

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

REPORT TO THE COMMISSIONERS

DATE: MARCH 28, 2012

**REGARDING: AUTHORIZATION TO APPROVE THE SALE AND CONVEYANCE OF
PARCEL 1776 MARYLAND AVENUE EAST, UNIT 307, HAZEL PARK
HEIGHTS CONDOMINIUM PROJECT, GREATER EAST SIDE
DISTRICT 2**

Requested Board Action

Approval of the sale and conveyance of Parcel 1776 Maryland Avenue East, Unit 307 to Ronald Stanley Snaza.

Background

The acquisition and reuse of the parcel at 1776 Maryland Avenue East was approved by City Council on July 5, 2001 to further the vision detailed in the White Bear Avenue Small Area Plan (which is now in the City's Comprehensive Plan). The plan encouraged housing development on marginal commercial sites along White Bear Avenue. The Comprehensive Plan noted that any increase in housing density should be undertaken along the transit corridors where it does not interfere with the single family residential fabric of the neighborhood. This site was identified in the Housing 5000 Plan as one of the transit corridor sites to be developed to increase housing density on transit corridors and provide a new type of housing option in the area for first time homebuyers, empty nesters and elderly.

HRA/City provided both gap assistance for the 27 unit development and a \$600,000 Guaranty to meet the pre-sale requirements to qualify for private financing and Fannie Mae mortgage underwriting. The overall development cost was \$5,328,828 including underground parking and specific development design required by the City/HRA. The Developer (Hazel Park Heights, LLC) anticipated sale proceeds from all units to be \$3,838,800. HRA approved (by Resolution 05-09/28-05) \$1,190,000 gap assistance plus \$600,000 guaranty for the purchase of five units. At that time the lowest unit price was \$124,000.

The Certificate of Occupancy was issued in 2007, and to date 15 units have been sold. The project came on line just as the economy and the housing market began to decline. In 2008, in accordance with the HRA Guaranty, a payment of \$600,000 was made to the Lender, Anchor Bank, for the purchase of five units meeting the pre-sale requirements. Since that time, Hazel Park Heights, LLC and HRA have continued to market the properties both as rent-to-own and contract for deed with little success. Many of the buyers that had purchase agreements for the units were empty nesters or elderly and had to sell their homes first. The market limited their ability to do so and many of the sales fell through. The townhouse and condominium market has virtually vanished for financing because many of the condominium buildings have had too many foreclosures and can no longer meet the Fannie Mae/FHA requirements.

HRA has continually marketed these properties, and recently listed all the properties under the ISP/NSP marketing strategy. HRA received a purchase agreement for one of the 1-br units; staff has completed the underwriting and is ready to proceed with the sale of the property.

See **Attachment B – Marketing Process and Procedures/Homebuyer Incentive Program** for more information on IS/NSP and other fair marketing efforts.

- 1776 Maryland Avenue East, Unit 307 appropriately zoned RM-2
- Acquisition of 1776 Maryland Avenue East under Housing 5000 Guaranty
- Parks, schools and other HRA owned property are in the vicinity related to development (See **Attachment C**)
- Wilder planning district demographic profile (See **Attachment E**)

Budget Action

No budget action is being requested.

Future Action

No future action will be required. Once the HRA takes action approving the sale of the property, staff will proceed to schedule a closing and convey the property.

Financing Structure

The property is being sold based on the after-rehab appraisal and consideration of HRA costs for \$94,000. A deed conveying the property includes a restriction requiring owner-occupancy, together with the Homeowner's Association Documents. The first mortgage will be \$79,900 at 3.99% interest rate for 30 years and is due and payable upon sale of the property. HRA is carrying the first mortgage since the property does not qualify for Fannie Mae financing. In addition, HRA will allow for down payment assistance of \$14,500. Servicing will be done by US Bank which currently handles the City Living Mortgage.

PED Credit Committee Review

N/A Credit Committee review is not required in the disposition of property.

Compliance

This development complied with all the following requirements:

1. Affirmative Action/Equal Employment Opportunity
2. Vendor Outreach
3. Section 3
4. Limited English Proficiency
5. Fair Housing Opportunities

Green/Sustainable Development

N/A. Property was built prior to City/HRA Sustainability 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.

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 the Greater East Side District 2 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, March 17, 2012. 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 the Greater East Side District 2:

Property Description	Purchaser/Developer	Purchase Price
1776 Maryland Avenue E., Unit 307	Ronald Stanley Snaza	\$ 94,000.00

The above property was purchased by the HRA and is being sold at a fair market value for the purpose of homeownership.

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 sale in accordance with the attached resolution.

Sponsored by: Commissioner Bostrom

Staff: Sheri Pemberton-Hoiby (651-266-6615)

Attachments:

- **Attachment A -- Resolution**
- **Attachment B – Marketing Process and Procedures**
- **Attachment C-- Map/Address of Project and Photos**
- **Attachment D -- Public Purpose Form**
- **Attachment E -- Census Facts**