

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 9/27/2016
Referral: N/A
From: Community Planning & Economic Development
Lead Staff: Earl S. Pettiford, Senior Project Coordinator X-5231
Presented by: Earl S. Pettiford, Senior Project Coordinator X-5231
File type: Resolution
Subcategory: Land Sale

Subject:

Land Sale: 1115 40th St. E. to City of Lakes Community Land Trust

Description:

1. Passage of a Resolution approving the sale of the property at 1115 40th St. E., TF-885, to City of Lakes Community Land Trust for \$34,000, subject to conditions.
2. Authorizing the award of up to \$25,000 from land sale proceeds to support affordability assistance.
3. Authorizing the appropriate City official to enter into the necessary agreements with the City of Lakes Community Land Trust.

Previous Actions:

On December 11, 2015, the City Council approved the Vacant Housing Recycling Program that defines the program guidelines for disposition of vacant buildings and lots for housing development ([15-01481](#)).

Ward/ Address:

Ward 8
1115 40th St. E.

Background/Analysis:

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
TF-885	1115 40th St. E.	\$34,000

The lot size is 40' x 121' = approximately 4,854 total square feet.

PURCHASER

City of Lakes Community Land Trust
1930 Glenwood Ave.
Minneapolis, MN 55405

PROPOSED DEVELOPMENT:

The City of Lakes Community Land Trust (CLCLT) proposes to build a 1,882 square foot, four-bedroom and three-bath, multi-generational home with a two-car detached garage. This multi-generational design affords multiple generations to be housed under one roof.

LAND DISPOSITION POLICY:

The sale of this property is in compliance with the City’s Disposition Policy. The sales price of this property reflects the full re-use value, taking into consideration purchaser will demolish the existing structure.

FINANCING*:

Twin Cities Community Land Bank.

*Subject to application and underwriting requirements.

COMMENTS:

On October 23, 2015, the City acquired this parcel for \$1.00 from Hennepin County, as part of the memorandum of understanding. The property was subsequently offered for rehabilitation and received three offers. Unfortunately, none of the proposals was economically feasible as all were requesting some form of development subsidy from the City of Minneapolis, including a cost write-down on the purchase of the property.

One of the proposers, City of Lakes Community Land Trust (CLCLT), proposed an alternative redevelopment strategy—demolition and subsequent development of a new multi-generational affordable housing unit, serving a household at less than or equal to 80% AMI. They have secured financing for acquisition, demolition and some funds for homebuyer assistance; however, there is still an affordability gap due to the estimated new construction value (\$375,000) of the home in this neighborhood.

Though the City’s disposition policy allows for a write-down of the sale of the property for the development of an affordable housing project, this project does not have a development gap, so CLCLT has requested direct homebuyer assistance rather than a write-down. Therefore, to support the development of an affordable ownership housing unit in this non-impacted area, staff recommends that the City grant CLCLT up to \$25,000 of the disposition proceeds to support the affordability gap for the homeowner. The grant amount will be provided at closing to reduce the purchase price. In exchange for the grant, CLCLT will demolish the property and will record a declaration of restrictive covenants against the property restricting the sale of the property to households at less than or equal to 80% AMI for a term of 30 years. CLCLT will also commit to have the subject property placed in the land trust, which will result in the property serving households at less than or equal to 80% AMI beyond the 30 year term of the declaration, for as long as the land trust remains viable.

The Bancroft neighborhood has reviewed this proposal and is supportive of the development of this multi-generational affordable housing unit in their neighborhood. The neighborhood’s board has asked the CLCLT to provide an update of the project in January 2017 to consider some NRP investment for affordability gap assistance.

Financial Review:

No additional appropriation required, amount included in current budget.

- Elimination of future property management costs estimated at \$3,600 per year.
- Proposed Net Sale Proceeds (see attached table): \$25,051
- Proposed Re-Use Value Write-Down (see attached table): \$0

Future budget impact anticipated.

Approved by the Permanent Review Committee.

Meets Small and Underutilized Business Program goals.

Attachments:

1. 1115 40th St. E. Land Sale_Resolution
2. 1115 40th St. E. Land Sale_Ward Map
3. 1115 40th St. E. Land Sale_Cost Sheet
4. 1115 40th St. E. Land Sale_Schematics