

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

Date: September 22, 2009

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Land Sale Public Hearing
Franklin LRT Station Area
Touchstone Project

Recommendation: Approve the sale of 2304 Snelling Ave (portion) to Project for Pride in Living, Inc. or an affiliate, subject to the conditions outlined in this report and authorize proper City staff to execute necessary agreements related thereto, including a reciprocal easement and operating agreement as described in this report.

Previous Directives: CPED acquired 2304 Snelling Ave on June 2, 2009 with a combination of City Transit-Oriented Development (TOD) funds and Met Council Land Acquisition for Affordable New Development (LAAND) funds. Council authorization for this action was granted on May 8, 2009.

Prepared by: Amy Geisler, CPED Senior Project Coordinator, Phone (612) 673-5266

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

Thomas A. Streitz, Director, Housing Policy & Development _____

Presenters in Committee: Amy Geisler

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: Staff notified the Seward Neighborhood Group (SNG) of this proposed land sale on August 7, 2009. SNG is expected to provide formal comments prior to the public hearing.
- 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.
- Sustainability Targets: Affordable Housing Units, Special Needs Housing
- Comprehensive Plan: On March 26, 2009, the Planning Commission approved the sale of this parcel as being consistent with the Comprehensive Plan.
- Zoning Code: I2/IL/PO
- Other: On February 17, 2009, the Planning Staff approved a land sale review of this parcel.

Supporting Information

PARCEL
FS-4A

ADDRESS
2304 Snelling Ave (portion)

SALE PRICE
To be determined – see below

PURCHASER

Project for Pride in Living, Inc. or an affiliate
1035 East Franklin Avenue
Minneapolis MN 55404

PROPOSED DEVELOPMENT:

The project will be developed by Project for Pride in Living, Inc. (PPL) in partnership with Seward Redesign and Touchstone Mental Health Services, a supportive services provider that serves people with mental illness. The Touchstone project will include 40 units of supportive housing for individuals with severe and persistent mental health issues, service provision areas, and office space for Touchstone staff. Four units will be designated for single adults who have experienced homelessness.

The Touchstone project is the first development associated with the Bystrom Brothers site, a former industrial machining operation located along the Hiawatha LRT line near the intersection of 22nd St E and Minnehaha Ave. The Council will recall that Seward Redesign purchased the site from Hillcrest Development in June 2009, for purposes of redeveloping the site into a mixed-use, mixed-income transit-oriented development. The acquisition included a number of public funding sources, including from the City of Minneapolis, Hennepin County, Minnesota Housing Finance Agency, and the Metropolitan Council. One of the Met Council sources (LAAND, or Land Acquisition for Affordable New Development) required the City to acquire a portion of the Bystrom site directly. The LAAND funds are a no-interest loan that require repayment to the Met Council. PPL has submitted an Offer to Purchase for acquisition of a portion of this City-owned site, and will purchase the balance of their site directly from Seward Redesign.

The City has a loan agreement with the Metropolitan Council for the LAAND funds, which includes a number of specific requirements on how the property may be conveyed to an end developer. One of these requirements is that the sale price be based on an appraisal of the property, dated no earlier than 60 days prior to closing. The City's loan documents with the Met Council anticipate the sale of a portion of the site to PPL, and state that the value of the portion will be calculated as the diminishment of the value of the remaining parcel, as evidenced by an appraisal dated no earlier than 60 days prior to closing.

PPL's Touchstone project is expected to require 9% Low-Income Housing Tax Credits, along with a number of other public funding sources. PPL is submitting funding applications for the project in Summer/Fall 2009. If approved by the Council, the land sale closing would not occur until such time that PPL has assembled all necessary sources of funding and is ready to begin construction of the project. This is expected to occur in 2010 or 2011. This means that a final sale price can not be determined at this time, for the portion to be sold to PPL. It should be noted that a separate land sale process will be conducted for the remainder of the City-owned site, when a developer is identified for the remainder of the site.

The overall City site is approximately 32,000 square feet, and the portion proposed for sale to PPL is approximately 5,120 square feet. An appraisal of the overall Bystrom Bros site was conducted in early 2008, and established an as-is appraised value of \$30 per square foot.

Because the site was purchased with a combination of City and Met Council funds, the land sale proceeds will be used to repay a portion of the Met Council LAAND loan, and to repay a portion of the City's TOD loan.

RECIPROCAL EASEMENT AND OPERATING AGREEMENT:

As part of this land sale, staff is also seeking Council approval of a reciprocal easement and operating agreement for shared driveway purposes. The Touchstone building will have underground parking, which will be accessed on the north side of the building off of Snelling Ave. This driveway will also be used to access parking for the Phase II building, which will be located on the remainder of the City-owned site.

In addition to the 32 feet to be sold to PPL, approximately 18 feet of reciprocal easement will also be needed on the remainder of the City-owned site for the balance of the shared driveway and to accommodate necessary shoring work. As with the land sale, the easement will not be created until such time that project financing is fully in place, and construction is ready to commence.

LAND DISPOSITION POLICY:

This property, when combined with the remainder of the project site to be purchased from Seward Redesign, is a buildable lot as defined by City policy and is being sold for development.

FINANCING:

The proposed sources of financing for the project are as follows:

First Mortgage – Minnesota Housing	\$750,000
Syndication Proceeds	\$6,201,209
City Affordable Housing Trust Fund	\$1,300,000
City Non-Profit Admin	\$30,000
Home Depot Foundation	\$100,000
Hennepin County TOD/AHIF	\$600,000
Hennepin County ERF	\$54,000
Homeless Partners Fund Grant	\$25,000
Deferred Developer Fee	\$198,027
Total Development Cost:	\$10,658,236

OFFERING PROCEDURE:

Negotiated Sale.

CONDITIONS OF SALE:

1. Execution of an option agreement within 6 months of Council action.
2. Completion of an appraisal to establish the sale price no more than sixty (60) days prior to closing
3. Payment of a 10% good-faith deposit at or prior to closing.
4. Approval of the land sale by the Metropolitan Council, and partial release of the LAAND mortgage and LAAND Declaration.
5. City approval of property and building modifications necessary to facilitate the lot split.
6. Closing by 12/31/11.
7. "As Is" sale.

**Authorizing sale of land Franklin LRT Station Area Redevelopment Plan
Disposition Parcel No FS-4A.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel FS-4A, in the Seward neighborhood, from

Project for Pride in Living, Inc. (PPL) or an affiliate, hereinafter known as the Redeveloper, the Parcel FS-4A, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

FS-4A; 2304 Snelling Ave (portion)

Lot 10, Block 7, Westfall's Addition to Minneapolis, except the northwesterly 18 feet thereof, including that part of the adjoining vacated alley lying between the Southwesterly extensions across it of the Southeasterly line of the Northwesterly 18 feet of Lot 10 and the Westerly extension across it of the South line of Lot 10.

(part of Torrens Certificate No. 1306776)

Whereas, the Redeveloper has offered to pay a sum to the City for Parcel FS-4A (approximately 5,120 square feet) (the "Parcel") to be determined by an appraisal 60 days prior to closing as an amount equal to the diminishment of value to the adjacent City-retained property caused by the sale (Disposition Parcel FS-4B (the "Retained Parcel"), and the Redeveloper's proposal is in accordance with the applicable 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 will have the appraised value reviewed by an appraisal expert prior to closing, stating that the value opinion for the Parcel is consistent with the City's accepted valuation methods; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on September 11, 2009, a public hearing on the proposed sale was duly held on September 22, 2009, at the regularly scheduled Community Development Committee meeting of the City Council, 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 value for the Parcel for uses in accordance with the Franklin LRT Station Area Redevelopment Plan, as amended, will be determined by an appraisal 60 days prior to closing establishing a value equal to the diminishment of value to the Retained Parcel resulting from the sale.

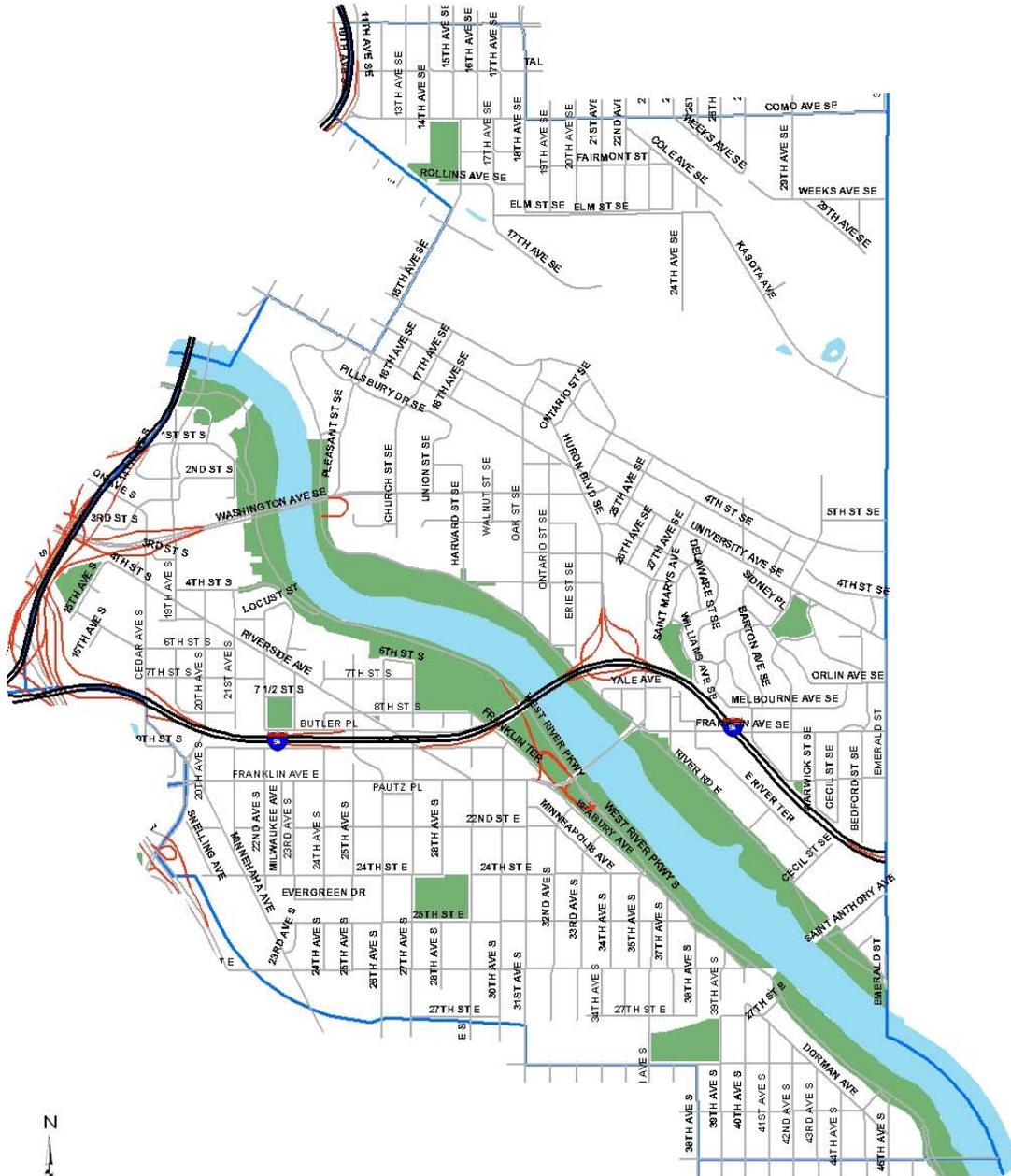
Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the parcel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

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of an Option Agreement and Partial Assignment and Assumption of Redevelopment Contract. Furthermore, that the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver such

agreements to the Redeveloper; provided, however, that this Resolution does not constitute such an agreement and no such agreement 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 agreements 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 by the Finance Officer or other appropriate City official of the City.

WARD 2



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

Date: September 22, 2009
 Subject: Land Sale – Public Hearing
 Franklin LRT Station Area
 Touchstone Project
 Address: 2304 Snelling Ave (portion)
 Purchaser: Project for Pride in Living, Inc. or an affiliate

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
FS-4A 06/02/09	2304 Snelling Ave (portion)	\$158,515	(-)TBD	TBD

Re-Use Value Opinion	Less Sales Price	Write-Down
TBD, based on appraisal	TBD, based on appraisal	-0-

Write-Down

Reason: Not applicable

Developer History with CPED:

PPL has developed numerous affordable- and supportive-housing projects within the City of Minneapolis and throughout the metropolitan area. The most recent supportive housing projects developed in Minneapolis include Collaborative Village Initiative (20 units), Camden Apartments (23 units), and Van Cleve Apartments (85 total units, 20 supportive)

Developer Information:

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