

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

Date: July 15, 2008 Postponed from May 6, 2008

TO: Council Member Lisa Goodman, Community Development
Committee

Subject: Land Sale Public Hearing
929 – Third Avenue NE
Old Third Avenue Townhomes Project

City Council Recommendation: Approve the sale of City-owned real property at 929 – Third Avenue NE to Twin Cities Habitat for Humanity, Inc. for \$1.00 for development of the Old Third Avenue Townhomes Project.

Previous Directives:

- On July 29, 2003, the MCDA Board of Commissioners approved the sale of the referenced land to Central Community Housing Trust of Minneapolis for \$79,650 for development of the Old Third Avenue Townhomes Project.
- On November 25, 2002, the MCDA Board of Commissioners granted exclusive development rights to Clare Housing for a 6-month period, which initially included this land as well as the actual site the Clare Apartments development was constructed on.
- MCDA acquired 929 Third Avenue NE on November 21, 1983 for \$40,000 during site assembly for the I-335 Highway Corridor.

<p>Prepared by: Theresa Cunningham, Phone 612.673.5237</p> <p>Approved by: Charles T. Lutz, Deputy CPED Director _____ Thomas A. Streitz, Director Housing Policy & Development _____</p> <p>Presenter in Committee: Theresa Cunningham, Phone 612.673.5237</p>
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Financial Impact:

Action is within the Business Plan
Other financial impact: Eliminate property management costs.

Community Impact

Neighborhood Notification: On February 25, 2008, the St. Anthony East Neighborhood Organization was advised of the proposed sale of the reference land to Twin Cities Habitat for Humanity, Inc. for development of the Old Third Avenue Townhomes project. They have provided their full support for the proposed development.

City Goals – A safe place to call home, One Minneapolis, connected communities, enriched environment, premier destination. 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, economically vibrant neighborhood commercial districts create attractive urban neighborhoods for infill development, support efficient growth, and reduce the need for car travel to obtain necessary goods and services.

Comprehensive Plan – On April 14, 2008, the Planning Commission approved the sale of 929 Third Avenue NE as being consistent with the Comprehensive Plan.

Zoning Code: R3 - Multiple-family District, which permits 1-4 unit residential buildings. Site plan review and a conditional use permit approval will be required.

Living Wage/Business Subsidy Agreement Yes___ No X
Job Linkage Yes___ No X

Supporting Information:

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
I-335 East	929 Third Avenue NE	\$1.00

PURCHASER:

Twin Cities Habitat for Humanity, Inc.
3001 4th Street SE
Minneapolis, MN 55414

PROPOSED DEVELOPMENT:

The Old Third Avenue Townhomes project is part of a broader development initiative located at Central Ave and 3rd Ave NE where Aeon Homes, Inc. (formerly Central Community Housing Trust (CCHT) has been working collaboratively with the neighborhood, the City, MPHA, and Clare Housing, Inc. to develop this long vacant and blighted parcel of land into a mixed-use, mixed-income housing development serving a variety of housing needs. The Clare Apartments – Old Third Avenue Redevelopment Project is comprised of three distinct development initiatives including: Clare Apartments - which provides services, shelter, and compassionate care to persons living with HIV and AIDS; the development of common green space, and the Old Third Avenue Townhomes development. Both the Clare Apartments development and the shared green space were completed by Clare Housing, Inc. and Aeon Homes in September 2005. Aeon Homes (through its predecessor, CCHT) and Twin Cities Habitat for Humanity (TCHFH) have entered into a Partnership Agreement which grants to Aeon Homes certain rights in the Old Third Avenue Townhomes development by virtue of the pre-development costs incurred by CCHT.

At the encouragement of the neighborhood, the Old 3rd Ave Townhome component of the development will provide eight units of long-term affordable home ownership housing constructed by TCHFH and located at the western edge of the development

site adjacent to the common green space. Homes are sold to the selected family for the property's fair market value. Two separate mortgages are created as liens against the property. The first mortgage is provided as a 30-year fixed 0% interest loan for the amount the family can afford paying 30% of their household income. A deferred, forgivable second 30-year mortgage is created which represents the difference between the total development cost and the buyer's affordability. The townhomes will be affordable to families earning from 30-50% of the Metropolitan Median Income (MMI).

The lot is an irregular shaped area of land measuring approximately 120 feet x 209 feet or 25,130 square feet.

LAND DISPOSITION POLICY:

This land is a buildable lot as defined by City policy and is being sold for development of housing for families earning less than 50% of the MMI.

FINANCING:

Construction financing is being provided by TCHFH, which will work with Aeon Homes to secure any additional public and private funds to cover other soft and intermittent cost of the project. Attached is a Project Data Worksheet that provides additional details regarding the other sources of financing to complete the proposed development. The land will not be sold to TCHFH until all funds have been secured to complete the entire development.

OFFERING PROCEDURES:

The offer amount of \$1.00 on this land is a negotiated sale to complete the Clare Apartments – Old Third Avenue Townhomes Redevelopment Project in a non-impacted neighborhood of Northeast Minneapolis. The sales price of this land does not reflect the full re-use value.

The developer feels justified in their offer of \$1.00 for this site based on the continued commitment of the development partner, Aeon, to help to revitalize this blighted area by providing in excess of \$748,000 in pre-development cost to install needed infrastructure improvements which included the re-alignment of old 3rd Ave. NE, greenspace and a new parking lot for the Spring Street Public Housing and Clare Apartment building residents. The developer further contends that the increase fair market value of the site was only attained due to their improvements on and in the surrounding area which resulted in an increased value on the blighted land from \$79,650 (2003) to \$175,000 (2008). The developer requests the transfer of the lot for \$1.00 in consideration of the \$748,000 in site improvements on and surrounding the site which created the ability for development to occur at this site. Attached is a letter from the developer further expressing their interest and rationale for this request.

COMMENTS:

TCHFH builds homes in partnership with families who demonstrate need and a willingness to work with them by helping to construct their own home. With a safe, decent and affordable home to call their own, very low income families are then free to concentrate on parenting, employment, education and community

engagement. TCHFH serves the hardest to serve families earning between 30 to 50% of the MMI.

TCHFH relies on volunteer labor and tax deductible contributions of cash, materials, professional services and land to build simple, decent homes with low-income families. Working under the principle that no profit should be gained from assisting those in need, TCHFH charges no interest on the mortgages that it issues to homebuyers. In operation since 1985, it has built more than 650 homes in the seven-county metro area.

TCHFH uses a need blind family selection process to match houses to partner families who earn less than 50 percent of the area median income. It receives approximately 3,000 inquiries regarding homeownership opportunities on an annual basis. Of these inquiries, about 600 become applicants for the 50-60 homes that they develop and sell every year. Because of this large demand, TCHFH does not need to use real estate marketing professionals to sell its homes. TCHFH manages its process to ensure families are ready to close when houses are completed. TCHFH has sold homes to 661 families since 1985 including 215 partner families in Minneapolis. TCHFH does not have any difficulty in finding income-qualified buyers who contribute sweat equity in lieu of a down payment.

TCHFH has a multiple-phase family selection process. Applications are taken and ranked based on the three principal criteria of current income, current housing need and willingness to partner. Qualified families are matched to an appropriate house based on family size and location in a blind manner and approved by a third-party volunteer family services committee. The selected families are offered the home and given an opportunity to accept or decline the purchase. For the Old Third Avenue Townhome Project, family matching will take place after July, 2008.

Families that accept TCHFH's offer, contribute 300-500 sweat equity hours and attend 11 homebuyer education classes and workshops entitled: Habitat: an Overview; Habitat, Publicity, and You; Money Management I and II; Being a Good Neighbor; Caring for the Environment; Home Maintenance; Landscaping Your Yard; Home Safety; Mortgages and Ownership; and Pre-closing Purchase Agreement Workshop. Additionally, Habitat employs a home visitor program in which volunteers work with families after the closing to help with concerns during the first year of homeownership and serve as a mentor on an ongoing basis. Also, TCHFH retains mortgage foreclosure prevention counselors on staff to help families with any difficulties that may come up after closing. To date, they have experienced an impressive 1.4% foreclosure rate.

Because of TCHFH's unique mission to provide housing and post closing services to very, very low income families, CPED feels that their request to purchase the referenced land for \$1.00 is justifiable. Staff further concurs with the neighborhood organization's support of the proposed development and recommends the sale of this land to TCHFH for \$1.00.

**Authorizing sale of land
Third Avenue NE Disposition Parcel No I-335 East.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel I-335 East, in the St. Anthony East neighborhood, from Twin Cities Habitat for Humanity, Inc., hereinafter known as the Redeveloper, the Parcel I-335 East, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

I-335 East: 929 Third Avenue NE

Lot 3, Block 1, Clare Estates.

Part of which is registered land as is evidenced by Certificate Of Title No. 1153813.

Whereas, the Redeveloper has offered to pay the sum of \$1.00, for Parcel I-335 East 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 April 25, 2008, a public hearing on the proposed sale was duly held on July 15, 2008, 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:

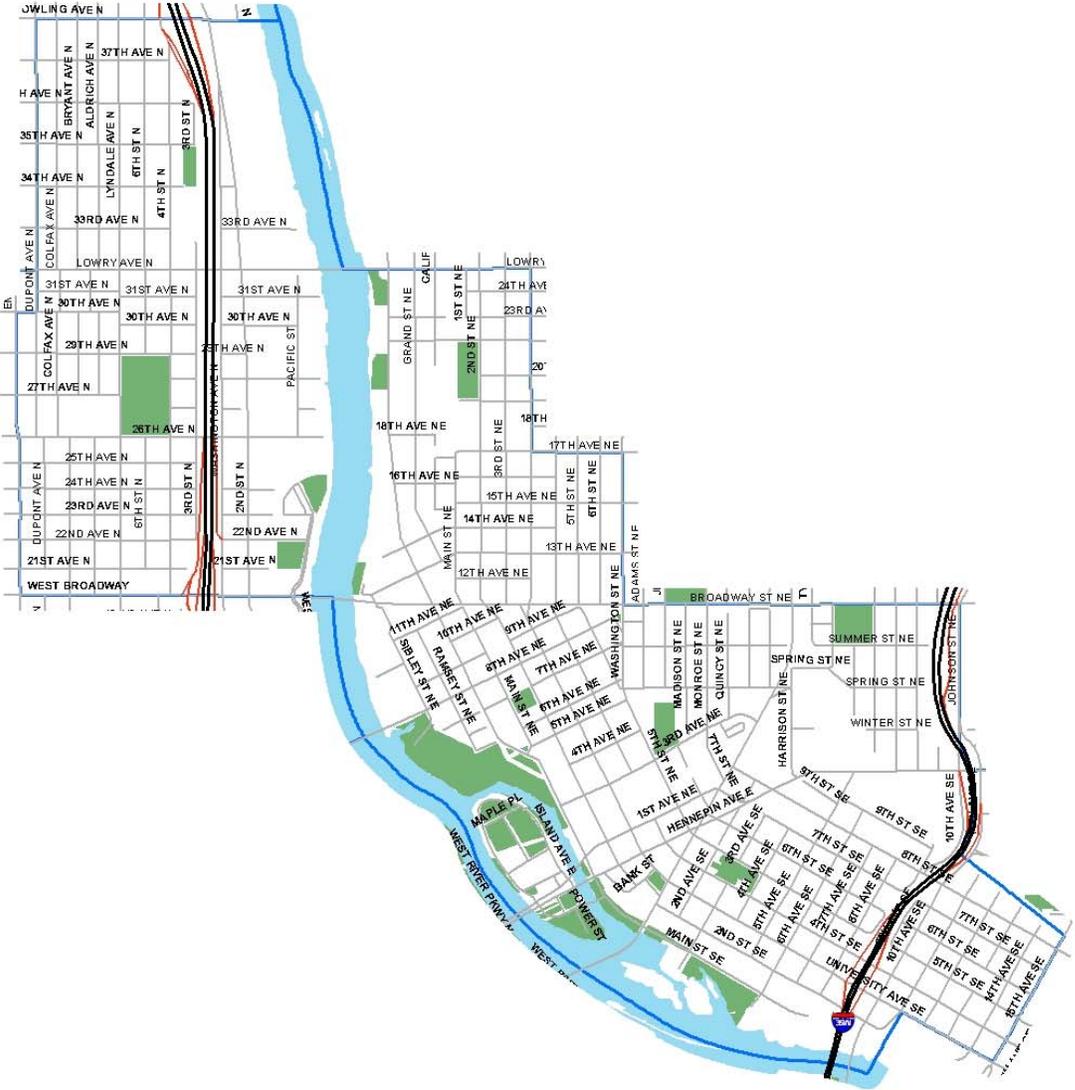
That the re-use value for uses in accordance with the Third Avenue NE plan, as amended, is hereby estimated to be the sum of \$175,000.00 for Parcel I-335 East; however in accordance public purpose considerations, combined with TCHCH/s unique mission to provide housing and post closing services to low income families and their very low foreclosure rate, the City is selling Parcel I-335 East for the sum of \$1.00.

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.

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FOR COMMITTEE MEMBERS USE ONLY

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

Date: July 15, 2008
Subject: Land Sale – Public Hearing
Address: 929 Third Avenue NE
Purchaser: Twin Cities Habitat for Humanity, Inc.

Disposition Parcel No.	Address	Total CPED Costs	Less Sales Price	Write Off
I-335	929 Third Avenue NE	\$40,000	(-) \$1.00	(+) \$39,999

Re-Use Value Opinion	Less Sales Price	Write-Down
\$175,000	\$1	\$174,999

Write-Down

Reason: : A previous Memorandum of understanding (MOU) between Twin Cities Habitat for Humanity, Inc. (TCHFH) and the City of Minneapolis dated December 7, 1998, which was extended on September 29, 2005, provides language to sell 100 sites to TCHFH for the production of affordable housing to buyers whose income is at or below 50% of the state median income. Since 1998, the City of Minneapolis has sold 58 parcels to TCHFH for \$1 each and producing 58 new homes.

Developer History with CPED:

Both TCHFH and Aeon Homes, Inc. (formerly known as Central Community Housing Trust of Minneapolis) have had an extensive and successful history purchasing and developing properties from the City providing affordable housing opportunities to low and moderate income households

Developer Information:

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