

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.