

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

Date: January 8, 2008
To: Council Member Lisa Goodman, Community Development Committee

Subject: Authority to negotiate redevelopment agreement for MnDOT owned real property at the 54th & Riverview Road development site with the Community Development Collaborative, LLC, a joint partnership of Plymouth Church Neighborhood Foundation, CommonBond Communities, and Twin Cities Habitat for Humanity.

Recommendation: (1) Authorize appropriate staff to negotiate the terms of a redevelopment agreement and land purchase and pass-through sale from the Minnesota Department of Transportation to the Community Development Collaborative, LLC for real property located on the 54th & Riverview Road development site with the development team of Plymouth Church Neighborhood Foundation, CommonBond Communities, and Twin Cities Habitat for Humanity, all Minnesota corporations. (2) Direct staff to establish productive negotiations and completed terms within twelve months of final approval of this action.

Previous Directives: None.

Prepared by: Theresa Cunningham, Senior Project Coordinator – Phone 612.673.5237
Approved by: Charles T. Lutz, Deputy Director CPED _____
Presenter in Committee: Theresa Cunningham

Reviews

Permanent Review Committee (PRC): Approval ___ Date _____
Policy Review Group (PRG): Approval ___ Date _____

Financial Impact

- No financial impact
- Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

Neighborhood Notification: Staff worked with the Nokomis East Neighborhood Association on the preparation of the Request for Proposals to redevelop the 54th & Riverview Road development site which were due on Friday, August 31, 2007.

City Goals: A safe place to call home; One Minneapolis; Connected Communities, Enriched Environment.

Sustainability Targets: Affordable Housing Units, and Air Quality.

Comprehensive Plan: Increase the city's population and tax base by developing and supporting housing choices city-wide through preservation of existing housing and new construction.

Zoning Code: The development site includes 9 individual parcels that will be assembled as one to three different development sites; however, the site is currently zoned R-1 for single family uses. Once the proposed development moves forward, the assembled parcels will need to be rezoned requiring a number of rezoning, site plan review and other land use applications for approval by both the Planning Commission and the City Council.

Living Wage/Business Subsidy Agreement	Yes _____	No <u> X </u>
Job Linkage	Yes _____	No <u> X </u>
Other		

Supporting Information

The 54th and Riverview Road development site is currently owned by the MN Department of Transportation (MnDOT) and includes nine (9) parcels of land as follows:

Property Address	PID
5360 Riverview Road	1702823340027
5356 Riverview Road	1702823340026
5352 Riverview Road	1702823340025
5344 Riverview Road	1702823340023
5348 Riverview Road	1702823340024
5114 54 th Street	[No PID assigned]
5110 54 th Street	[No PID assigned]
5106 54 th Street	[No PID assigned]
5100 54 th Street	[No PID assigned]

These parcels were acquired by the MnDOT during site assemblage for the expansion and alignment of Highway 55 between 1972 and 1979. At the completion of the roadway construction the referenced development site lands were declared excess. MnDOT has since agreed to make this land available for redevelopment on a pass-thru basis with the City of Minneapolis. Attached is an area map (Exhibit A) which provides a perspective of the Development Site which is located in the Minnehaha neighborhood of the Nokomis East community of South Minneapolis. The map reflects the development site as well as adjacent properties including privately owned parcels and a Right of Way (Yardville) tract of land west of the site that could potentially be added, in its' entirety or partially, to the development site, at the developer's sole discretion. The developer also has the option of including other additional adjacent residential properties, warranting negotiations with the private owners, also at their discretion. The actual development site encompasses approximately 78,000 square feet of land with a

current zoning classification of R-1. An upgrade in the zoning classification and other regulatory approvals will be needed as the development is further refined.

An extensive planning process was undertaken by the neighborhood and the City's Planning Department and the Nokomis East Station Area Plan was adopted in January 2007. From a May 2007 design charrette, the Nokomis East Neighborhood Association developed a set of design principles for the site which were to be considered during the process of defining the future redevelopment of the site. CPED staff prepared a Request for Proposals (RFP) for the development site, which included the design principles as an exhibit. The RFP was released on June 18, 2007. The development objective identified for the site in the RFP was medium-density, mixed-income housing, with a preference for senior housing (rental and/or ownership). Proposals were due on August 31, 2007. In response to the RFP, three development proposals were received from the following three development teams:

1. Shelter Corporation;
2. TimberCraft Enterprises, Inc. dba PJM Developments LLC and in partnership with Eldercare of MN; and
3. Community Development Collaborative, LLC a joint partnership of Plymouth Church Neighborhood Foundation, CommonBond Communities and Twin Cities Habitat for Humanity.

To access the actual RFP document and related materials for further details, please type http://www.ci.minneapolis.mn.us/cped/rfps_home.asp into your web browser and click enter.

The following is a brief summary of the three proposals received:

Shelter Corporation proposes the creation of a 53-unit development which would include a 39-unit senior oriented independent living apartment building and a 14-unit rental row house component. The development is proposed as a 100% housing tax credit development, marketing the units affordable to seniors on fixed incomes and creating work force housing for adjacent VA hospital employees and other area employers. The apartment complex would be a three-story elevator building with 14 one-bedroom units (750 square feet) and 25 two-bedroom units (1,050 square feet) affordable to seniors with incomes below 60% of the area median income. The development would include underground parking for residents and surface parking for visitors and guests.

Total development cost is estimated at \$8.7 million or \$165,000 per unit. Public assistance anticipated would include Low Income Housing Tax Credits (LIHTC) and Tax Increment Financing (TIF).

TimberCraft Enterprises, Inc. dba PJM Developments LLC and in partnership with Eldercare of MN proposes the creation of a 64-unit development with 8 rowhouses, 36 condominiums and 20 one-bedroom/studio apartments for severely disabled veterans situated within four separate structures. Two buildings will include four townhomes in each, a large 36-unit condominium building and a smaller, stand-alone, 5-unit assisted-living studio complex. All

structures would provide underground parking for the residents and surface parking for visitors and guests.

This proposal included two privately owned single family homes located adjacent to the southeastern edge of the development site at 5364 Riverview Rd. and 5118 E. 54th St. The developer provided evidence of site control in the form of signed purchase agreements with the current owners, contingent on its selection as the developer of the 54th & Riverview Rd. development site.

Total development cost is estimated at \$14.5 million or \$226,000 per unit with no request for public assistance anticipated.

Community Development Collaborative, LLC, a joint partnership of Plymouth Church Neighborhood Foundation, CommonBond Communities and Twin Cities Habitat for Humanity (Habitat), proposes to create 50 residential dwelling units with a low to medium density mix of senior and family housing. The development would create 42 senior rental units in one building and 8 for-sale townhomes: four of which will be developed by Habitat and made affordable to qualified families earning less than 50% of area median income. The senior housing would be financed through a HUD program that provides both a capital advance to fund most of the development costs and a project-based rental subsidy. Qualifying seniors with incomes at 50% of area median income or less would pay no more than 30% of their income for rent. The development will provide underground parking and townhome tuck-under garages with 54 parking spaces for the development.

Total development cost is estimated at \$9.2 million or \$185,000 per unit. A full range of various forms of public assistance is anticipated in the form of a TIF, LIHTC, Affordable Housing Trust Funds, Affordable Ownership Housing Program Funds, HUD 202 Program Supportive Housing for the Elderly, Hennepin County's Affordable Housing Incentive Funds and Minnesota Housing's Community Revitalization Program assistance.

To review these proposals, CPED staff established a review committee consisting of staff from its Housing and Planning Divisions, Development Finance, the Department of Public Works, Council Aide for Ward 12, and two representatives from NENA. Developers were required to present their proposals before the neighborhood and the review committee, answering direct questions regarding financing, the development team, timeline, and general technical details.

After developer presentations to both the neighborhood and the review committee, the review committee met on several occasions to discuss and analyze the benefits and shortcomings of each proposal, taking into consideration the evaluation criteria outlined in the RFP and attached as Exhibit B. While all three proposals were outstanding in meeting the basic intent of the RFP, the evaluation criteria had to be relied on most heavily to arrive at a recommendation of the review committee.

Attached as Exhibit C is a breakdown of the review committee's scoring for each of the development proposals, which could earn up to a total of 100 points based on how well their proposal addressed the requirements of the RFP and the evaluation

criteria. The proposal with the highest number of points awarded is being recommended as the selected development.

The Nokomis East Neighborhood Association provided comments from its residents attending the neighborhood presentations which clearly reflected a diversity of views on the proposals and the relative strengths and weaknesses of the individual proposals. NENA representatives conveyed to the RFP review team their view that all of the proposals could be significantly improved. NENA representatives on the review team expressed support for the proposal by TimberCraft and Eldercare of MN. While the committee considered carefully this recommendation, staff and participants on the review team expressed core concerns about the absorption rate and marketability of multifamily market-rate condominium ownership in the current market. Over 50% of their proposed development consists of condominiums and townhomes, in a marketplace that is showing a significant downturn in condo and town home sales. TimberCraft has negotiated site control of the two adjacent residential structures, at the southeast edge of the development site; the selected developer of the 54th & Riverview Rd. site should be able to negotiate the purchase of the properties once the TimberCraft purchase agreements becomes null and void.

Based on the final review and analysis of the proposals by the review committee the proposal submitted by the joint partnership of Plymouth Church Neighborhood Foundation, CommonBond Communities and Twin Cities Habitat for Humanity dba Community Development Collaborative, LLC is recommended as the selected developer of the 54th & Riverview Rd. development site. The review committee felt that the proposal was well thought-out, feasible, proposed by a strong development team with a demonstrated and proven track record in the type of development proposed. The proposal provides housing for a mix of income levels, with the added benefits of environmentally sustainable green elements. While there are minor issues in the areas of design and layout that may need to be resolved, the development team has advised the review committee that they are willing to make minor adjustments to their overall development proposal to meet the needs of the community, the site, and ultimately, the development. The proposed site plan with renderings of the front elevations of the apartment building along 54th Street and the two townhome developments along Riverview Road are attached as Exhibit D.

CPED staff is requesting authorization (1) to negotiate the terms of a redevelopment agreement and land purchase and pass-through sale from the Minnesota Department of Transportation to the Community Development Collaborative, LLC for real property located on the 54th & Riverview Road development site with the development team of Plymouth Church Neighborhood Foundation, CommonBond Communities, and Twin Cities Habitat for Humanity, all Minnesota corporations; and (2) to direct staff to establish productive negotiations and completed terms within twelve months of final approval of this action.