



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: April 16, 2013
To: Council Member Lisa Goodman, Chair, Community Development Committee
Subject: Land Sale Public Hearing – Pass–Through Sale of 201 Lowry Avenue NE

Recommendation:

1. Approve the acquisition of 201 Lowry Avenue NE from Hennepin County–Tax Forfeited Land and simultaneous disposition to First & First LLC or an affiliated entity for \$150,000 plus Hennepin County and City of Minneapolis costs incurred in acquisition, holding, maintaining and administration of the property, including the City's 10% administration fee.
2. Authorize appropriate City officials to enter into a redevelopment contract and related documents in accordance with the terms herein, including the attached Term Sheet.

Previous Directives: The Public Hearing and Approval of the 201 Lowry Avenue Northeast Redevelopment Plan was approved by the City Council on March 8, 2012.

Prepared by: Cherie Shoquist, Principal Project Coordinator Phone 612-673-5078

Approved by: Charles T. Lutz, Deputy CPED Director _____

Thomas A. Streitz, Director Housing Policy & Development _____

Presenters in Committee: Cherie Shoquist

Financial Impact

- Other Financial Impact: The City will collect an administrative pass through fee of \$15,000 at closing.

Community Impact

- Neighborhood Notification: Bottineau Neighborhood Group and Marshall Terrace reviewed this proposal.
- City Goals: A SAFE PLACE TO CALL HOME In five years all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.
- Comprehensive Plan: The development of these properties is consistent with the Comprehensive Plan as commercial development and a high density rental housing development. As the project proceeds to development, additional review will be necessary to further ensure consistency the Comprehensive Plan and with the Zoning Code.
- Zoning Code: C2/Neighborhood Corridor Commercial District.
- Other: On May 16, 2011, the Planning Staff completed a land sale review of this parcel and approved the proposed development.

Supporting Information

PARCEL

TF-767

ADDRESS

201 Lowry Ave NE

SALE PRICE

\$150,000 plus costs TBD

PURCHASER

First & First LLC or an affiliated entity
105 North 1st Street, Minneapolis, MN 55401

PROPOSED DEVELOPMENT:

The lot size is irregular and approximately 44,439 total square feet.

LAND DISPOSITION POLICY:

This property is a buildable lot as defined by City policy and is being sold for development.

FINANCING:

Phase 1—owner equity and conventional bank financing; Phase 2—affordable housing resources.

OFFERING PROCEDURE:

[Public Advertisement](#). The sales price of this property does reflect the full re-use value.

COMMENTS:

The City has not acquired this tax forfeited parcel, so conveyance is contingent upon acquisition from Hennepin County as administrator of tax forfeited properties on behalf of the State of Minnesota. The City will convey tax title to the developer.

A development team led by local architect Dean Dovolis of DJR Architecture, Inc., proposes to renovate the existing vacant building (the former Little Jack's restaurant) for restaurant and/or other commercial use and, in a partnership with Clare Housing, construct new high-density affordable rental housing on the portion of the site formerly used for surface parking. It is proposed that the City of Minneapolis acquire the tax-forfeited property and convey it to First & First LLC or an affiliated development entity.

Sources of funding for the commercial portion of the project may include commercial mortgages, developer equity, environmental grants, historic tax credits and/or New Markets Tax Credits. The total development cost is estimated to be \$940,425. Sources of funding for the housing portion of the project may include State and City affordable housing resources. The Clare Housing development will provide 30-35 affordable rental units. The total development cost is estimated to be \$7.6 million. The proposed budget identifies \$5.4 million in tax credit syndication proceeds, \$850,000 from the City of Minneapolis, \$637,000 from Minnesota Housing Finance Agency, \$500,000 from the Federal Home Loan Bank, and \$250,000 in Housing Opportunities for Persons with Aids (HOPWA) funding. The HOPWA funds and Group Residential Housing funds for services are secured. Clare Housing will be submitting applications for the balance of the funding in future funding rounds.

The 201 Lowry Avenue parcel was the location of "Little Jack's" restaurant on Lowry Avenue. In 2010, Hennepin County foreclosed the property for non-payment of taxes. CPED Business Development arranged to hold the property off of public auction based on the developer's interest in renovating the existing buildings and constructing a market rate housing project on the north half of this one-acre site.

Over the past 24 months, CPED Housing Staff negotiated a price of sale for the property between Hennepin County and the developer, and are prepared to enter into a

redevelopment agreement that will require the minimum improvements to be completed by the developer. These improvements include: the rehabilitation of the existing structures or construction of new commercial structures (if rehabilitation is not possible) and construction of high density affordable rental housing.

The proposed development is consistent with the 201 Lowry Avenue NE Redevelopment Plan. The future land use specified in the Plan is "Mixed-Use", a category that includes both affordable and market-rate housing, as well as commercial development.

The Council action regarding the Redevelopment Plan was, "Approved, with condition noted in staff report that the developer will not be requesting tax increment financing or affordable housing subsidy funds for this development."

At the time the Plan was approved, the developer planned to redevelop the former Little Jack's building on the site for commercial use and had not yet identified a partner to develop the housing use. The reuse of the housing portion of the site will be affordable housing (the Plan said market-rate rental housing). The developer of the housing site will seek tax credits and affordable housing funds (the Plan said, "At this time, it is not anticipated that any City financial assistance will be provided for this project.")

The change from market-rate to affordable housing does not make it necessary to formally modify the Plan, as the land use is specified as "Mixed-Use." Council approval of this project will address the changes from the time of the Land Use staff report.

Based on consistency with the Redevelopment Plan, neighborhood review and overall financial feasibility, staff recommends sale of 201 Lowry Avenue Northeast to First & First LLC or an affiliated entity for construction of the phase 1 commercial project and, subject to satisfaction of reasonable conditions to assignment, consent to subsequent transfer of a subdivided portion of the site to an affiliate of Clare Housing for construction of the phase 2 rental housing project.



TERM SHEET – PURCHASE

RE:

201 Lowry Ave NE

Minneapolis, MN 55418

Seller: City of Minneapolis, contingent upon acquisition of tax title from State of Minnesota

Developer: FIRST & FIRST LLC (or Permitted Assigns)

Property: 201 Lowry Ave NE Minneapolis, MN 55418

Purchase Price: \$150,000.00 plus costs TBD

Transaction

Fee: \$15,000.00 (10% x \$150,000.00); due on execution of Land Sale Contract; nonrefundable

Phase I &

Phase II: **Phase I:** Developer will subdivide the property and start renovation of the existing building for restaurant and/or commercial and related

parking improvements within 6 months of closing on the property and complete renovation within 1 year after commencement.

Phase II. Subject to satisfaction of reasonable contingencies, Developer may transfer property to an affiliate of Clare Housing for construction of an approximately 35-unit apartment building on the back part of the property on or before 3 years after closing the property and complete construction within 1 year after commencement.

Good Faith

Deposit: \$15,000.00; due on execution of Land Sale Contract; refundable as follows:

- 2/3 of this amount will be released upon completion of Phase I.
- The final 1/3 of this amount will be released upon completion of Phase II.

Closing: Closing shall occur thirty (30) days or sooner after Due Diligence is expired and acceptable; not later than August 31, 2013

Condition: Sale will be "As Is, Where Is, With all Faults"; Developer will release Seller with respect to defects, which shall include, but not be limited to, condition of title, pending or historical legal actions, and hazardous materials conditions.

Inspection Period Contingencies:

Developer shall have ninety (90) days from the date of the Land Sale Contract to conduct due diligence. Developer's contingencies shall include:

1. Title: Developer, at its expense, will obtain a current ALTA survey and preliminary commitment for title insurance. Since Seller is obtaining only tax title, a supplemental auditor's certificate, proceeding subsequent to registration and/or quiet title action may be necessary to establish marketable title.
2. Physical Condition: Developer will make arrangements with Hennepin County to obtain access to the property for purposes of conducting an inspection or investigation.
3. Environmental: Developer, at its expense, will obtain an updated phase 1 environmental report. Any disclosure letters

and/or off-site determinations from MCPA if in Seller's possession shall be provided to Developer.

4. Regulatory Approvals: Developer, at its expense, and with the cooperation of Seller, will be responsible for obtaining all regulatory approvals.

In the event the above-mentioned contingencies are not satisfied within the due diligence period, Developer may elect to terminate the Land Sale Contract, at which time the Good Faith Deposit shall be refunded to Developer, and neither party shall have any further obligations.

Prorated/Closing Costs:

Developer will pay for a title insurance commitment and the insurance premium. Seller will pay state deed taxes included in the purchase price. Developer is to pay recording costs. Escrow and closing fees are to be split 50/50. The property is currently exempt from property tax. Developer assumes responsibility for property taxes and special assessments levied after the date of closing. Developer acknowledges that local taxing districts may recertify cancelled special assessments post-closing. All other items are to be determined/negotiated, but generally based upon custom and practice.

Broker:

Java Properties is representing the Developer in this transaction. Developer will pay any broker commission due to Java Properties.

Non-Binding:

Seller, Developer, and brokers shall each have no obligation or liability relating to this document or to any verbal or written negotiations, discussions or correspondence. All parties shall expressly have full right to cease discussions/negotiations at any time and for any reason prior to full Land Sale Contract execution.

Purchase

Agreement Form:

City will prepare, at its expense, within ten (10) days after City Council approval of the land sale on the terms outlined in this the Term Sheet, a draft of the Land Sale Contract to be reviewed, negotiated in good faith and executed by the parties. The Land Sale Contract will contain standard City requirements to ensure redevelopment of the site, e.g., construction and financing plan approval prior to commencement of construction, transfer and encumbrance limitations prior to completion, reversionary rights, and a deed restriction regarding conformance with the applicable redevelopment plan.

Authorizing sale of land Tax Forfeiture Disposition Parcel TF-767.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel TF-767 in the Marshall Terrace neighborhood, from First & First LLC or an affiliated entity, hereinafter known as the Redeveloper, the Parcel TF-767, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

TF-767; 201 Lowry Avenue NE

West 40 feet of Lots 14, and 15; and Lots 16, 17, 18, and 19, Block 12, B.S. Wright's Addition to Minneapolis.

The East 40 feet of the West 80 feet of Lots 14, and 15, Block 12, B.S. Wright's Addition to Minneapolis.

Lot 20, and the North 10 feet of that part of Lot 15, lying East of the West 80 feet of said Lot 15, Block 12, B.S. Wright's Addition to Minneapolis.

Whereas, the Redeveloper has offered to pay the sum of \$150,000 plus related costs, for Parcel TF-767 to the City for the land and improvements; the offer includes a development plan and commitment to improve by rehabilitating the existing structure for commercial use and new construction of an affordable rental housing project. This offer is in accordance with the 201 Lowry Avenue NE Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with accepted methods of aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on Friday, April 5, 2013, a public hearing on the proposed sale was duly held on April 16, 2013, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

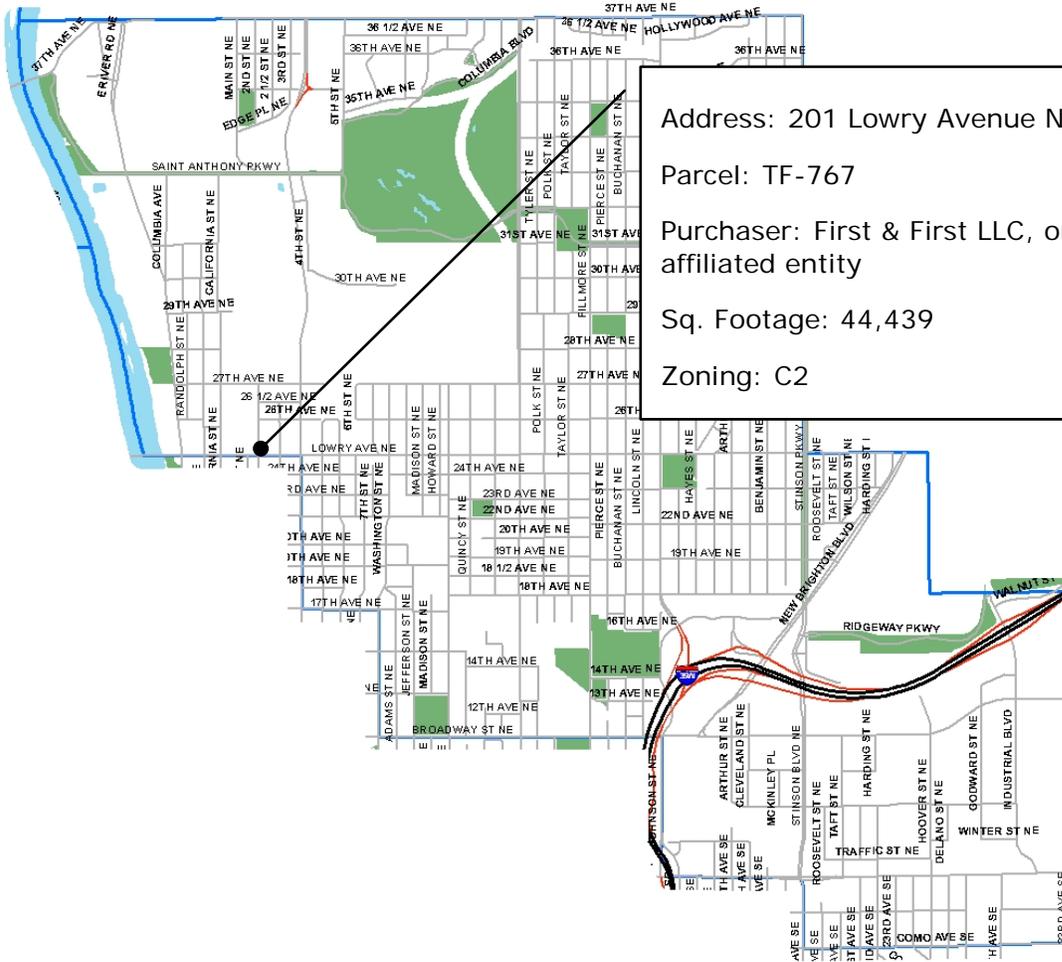
That the re-use value, for uses in accordance with the 201 Lowry Avenue NE plan, as amended, is hereby estimated to be the sum of \$150,000 plus costs, for Parcel TF-767.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the Parcel in accordance with the 201 Lowry Avenue NE Redevelopment Plan and/or Program.

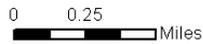
Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate official of the City.

WARD 1



Address: 201 Lowry Avenue NE
Parcel: TF-767
Purchaser: First & First LLC, or an affiliated entity
Sq. Footage: 44,439
Zoning: C2



TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: April 16, 2013
 Subject: Land Sale – Public Hearing
 201 Lowry Avenue Northeast
 Address: 201 Lowry Ave NE
 Purchaser: First & First LLC or an affiliated entity

Disposition Parcel No. Acq Date	Address	Total Anticipated CPED Costs	Less Sales Price	Write Off
TF-767 N/A Pass through sale	201 Lowry Ave NE	\$150,000 plus costs TBD	(-)\$150,000 plus costs TBD	(+/-)\$0

Re-Use Value Opinion	Less Sales Price	Write-Down
\$150,000	\$150,000 plus costs	\$0

Write-Down
 Reason: NA

Developer History with CPED:
 First & First LLC, DJR Architecture, Inc., and Clare Housing have previously developed properties in the City of Minneapolis.

Developer Information:

- Single Individual(s)
- Married Individual(s)
- Limited Liability Partnership of the State of Minnesota
- Limited Liability Company of the State of Minnesota
- Corporation of the State of Minnesota
- Nonprofit Corporation of the State of Minnesota
- Other