

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

**REPORT TO THE COMMISSIONERS**

**DATE: JANUARY 8, 2014**

**REGARDING: APPROVAL OF THE SALE AND CONVEYANCE OF PARCEL 1776 MARYLAND AVENUE UNIT 100, 1776 MARYLAND AVENUE UNIT 109, AND 1776 MARYLAND AVENUE UNIT 305, GREATER EAST SIDE, DISTRICT 2, WARD 6.**

**Requested Board Action**

Approval of the sale and conveyance of units 100, 109 and 305 in the Hazel Park Heights building located at 1776 Maryland Avenue to Zeman Construction Company.

**Background**

Development Agreement/Gap Financing: The 27-unit Hazel Park Heights building was constructed at the corner of Maryland and White Bear Avenues in 2006. A Development Agreement with North East Neighborhoods Development Corporation (NENDC), and forgivable gap financing in the amount of \$1.19 million, were approved by the Board on September 28, 2005 by Resolution 05-09/28-5. The loan was to be forgiven at a rate of \$44,074.07 per unit sold. As of March, 2012 the balance of the loan was \$528,888.95. On March 28, 2012 the HRA authorized the satisfaction of the loan by resolution number 12-570.

Guaranty: On September 28, 2005, the HRA approved a Guaranty in the amount of \$600,000 to make up the difference in a 50%, bank-imposed pre-sale requirement; nine of the required thirteen units had been sold at the time this action was requested. The Guaranty was to be drawn upon in the event that the remaining four units had not been sold after 12 months of project completion; the full Guaranty was drawn. As part of the guaranty agreement between Zeman Construction Company, Anchor Bank and the HRA, the HRA took ownership of five units. Two of the units were sold in 2012 and the remaining three units (consisting of two 2-bedroom units and one 1-bedroom unit) have been vacant since construction was completed. Two of the vacant units remain unfinished; an escrow of \$10,000 is being held with the title company to complete the units once sold.

In May of 2013, the HRA received purchase offers from Mark Zeman, the Chief Manager of Zeman Construction Company for the remaining 3 HRA-owned units. Zeman currently owns 12 units that are occupied by residents with a rent-to-own option in their lease; the three units in the purchase offer will become part of this program. The units will be purchased on a contract for deed and financed by the HRA according to the terms described in the Financing Structure section.

### **Budget Action**

No budget action is being requested.

### **Future Action**

Once the HRA approves the sale and conveyance of the property, staff will proceed to schedule a closing.

### **Financing Structure**

The units will be sold on a contract for deed that will detail the following terms: Zeman Construction Company will acquire the property for the specified purchase price by putting 10% down and financing \$130,500 (the remaining purchase price) with the HRA at a rate of 3% for a period of ten years. A payment schedule will be attached to the contract for deed documents and will result in payments to the HRA of approximately \$1,200 per month.

### **PED Credit Committee Review**

The Credit Committee reviewed and recommended to the HRA Executive Director approval of the terms of the sale at their November 13, 2013 meeting.

### **Compliance**

There is no compliance associated with this sale.

### **Green/Sustainable Development**

The sale of these units is not subject to the city's Sustainable Building Policy.

### **Environmental Impact Disclosure**

N/A

**Historic Preservation**

N/A

**Public Purpose/Comprehensive Plan Conformance**

This action supports all three strategies of the Housing Chapter of the City’s Comprehensive Plan: 1) Build on Saint Paul’s strengths in the evolving metropolitan housing market; 2) Preserve and promote established neighborhoods; and 3) Ensure the availability of quality and affordable housing across the city.

The Hazel Park Heights building is located within the White Bear Avenue Small Area Plan and the Northeast Corridor Development Plan area. Both plans have been adopted as part of the City’s Comprehensive Plan. The plans are supportive of the requested action because it will expand housing choices by further occupying a building on two major transit streets and adding to the commercial-residential mix in the area.

**Statement of Chairman**

“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 a certain Parcel of land located in District 2, Greater East Side, by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, December 26, 2013. 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 District 2 Greater East Side:

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
1776 Maryland Ave, Unit 100	Zeman Construction Company	\$52,500.00
1776 Maryland Ave, Unit 109	Zeman Construction Company	\$52,500.00

1776 Maryland Ave, Unit 305

Zeman Construction Company

\$40,000.00

The property will be conveyed for the purpose of expanding Zeman Construction Company's rent-to-own program and to expedite the occupancy of the units.

Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.”

**Recommendation:**

The Executive Director and staff recommend approval of this sale in accordance with the attached resolution.

**Sponsored by:** Commissioner Bostrom

**Staff:** Sarah Zorn (651-266-6570)

**Attachments:**

- **Attachment A -- Resolution**
- **Attachment B-- Map/Address of Project**
- **Attachment C -- Project Summary Form**
- **Attachment D -- Census Facts**