

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

**REPORT TO THE COMMISSIONERS**

**DATE: JUNE 9, 2021**

**REGARDING: APPROVAL AND AUTHORIZATION TO SELL AND CONVEY 1776  
MARYLAND AVENUE E., UNIT #204, AND AUTHORIZATION TO  
WAIVE THE 45-DAY WRITTEN NOTICE IN THE HRA  
DISPOSITION POLICY, DISTRICT 2, WARD 6**

## **Requested Board Action**

The specific actions being requested of the HRA Board are as follows:

- Approval of the sale and conveyance of 1776 Maryland Avenue E, Unit #204 (the “Property”), owned by the Housing and Redevelopment Authority of the City of Saint Paul (the “HRA”).
- Waiver of the 45-day written notice in the Policy and Procedures for Disposition of HRA Owned Real Estate.

## **Background**

1776 Maryland Avenue E, Unit #204 (the “Property”) is an HRA-owned condominium unit located in the Hazel Park Heights Condominiums building at the southwest corner of Maryland Avenue E. and White Bear Avenue, Ward 6, District 2. This Board Report accompanies a Resolution for the HRA Board’s consideration to approve the sale of the Property to AOP Holdings, LLC (the “AOP”) for \$110,000. As a condition of the sale, AOP will be required to enroll the Property into the City of Saint Paul’s 4(d) Affordable Housing program for ten years.

The HRA has most recently reacquired the Property in 2018. The HRA’s ownership of this condominium unit is connected to a larger history related to the HRA’s participation in the initial development project, which involved new construction of a building with 27 condominium units. In approximately 2008, the HRA acquired five (5) of the newly constructed condominium units in the building that remained unsold. The circumstances of the housing market at that time necessitated the HRA to intervene to financially stabilize the building and to protect the HRA’s initial investments. The HRA subsequently sold three (3) of the five (5) units to a property management and real estate investment entity, and the other two (2) units were each sold to an owner-occupant. The Property was one of the units sold directly to an owner-occupant in 2012. The HRA financed the sale to of the Property to the buyer. In 2018, due to the buyer’s default on the loan it received from the HRA, the HRA revested ownership of the Property through a foreclosure. The unit has been vacant ever since.

AOP approached the HRA in late 2020 and inquired about the possibility of acquiring the Property. AOP (and/or its affiliated entity Minnesota Capital Management) presently owns 19 of the 27 condominium units in the building. AOP operates all of the units as rental housing. The other units in the building are privately owned and some of those are owner-occupied.

AOP is offering the HRA \$110,000 for the purchase of the Property. AOP intends to rent the Property out, as it is currently doing with the other 19 units that AOP and/or Minnesota Capital Management own. AOP has agreed to enroll the Property into the 4(d) program (to be affordable to and occupied by a 50% AMI household).

HRA staff considered AOP's offer to purchase the Property and determined that it was in the public interest to pursue this deal for the following reasons: (1) The price is consistent with comparable sales that occurred in the building in 2020 when AOP purchased 15 other units. This was the price for one bedroom units with the same floorplan that AOP acquired as part of that transaction; and (2) the HRA's ability to find a buyer for this unit is hampered by two factors, (a) because of the amount of units in the building that are rental, any prospective owner-occupant buyer would not be able to obtain FHA financing; and (b) the condominium association rules limits the rental of units to persons/entities that own units in the building. In other words, only other unit owners in the building could purchase the Property and subsequently rent it out; and (3) AOP has agreed to maintain this unit as affordable to households earning at or below 50% AMI. Prior to the sale of the Property, HRA staff will document the estimated fair market value of the Property through an established valuation process involving a professional appraiser.

Since it is unlikely that any other viable offer to purchase the Property could emerge, HRA staff recommends a waiver of the 45-day ENS requirement in HRA's Disposition Policy

### **Budget Action**

This transaction will result in HRA receipt of proceeds from the sale, which will be allocated to a future use at a future time.

### **Future Action**

No future action will be required. Once the HRA approves the requested action, staff will proceed to convey the Property.

### **Financing Structure**

Not applicable.

**PED Credit Committee Review**

Not applicable.

**Compliance**

This is a non-subsidized, fair market value property sale. The sale is based on HRA Disposition Policy subject to Vendor Outreach Program and Affirmative Action / Equal Employment Opportunity requirements.

**Green/Sustainable Development**

Not applicable.

**Environmental Impact Disclosure**

Not applicable.

**Historic Preservation**

The Property is not within a locally or federally designated historic district.

**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.

**Statement of Chairman (for Public Hearing)**

“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 Property located in the Greater East Side Planning District 2, by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota.

“Notice of time, place, and purpose of this hearing was published in the Legal Ledger on Thursday, May 27, 2021. 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 Planning District 2:

## **Property Description**

1776 Maryland Avenue E, Unit #204, legally described as: Unit No. 204, Common Interest Community No. 729, Hazel Park Heights Condominium, a condominium located in Ramsey County, Minnesota.

## **Purchaser/Developer**

AOP Holdings, LLC.

## **Purchase Price**

\$110,000.00

“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 recommends approval of the sale of this Property in accordance with the attached Resolution.

**Sponsored by:** Commissioner Yang

**Staff:** Joe Musolf (651-266-6594)

## **Attachments**

- **Map**
- **Public Purpose**
- **District 2 Profile**
- **Comprehensive Plan Conformance**