

# EXHIBIT C

## EXHIBIT C



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

**Date:** June 21, 2005

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

**Prepared by:** Tara Beard, Project Coordinator, 612-673-5043

**Presenter in  
Committee:** Tara Beard, Project Coordinator, 612-673-5043

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_

**Subject:** Park Avenue East Lofts Redevelopment Terms

**RECOMMENDATION:** Authorize amendment of redevelopment contract terms for Park Avenue East (PAE) Lofts as outlined in this report.

**Previous Directives:** The MCDA acquired Parcel D as a part of the Milwaukee Depot acquisition on June 29, 1992. City Council approval of Concept Plan for Parcel D on February 4, 2000. Land sale approval for the Washburn Crosby Mill and Parcel D West to MHS and BDC on July 7, 2001. The MCDA approved the sale of this portion of Parcel D East to Brighton Development Corporation for \$1,230,000 on August 10, 2004.

**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):
- Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact:**

**Ward:** 2

**Neighborhood Notification:** The Industry Square Project Committee and the Downtown Minneapolis Neighborhood Association were notified of this report on June 10, 2005.

**City Goals:** Meets the following City Goal: Creates an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.

**Comprehensive Plan:** Meets the following principles of the Comprehensive Plan: (4.9) Minneapolis will grow by increasing its supply of housing; and (4.15) Minneapolis will carefully identify project sites where housing redevelopment or housing revitalization are the appropriate responses to neighborhood conditions and market demand. Is consistent with the Historic Mills District Master Plan and Update.

**Zoning Code:** Permitted as a Conditional Use in C3A.

**Living Wage/Job Linkage:** Not applicable

### **Background and Supporting Information**

Park Avenue East (PAE) Lofts is a condominium project in the Historic Mills District of Downtown East, located between Washington Avenue South and 2<sup>nd</sup> Street South on Park Avenue (See Exhibit A for project map). Originally intended to mirror the recently completed Park Avenue West (PAW) Lofts, Brighton Development Corporation has decided to rework the design and construction of the PAE project due to slow sales of certain unit types in PAW.

In August, 2004, the City Council authorized a land sale, for the PAE portion of Parcel D, in the amount of \$1,230,000.00 which equals approximately \$35 per square foot. Because tax increment from the PAE project is needed to help pay annual debt service on the G.O. TIF bonds which were issued by the City this year to construct the adjacent Mill Quarter parking ramp, it is important that this development occur soon.

### **Redevelopment Terms**

#### Building Details

The current PAE proposal from Brighton is a 4-story building of similar volume and exterior design to the PAW project. The PAE Lofts consist of 28-30 condo ownership units with a 46-space underground parking ramp and related improvements. The financial terms of the PAE project require a minimum valuation of development for tax purposes that is equal to the greater of 1) \$13,400,000 and 2)

95% of unit sales price (excluding upgrades). The developer must execute an assessment agreement reflecting this minimum valuation.

### Timeline

To ensure timely commencement and completion of the project, the following milestones and commensurate extension/penalty fees if those milestones are missed will be included in the agreement:

- BDC must sign a redevelopment contract within 45 days of City Council approval;
- Land sale, project closing, and construction start must occur by December 31, 2005;
- BDC has the option to extend the December 31, 2005 deadline to June 1, 2006 upon payment of an extension fee in the amount of \$150,000;
- BDC has the option to extend the June 1, 2006 deadline to December 31, 2006 upon payment of an extension fee in the amount of \$150,000;
- BDC will forfeit its 10% good faith deposit (\$123,000) if it fails to meet either the initial or extended closing deadlines and has not paid the extension fees indicated above;
- Construction completion must occur within 18 months of land sale closing and construction start; and
- BDC has the option to extend the 18 month construction completion requirement an additional six months upon payment of an extension fee in the amount of \$150,000.

### Public Improvements

Other terms of the redevelopment agreement will address the treatment of the landscaping and streetscaping of the project. PAE's east side faces the Mill Quarter Municipal Parking Ramp (the ramp), and between the two buildings there will be a public pedestrian path/firelane, as well as landscaping and greenspace for the public and PAE homeowners. The City and BDC will provide each other the necessary easements for construction, ramp façade maintenance, service lane, fire lane, landscaped no-build area and storm water drainage system. These easements must be executed prior to construction close.

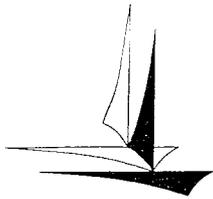
Furthermore, Brighton will pay for all of the landscaping between PAE and the ramp, which will meet all minimum zoning landscape requirements and be approved by the City prior to commencement of construction. Long term maintenance of the landscaping will be the responsibility of Brighton or PAE's homeowners association, as appropriate.

Streetscaping for PAE on Park Avenue South will be the financial responsibility of the City of Minneapolis and will be funded from available net bond proceeds.

However, streetscaping improvements (including curb, boulevard, sidewalk, light and tree elements) on 2<sup>nd</sup> St S and Washington Ave S will be the financial responsibility of BDC. Such improvements will be in accordance with the Historic Mills District Master Plan and Update and applicable zoning requirements, and will match the conditions of PAW lofts as applicable.

Miscellaneous

The majority of terms outlined in this report were sent to BDC in a letter dated June 2<sup>nd</sup>, 2005 (Exhibit B) and were agreed to in a letter from BDC dated June 7, 2005 (Exhibit C).



**Minneapolis**  
City of Lakes

**Community Planning &  
Economic Development**

Lee Sheehy  
Director

105 5th Avenue South – Suite 200  
Minneapolis MN 55401-2534

Office 612 673-5095  
Fax 612 673-5100  
TTY 612 673-5154

# EXHIBIT D

*T. Beard*

June 2, 2005

Brighton Development Corporation  
Attn: Richard Brustad  
614 North 1<sup>st</sup> Street, Suite 100  
Minneapolis, MN 55401

**SUBJECT:** Park Avenue East and Parcel D West

Dear Mr. Brustad:

This letter is to inform Brighton Development Corporation (BDC) of the terms under which the City of Minneapolis – Department of Community Planning and Economic Development (CPED) is willing to ask the City Council for authorization to: 1) enter into a redevelopment agreement for the Park Avenue East (PAE) Lofts project; and 2) amend the existing redevelopment agreement for the two undeveloped projects on the Parcel D West block.

At this point in time, the City has a contract with BDC for Parcel D West, and the City Council has approved the land sale for the PAE project. Due to the substantial changes in your plans for both projects, however, CPED will seek new approvals. Staff plans to request approval of the revisions from the Community Development Committee of the City Council on June 21, 2005 and from the City Council on July 1, 2005.

The terms we intend to include in those reports are, but are not limited to, the following:

PAE Project

- Development entity: BD Park East LLC
- Purchase price: \$1,230,000 (\$35 per square foot)
- Minimum improvements: 28-30 condo ownership units, a 46 – space underground parking ramp and related improvements
- Minimum valuation of development is the greater of 1) \$13,400,000 and 2) 95% of unit sales price excluding upgrades
- An assessment agreement reflecting above minimum valuation is required
- BDC must sign the redevelopment contract within 45 days of City Council approval (or August 15, 2005 if there are no schedule changes)
- Land sale, project closing, and construction start must occur by December 31, 2005

- BDC has the option to extend the December 31, 2005 deadline to June 1, 2006 upon payment of a fee in the amount of \$150,000
- BDC has the option to extend the June 1, 2006 deadline to December 31, 2006 upon payment of a fee in the amount of \$150,000
- BDC must forfeit its 10% good faith deposit if BDC fails to meet either the initial or extended closing deadline, as applicable
- Construction completion must occur within 18 months of land sale closing and construction start
- BDC has the option to extend the 18 month construction completion requirement 6 additional months upon payment of a fee in the amount of \$150,000
- The City and BDC will provide necessary easements for construction, ramp façade maintenance, service lane, fire lane, landscaped no-build area and storm water drainage system
- Initial discussions regarding streetscaping and landscaping will be continued and agreement on such terms will be reached prior to June 8, 2005

The City will acknowledge BDC applications for environmental remediation funding as needed

Parcel D West Projects

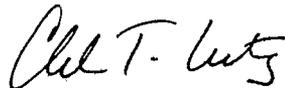
- Development entity: BD Park West LLC (or other BDC affiliate)
- Purchase price: \$42.50 per square foot or \$2,290,000 (see attached appraisal)
- Minimum improvements: phase 2 (formerly Portland Condos) - - 2 buildings containing 8 and 22 ownership units, respectively, with a common underground parking ramp and 3,525 square feet of retail space; phase 3 (Washington Live/Work) -- 28 live/work units and underground parking
- Following precedent of other market rate projects in the area, the cost of burying power lines will **not** be subtracted from the land sale price and doing so will be the full financial responsibility of BDC
- Land sale, project closing, and construction start must occur by June 1, 2006
- BDC must forfeit its 10% good faith deposit if BDC fails to meet the closing deadline
- Construction completion must occur within the 18 months of land sale closing and construction start

- BDC has the option to extend the 18 month construction completion requirement 6 additional months upon payment of a fee in the amount of \$150,000
- The City will provide a right of entry to allow BDC to use existing remediation grant funds (\$359,785) from the Metropolitan Council before the expiration date of December 31, 2005; BDC may request a 1-year extension of the second remediation grant (\$460,000) to December 31, 2006
- Amendment of the Parcel D West redevelopment contract is contingent on BDC also entering into a redevelopment contract for the PAE project on the terms outlined above

We understand that you may wish to respond to or discuss some of these terms. If so, please contact me immediately because we do not intend to delay consideration of the projects by the City Council. If BDC is unable to agree to these terms or negotiate any changes with CPED before June 8, 2005, we will pursue default and termination of any existing contracts.

I am hopeful that BDC will accept these terms and the redevelopment of PAE and the two projects on Parcel D West can begin in earnest soon. Please contact me by phone (612) 673-5196 or email [chuck.lutz@ci.minneapolis.mn.us](mailto:chuck.lutz@ci.minneapolis.mn.us) with any questions or concerns.

Sincerely,



Charles T. Lutz  
Deputy Director, CPED, City of Minneapolis

*Beard*

B R I G H T O N  
D E V E L O P M E N T  
C O R P O R A T I O N

EXHIBIT E

June 7, 2005

Mr. Charles T. Lutz  
Deputy Director  
Community Planning and Economic Development  
105 Fifth Avenue South  
Suite 200  
Minneapolis, Minnesota 55401

Re: Park Avenue East and Parcel D West

Dear Mr. Lutz:

Thank you for your June 2<sup>nd</sup> letter outlining the terms under which Community Planning and Economic Development (CPED) is willing to enter into a Redevelopment Agreement for the Park Avenue Lofts East and amend the existing Redevelopment Agreement for the two undeveloped lots on the west block of Parcel D.

I am willing to accept these terms put forth in your letter and to reaffirm Brighton's commitment to the revival of the Mills District River Front area.

We are proud of the work we've accomplished together with the shared vision of the City of Minneapolis.

Sincerely,

BRIGHTON DEVELOPMENT CORPORATION



Linda Donaldson  
President

LD:lb