



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

Date: September 27, 2005

To: Council Member Lisa Goodman, Community Development Committee

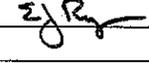
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Presenter in Committee: Theresa Cunningham, Senior Project Coordinator

Approved by: Chuck Lutz, Deputy CPED Director
Elizabeth Ryan, Director, Housing &
Jack Kryst, Director, Development Finance

Subject: Project Analysis Authorization for the Karamu On Plymouth
Redevelopment Project and Tax Increment Financing District Plans





RECOMMENDATION: Authorization to proceed with further analysis of Phase 1 (Karamu West) of the proposed Karamu On Plymouth Redevelopment Project and Tax Increment Financing Plan proposal.

Previous Directives:

1. On June 22, 2004, the City Council approved Non-Profit Housing Development Assistance funds for the Karamu West Project totaling \$30,000.
2. On April 20, 2004, the MCDA Board of Commissioners approved the sale of 2201 and 2215 Plymouth Avenue North and 1245 Penn Avenue to Mississippi Pathway Development Company, LLC for \$176,000.
3. On April 20, 2004, the City Council approved and authorized the acceptance and appropriate of MN Department of Employment and Economic Development Contamination Cleanup Grant for the Karamu West Project on Plymouth for \$262,500.
4. On October 28, 2003, the City Council approved and authorized staff to apply to the MN Department of Employment and Economic Development (DEED) through its' Contamination Cleanup Grant Program for an environmental remediation grant to be used at the Karamu West Site on Plymouth Avenue North.
5. On April 8, 2003, the City Council approved and authorized the MCDA/City staff to apply to the State and Metropolitan Council for Environmental Remediation Grants for spring 2003.

Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

August 23, 2005

Subject: Project Analysis Authorization for the Karamu On Plymouth Redevelopment Project and Tax Increment Financing District

Background

On June 10, 2005, CPED received an Application for Public Financial Assistance for the creation of a Redevelopment Project and Tax Increment Financing (TIF) District for Phase 1 (Karamu West) of the Karamu on Plymouth Project in the Near North and Willard-Hay neighborhoods of North Minneapolis. The application was submitted by the co-developers: Mississippi Pathway Development Company, LLC (MPDC) and Northside Residents Redevelopment Council (NRRC) with the appropriate application fee of \$1,000.

Project Description

The Site - The proposed Karamu On Plymouth Redevelopment Project Area is proposed to include portions of four blocks fronting along the southern boundary of Plymouth Avenue North between Queen Avenue (on the west) and east to Newton Avenue North and will be developed in three phases as noted below. More specifically, the project area will include the following parcels of land:

Property Address	Current Owner	Current Use
1235 Oliver	City of Minneapolis	Vacant lot
1237 Oliver	City of Minneapolis	Vacant lot
1243 Oliver	City of Minneapolis	Vacant lot
1245 Penn	City of Minneapolis	Parking lot
1256 Penn	City of Minneapolis	Vacant lot
2309 Plymouth	NRRC	Vacant church
2201 Plymouth	City of Minneapolis	Parking lot
2215 Plymouth	City of Minneapolis	Parking lot
2001 Plymouth	Plymouth Penn Corporation	Shopping center
1254 Russell	NRRC	Vacant duplex

Environmental test have shown that the City owned land is polluted with petroleum by-products as a result of a previous use as a gas station. Initial estimates quoted clean-up to cost up to \$350,000. In 2003, CPED joined with NRRC in an application for cleanup assistance from the MN Department of Employment and Economic Development (DEED) and was awarded \$262,500. On December 31, 2003, the City of Minneapolis entered into a Contamination Cleanup Grant Agreement with DEED. NRRC committed to provide the local matching funds not to exceed \$87,500. The grant agreement expired on June 30, 2005; however, DEED has approved an extension to December 31, 2005. CPED is now contracting with Belair Excavation to clean-up the site and remediation is set to start this fall and completed by year end.

Development Team – Co-developers: NRRC and MPDC propose to develop the Karamu West redevelopment project. NRRC, as the recognized neighborhood organization is working with Legacy Management & Development and others to implement the Karamu on Plymouth phased development. MPDC is the for-profit

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Proposed Timeframe – CPED anticipates the following timeline:

Benchmark	Anticipated Completion
Project Analysis Authorization Approved	September 27, 2005
Acceptable TIF Financing Secured	October 31, 2005
Redevelopment & TIF Plan created & released for review (45 days)	November 30, 2005
Public Hearing to approve Plans	January, 2006
Additional gap funds secured	March, 2006
Closing	March – April, 2006

Results of Preliminary Staff Analysis

Public Purpose – The Karamu on Plymouth Project will provide affordable ownership housing as well as redevelopment of a site that has been vacant and underutilized since 1990. The development will also enhance the City's tax base.

Consistency with City Goals – The Karamu On Plymouth project is consistent with the following City goals: 1. Building communities where all people feel safe and trust the City's public safety professionals and systems; and 2. fosters the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

Current Status of Project – The co-developers have joined with the Jewish Community Action Program and the African American Cultural Museum to form a fundraising committee that are launching a national fundraising initiative to secure approximately \$500,000 in grants and special contributions to assist with the redevelopment. They are also committing a portion of their developer fee, up to \$51,808, to assist with the project. They have already applied for a number of grants from local philanthropic organizations and are currently being considered for a federal budget request through Senators Dayton and Coleman for which they expect decisions by year-end.

Sources and Uses Analysis – Total development cost is estimated at \$11,582,946 with approximately \$757,500 in permanent financing secured. The project currently reflects a permanent financing gap of approximately \$1.3 million. Bremer Bank and Franklin Bank have provided preliminary commitments to provide approximately \$6.4 million in construction financing for the proposed development.

CPED current analysis of phase 1 and the request for TIF assistance has identified the following issues to be resolved:

- 1) MPDC is proposing that the TIF be financed with an initial tax-exempt and conversion, after completion, to a taxable revenue bond financing. With the proposed structure, staff has many issues which include: