high frequency bus line
- Initiative with strong support from Little Bohemia Neighborhood Association and Fort Road Federation

Square Foot Construction Cost and Sales Assumptions

| | Single Family Rehab and Sale | Duplex Rehab and Sale | New Construction |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------|---------------------|
| Construction | \$110 SF | \$150 SF | \$125 SF |
| Soft Costs | 25% HC | 25% HC | 25% HC |
| Sales Price | \$95 SF | \$110 SF | \$100 SF |
| SF- Square Foot HC-Hard Costs *Rental assumptions based on actual proposals received but not yet approved and closed | | | |

Total Cluster Area Cost Projections

| | Units | Estimated costs | Program Income | Subsidy Needed |
|------------------|------------|---------------------|---------------------|--------------------|
| Dayton's Bluff | 20 | \$3,832,475 | \$2,152,355 | \$1,012,500 |
| Frogtown | 15 | \$3,509,988 | \$2,542,355 | \$967,633 |
| Payne Phalen | 10 | \$1,754,775 | \$1,098,895 | \$655,880 |
| Rail Road Island | 28 | \$5,566,650 | \$4,012,420 | \$1,554,230 |
| West Seventh | 15 | \$3,445,406 | \$2,408,820 | \$1,036,586 |
| Total | 87* | \$17,859,294 | \$12,054,845 | \$5,136,829 |

*87 units impacting total of 70 HRA owned properties; Dayton's Bluff neighborhood has several rental projects projected, which reduces program income and increases unit count.

Cluster Area Disposition: Next Steps

Develop Neighborhood Revitalization Initiative in collaboration with stakeholders

Facilitate idea generating session to further HRA's neighborhood stabilizing efforts with priority of addressing HRA's inventory

Engage developers, partners and investors in the single family housing delivery system

- Inform partners of delivery model change
- Communicate strategy for owned inventory and investments
- Ask for partners support to leverage other resources in cluster areas

Results from meeting:

- Leverage partner programs and resources to address properties that are not owned by the HRA
- Clarify requirements for a successful RFP process by engaging stakeholders

Non-Clustered Parcels with Obligations (60 Parcels)

Non-Clustered Parcels with Obligations

(60 parcels)

Criteria for Classification

- Parcels located outside target areas with redevelopment obligations
- Types of obligation include: CDBG or NSP requirements to meet a federal national objective; tax forfeit properties with timeline for redevelopment; vacant buildings owned by the HRA

Disposition Strategy

- Provide limited subsidy to address buildings and lots to meet obligations

Timeline

- Offer buildings (23 buildings) and high priority parcels for sale through RFP process (spring 2014/2015)
- Hold NSP Eligible Use E lots (20 lots) until 2016-18

Budget Implications

- *Short term:* \$2,000/parcel x60 parcels = \$122,000/year
- *Long term:* Incremental redevelopment of buildings add to tax base.
- Holding lots reduces strain on subsidy during cluster implementation

Total Parcels with Obligations Cost Projections

| | Units | Estimated costs | Program Income | Subsidy Needed |
|-------------------------------|------------|---------------------|---------------------|--------------------|
| CDBG Projects | 21 | \$5,031,250 | \$3,220,000 | \$1,811,250 |
| Multi-Family Rehab | 13 | \$2,946,375 | \$1,728,540 | \$1,217,835 |
| Single Family Rehab | 16 | \$3,899,775 | \$2,694,390 | \$1,205,385 |
| NSP Required New Construction | 20 | \$5,000,000 | \$3,200,000 | \$1,800,000 |
| Total | 70* | \$16,877,400 | \$10,842,930 | \$6,034,470 |

*70 units impacting total of 50 HRA owned properties; difference due to rental projects projected and CDBG obligated large redevelopment sites.

Splinter Parcel Strategy

(54 Parcels)

Splinter Parcel Strategy

(54 Parcels)

Criteria for Classification

- Substandard lot size or undevelopable due to topography or soil

Disposition Strategy

- Sell to adjacent residential property owners for nominal fee
- Utilize unsellable parcels as community gardens or pocket parks

Timeline

- Phase lot sales in groups of 10 per month
- Completion by Spring 2014

Budget Implications

- Short Term: $\$500/\text{parcel} \times 54 \text{ parcels} = \$27,000$
- Long Term: Savings of \$100,000 annually in holding costs
- Exempt properties are returned to tax base

Buildable Lots for Sale

(56 Parcels)

Buildable Lots for Sale

(56 Parcels)

Criteria for Classification

- Buildable vacant residential lots located outside of target areas

Disposition Strategy

- Sell for appraised value with no additional subsidy
- Create program in partnership with stakeholders to facilitate sale

Timeline

- Pilot sale of 5 parcels in Summer 2013
- Clarify procedures for sale in partnership with stakeholders in Q4 2013
- Full implementation in 2014

Budget Implications

- *Short Term:* \$4,000/parcel x 56 parcels = \$224,000
- *Long Term:* Savings of \$112,000 annually in holding costs
- Exempt properties returned to tax base

Summary: Scattered Residential Lots Disposition

| Property Classification | # of Parcels | Timeline | Budget implications | Priority Rationale |
|--------------------------------|--------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Cluster Area Properties | 70 Parcels | RFPs in fall of 2013 and 2014 | Matching funds will be sought to leverage with HRA investment in cluster areas | Highest staff priority: potential to leverage funds and maximize neighborhood impact |
| Splinter Parcels | 54 Parcels | Developing infrastructure currently, implement aggressively in 2013 | Holding costs budgeted: revenue generated expected to off-set holding costs | Second Priority: Properties are likely to sell easily and are "low hanging fruit" for reducing inventory |
| Non-Cluster Obligations | 60 Parcels | 2 rounds of RFPs in spring of 2014 and 2015 to address buildings; hold lots until 2016-18 | HRA likely only funder for subsidy due to inability to demonstrate impact/neighborhood change | Third Priority: Cost is higher and neighborhood impact is lower |
| Lots to Sell | 56 Parcels | Pilot Summer 2013, develop policies, procedures, and program infrastructure in fall, implement in 2014 | Holding costs in 2013 budgeted: revenue generated expected to off-set holding costs in 2014-15 | Fourth Priority: Development of infrastructure to facilitate lot sale needed prior to implementation |

Disposition Timeline

[illegible]

QUESTIONS

Strategy:

What do you like about the strategy & how do you think it will benefit the neighborhood?

What would you change about the strategy to make it better?

What barriers/obstacles need to be addressed & what suggestions do you have to resolve?

Developer-driven model:

Are the following factors challenges to affordable housing developers; how can we address them? Are there any others?

- Predevelopment financing & planning
- Construction financing
- Leveraging funding
- Home sales



Equitable Disposition of City-Owned Parcels:

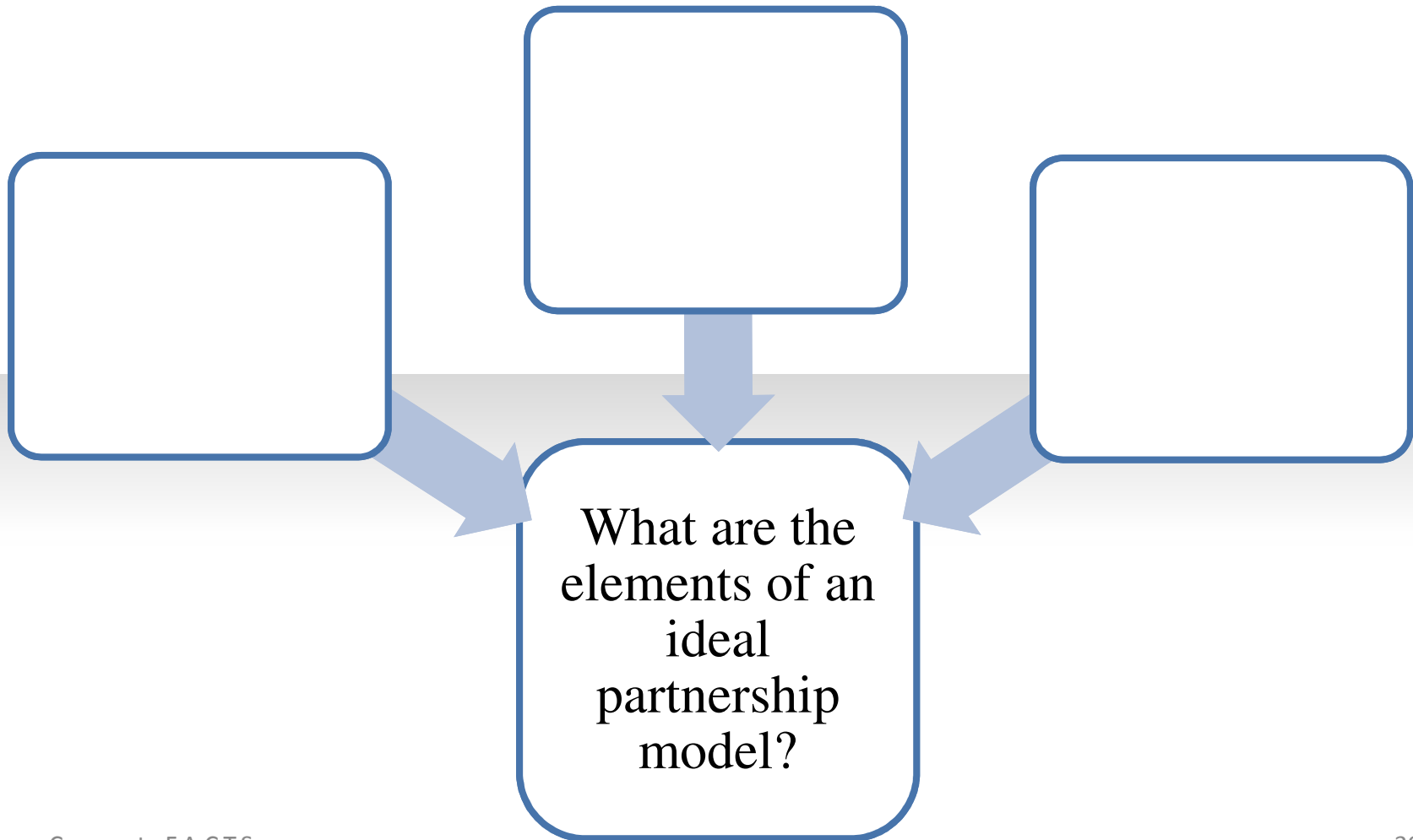
- How can the City dispose of properties in ways that are sensitive to community needs & desires while adhering to rules & regulations that govern funding sources used to purchase property?

Group Report



Partnership Model

**Identify 3 concrete steps neighborhood partners
can take to move toward the model?**



Naming Our Partnership Initiative

HRA has named initiatives in the past. Such as:

- *Houses to Homes*
- *Invest Saint Paul*
- *Neighborhood Stabilization Program*

HRA wishes input from the partners in naming this initiative

- Index cards on table
- Request each person to come up with a name by the end of the meeting
- Deposit card in the box





Evaluation

