



**Request for City Council Committee Action**  
**From the Department of Community Planning & Economic Development**

**Date:** October 26, 2004

**To:** Council Member Lisa Goodman, Community Development Cmte

**Prepared by:** Dollie Crowther, Senior Housing Project Coordinator, Phone 612-673-5263

**Presenter in Committee:** Dollie Crowther, Senior Housing Project Coordinator

**Approved by:** Chuck Lutz, Deputy Executive Director \_\_\_\_\_  
Elizabeth J. Ryan, Interim Director, Housing \_\_\_\_\_

**Subject:** Land Sale Public Hearing – 616 West 53<sup>rd</sup> Street (ground lease)

**RECOMMENDATION:** Authorize the sale of the real property and termination of the ground lease at 616 West 53<sup>rd</sup> Street to Creek Associates Ltd.

**Previous Directives:** In 1975 the City Council approved a Redevelopment Plan for the 53<sup>rd</sup> and Lyndale Avenue Project and in 1978 the City Council also approved a 99 year ground lease to Creek Associates Ltd. for the construction of an 82 unit apartment complex for low and moderate income families.

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): Elimination of the Staff time to monitor/collect lease payments
- Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (Summarize below)

**Ward:** 11

**Neighborhood Notification:** The Tangle Town Neighborhood Association approved the sale of the ground lease to Creek Associated Ltd. on September 26, 2004.

**City Goals:** Foster the development and preservation of a mix of quality housing types that is available meets current needs and promotes future growth.

**Comprehensive Plan:** 4.91. Minneapolis will grow by increasing its supply of housing. 4.15. Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demands.

**Zoning Code:** Complies.

**Living Wage/Job Linkage:** N/A

## **Background/Supporting Information**

In 1975 the Minneapolis Housing and Redevelopment Authority (MHRA) acquired 5 parcels as part of the 53<sup>rd</sup> and Lyndale Project Redevelopment Plan. The Plan objective included acquisition and removal of obsolete and underutilized buildings, necessary public improvements and development of new housing, with emphasis for the elderly and physically handicapped. The Redevelopment Plan objectives also required 20% of the units be available for low income elderly and 10% of the total units be designed for use by the physically handicapped. It also called for Section 8 project based assistance units.

## **DEVELOPMENT**

Through a neighborhood approved RFP process as called for in the Redevelopment Plan, Creek Associates was chosen as the developer of the site. An 82 unit building was constructed in 1978 at 616 W. 53<sup>rd</sup> Street. The property has 45 – 1 bedroom units and 37 – 2 bedroom units. Minnesota Housing Finance Agency (MHFA) provided the financing for the construction. Eight of the total units are handicapped accessible and at present at least 55% of the residents are elderly. The two bedroom units are occupied by families with one or two children. This project originally had a 40 year Housing Assistance Payment (HAP) contract and there are 15 years remaining on the contract. There are 16 Section 8 units in the project. The property has been well maintained over the 25 years and has maintained a sizable reserve balance as required per the MHFA loan agreement. This reserve will be used to help pay the remaining debt to MHFA.

## **OFFERING PROCEDURE**

In 1979 the MHRA entered into a ground lease agreement with Creek Associates Ltd. This was a 99 year ground lease which could be terminated upon the sale of the property. As part of the ground lease agreement, a purchase schedule was agreed upon (in the event the property was sold) which set an annual value that decreased over the years. The maximum purchase price in Year One was \$283,000. In Year 26, the purchase price was calculated to be \$18,132.00. The ground lease agreement also required annual lease payments. This included a basic set rent amount and an additional rent amount which fluctuated annually. Per the lease payment schedule, the total lease payment amount paid to the MHRA/MCDA was \$416,563.00. This negotiated payment schedule considered the appreciated value of the land over the years.

Creek Associates has agreed to sell the property to Hornig Companies, Inc. Hornig Companies, Inc. will form a limited liability corporation, called Creek Terrace, LLC. In order for Creek Terrace, LLC to purchase the property, CPED must agree to deed our land interest to Creek Associates, Ltd. who will then sell the property to Hornig Companies, Inc. Hornig Companies, Inc. has agreed to keep the property low income, and not change the tenant makeup. Creek Associates Ltd. will assign the HAP Contract to Creek Terrace LLC for the remaining years of the HAP Contract.

## **COMMENTS**

Creek Associates has paid in advance on their lease payment agreement for the 2004 year. Per the ground lease agreement, there is no reimbursement of these funds which total approximately \$7,555. However, the ground lease agreement stipulated an exact annual payment for the purchase price. The purchase price will depend on the month in which the project closes. It is anticipated the closing will occur in November 2004. The purchase price will range from \$17,810 to \$14,248, as stipulated in the ground lease agreement. The purchase schedule is attached as well as a data worksheet for the property.

**Authorizing sale of land 53rd & Lyndale Avenue Project  
Disposition Parcel No. LP-53**

Whereas, the City of Minneapolis, hereinafter known as the City, has received written notice from Creek Associates, Ltd. of its intent to exercise its option to purchase Disposition Parcel LP-53, in the Tangle Town Neighborhood Association neighborhood, from Creek Associates, Ltd., hereinafter known as the Redeveloper, the Parcel LP-53, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

Lots 34 thru 40 inclusive, Auditor's Subd. No. 148.

Whereas, the Redeveloper will to pay the sum of \$17,810 (or as determined by the ground lease), for Parcel LP-53 to the City for the land, 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 has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with the accepted methods in 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 October 15, 2004, a public hearing on the proposed sale was duly held on October 26, 2004, 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 re-use value for uses in accordance with the 53rd & Lyndale Avenue Project plan, as amended, is in accordance with the payment schedule set forth in the ground lease previously entered into between the parties for Parcel LP-53.

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 a contract for the sale of land. Furthermore, that 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 by the Finance Officer or other appropriate City official of the City.