

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

Date: January 13, 2009

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Land Sale Public Hearing
J. Jerome Boxleitner Place Project

Recommendation: Approve the sale of 165 Glenwood Avenue to Community Housing Development Corporation or an affiliate for \$835,000 subject to the conditions outlined in this report.

Previous Directives: None.

Prepared by: Donna Wiemann, Phone 612-673-5257
Approved by: Charles T. Lutz, Deputy CPED Director _____
Thomas A. Streit, Director Housing Policy & Development _____
Presenters in Committee: Donna Wiemann

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: The North Loop Neighborhood Association reviewed this proposal and recommended it be approved.
- City Goals: A SAFE PLACE TO CALL HOME 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: Special Needs Housing.
- Comprehensive Plan: On January 5, 2009, the Planning Commission deemed the sale of this parcel for the proposed development of 74 units of permanent supportive housing as consistent with the housing policies and not inconsistent with the land use policies in the Comprehensive Plan.
- Zoning Code: DP/I-2
- 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>
N/A	165 Glenwood Avenue	\$835,000

PURCHASER

Community Housing Development Corporation or an affiliate

614 1st Street North, Suite 100
Minneapolis, MN 55401

PROPOSED DEVELOPMENT:

The proposed development, J. Jerome Boxleitner Place (Boxleitner Place), is the construction of 74 units of permanent supportive housing for single adults. Thirty eight (38) of the units will provide permanent supportive housing for single adults who have experienced long term homelessness and have significant mental and/or chemical health issues; these units are described as Safe Haven units. These residents will have food prepared for them at the Glenwood Residence next door to Boxleitner Place and will eat in the Glenwood Residence dining room.

Thirty six (36) units will be for single adults who have experienced homelessness. It is planned that one half of these residents will qualify for Shelter Plus Care subsidy and one half will qualify for Group Residential Housing.

The background for this development proposal is as follows: In 2006, the 10th Street Associates (now Alatus Partners) approached Catholic Charities about relocating Secure Waiting Space at 1000 Currie Avenue to make way for a new development. Catholic Charities has operated Secure Waiting since the mid 1990's offering emergency shelter for up to 251 men a night. Alatus Partners received approval from the state legislature to create a Homeless Assistance District that would produce Tax Increment to assist with the relocation for Secure Waiting as well as the new housing and program initiatives for the Salvation Army.

Catholic Charities approached Community Housing Development Corporation (CHDC) to act as a developer for the project. In partnership, Catholic Charities and CHDC have successfully developed the projects adjacent to the Boxleitner site – Glenwood Residence and The Evergreen. The Glenwood Residence, located at 173 Glenwood, provides 80 units of permanent housing for chronic alcoholics. The Evergreen located at 177 Glenwood Avenue, provides 88 units of permanent SRO housing for very low income single adults, some of whom are working. Catholic Charities and CHDC identified 165 Glenwood Avenue North as an ideal property for relocation of the existing Men's Secure Waiting because it is adjacent to two successful Catholic Charities projects (both developed by CHDC) and approached the City with an offer to purchase. In addition to the efficiency of delivering services by having these facilities adjacent to one another, a connection between the Boxleitner and the Glenwood to share the commercial kitchen and dining area is proposed.

The original plan was to develop a new facility to replace the current Catholic Charities Secure Waiting Space at 1000 Currie (located three blocks from the proposed site of the Boxleitner Place) and provide up to 270 units and beds for men who are experiencing long-term homelessness or at significant risk of experiencing homelessness. In addition to permanent supportive housing, the original plan included 30 medical respite beds, 70 pay for stay beds, and 96 first come first serve emergency shelter beds. The total development cost was estimated to be \$22 million. Proposed funding sources included Minnesota Housing, Federal Home Loan Bank, Tax Increment Financing, Hennepin County, and sale of the Secure Waiting property.

To date, \$13,250,000 development funding has been raised. Minnesota Housing has reserved \$12,750,000 of 501(c)(3) bonds and the Federal Home Loan Bank has committed \$500,000. For a number of reasons (including the difficult economic times), the funding needed for the other parts of the project (emergency shelter, medical respite, pay to stay) are very scarce and the prospect of securing are uncertain.

At this time, Catholic Charities and CHDC propose to move ahead with the \$13,250,000 funding in place and construct a four (4) floor development project with 74 permanent supportive housing units as described earlier in this report. With this plan, the relocation of the existing Secure Waiting will not occur and this facility will continue to operate at 1000 Currie Avenue for now.

The proposed location of the Boxleitner project is a triangular 56,311 square foot vacant lot at 165 Glenwood which is currently being used by Public Works for storage of vehicles/equipment. The property has been appraised at \$835,000.

If development funding (and the associated service funding) to accomplish the original proposal of up to 270 units and beds is secured any time before the 74 permanent supportive housing project development is complete, staff will return to the Council with all of the specifics of the revised development proposal and request approval to amend the redevelopment contract.

LAND DISPOSITION POLICY:

This property is a buildable lot as defined by City policy and is being sold for development.

FINANCING:

The estimated sources and uses of funds for the development of the 74 units are as follows:

Sources:

Minnesota Housing 501(c)(3) bonds	\$12,750,000
Federal Home Loan Bank	\$ 500,000
TOTAL	\$13,250,000

Uses:

Acquisition	\$ 835,000
Construction	\$10,569,520
Architectural Design and Fee	\$ 406,620
Developer Fee	\$ 985,000
Replacement/Operating Reserves	\$ 148,000
Soft Costs	\$ 235,000
Furnishings	\$ 70,000
Total	\$13,250,000

OFFERING PROCEDURE:

The sales price of this property reflects the full re-use value.

CONDITIONS OF SALE:

1. Execution of redevelopment contract within 60 days of Council action with a \$20,000 non refundable fee at the time of signing.
2. Because the City's Public Works department requires use of the site for vehicle/equipment storage until the new Hiawatha Maintenance Facility opens, if the purchaser chooses to close before June 1, 2010, the purchaser must either a) agree to allow the Public Works department continued access to the site at a nominal cost for the limited purpose of storing vehicles/equipment until the earlier of the opening of the Hiawatha Maintenance Facility and June 1, 2010, or b) provide an alternative vehicle storage site reasonably acceptable to the Public Works director and pay or reimburse the City for all temporary staging, storage/lease, and moving costs for the City's equipment. Public Works acknowledges that construction activity may take

place on the site during this leaseback period. The closing must occur no later than July 1, 2010. The conveyance to the purchaser shall be closely timed with the construction start date, in order to keep the lot under Public Works management as long as possible.

3. Required planning and regulatory approvals are obtained by 12/31/09.
4. All development financing is secured by 12/31/09.
5. All closing fees will be paid by the purchaser.
6. All costs associated with the development, including without limitation environmental remediation and soil condition corrections, will be paid for by the purchaser.
7. If the purchaser is unable to close by July 1, 2010, the City may terminate the redevelopment contract and the property will return to Public Works inventory.

Authorizing sale of land for J. Jerome Boxleitner Place Project

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop the following described parcel(s) of land, hereinafter the Parcel, in the North Loop neighborhood, from Community Housing Development Corporation or an affiliate, hereinafter known as the Redeveloper.

LEGAL DESCRIPTION

165 Glenwood Avenue

That part of the Southwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ lying north of the Railroad Right-of Way and lying south of Glenwood Avenue and East of Lot 18, Auditors Subdivision No. 31 excluding Highway (partial description per Hennepin County), Hennepin County, Minnesota.

Whereas, the Redeveloper has offered to pay the sum of \$835,000 to the City for the Parcel, and the Redeveloper's housing proposal is in accordance with statutory redevelopment authority; 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 January 2, 2009, a public hearing on the proposed sale was duly held on January 13, 2009, 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 of the Parcel for uses in accordance with the J. Jerome Boxleitner Place Project proposal is hereby estimated to be the sum of \$835,000.

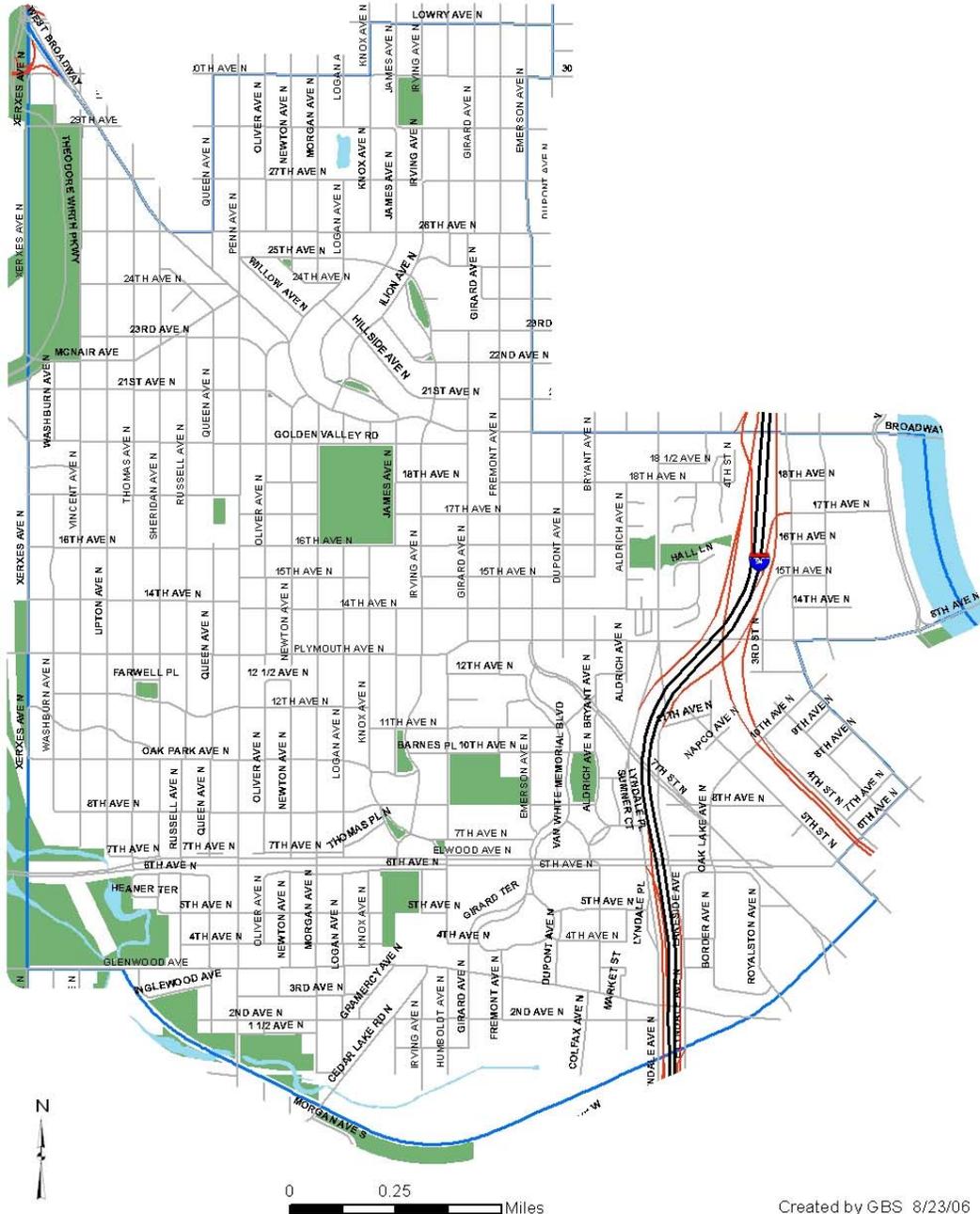
Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the Parcel in accordance with the proposal.

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

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 Purchaser: Community Housing Development Corporation or an affiliate

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
Parcel N/A	165 Glenwood Avenue	\$ N/A*	(-)\$835,000	None

*Transfer from Public Works

Re-Use Value Opinion	Less Sales Price	Write-Down
\$835,000	\$835,000	\$0.00

Write-Down
 Reason: N/A

Developer History with CPED:
 In partnership, CHDC and Catholic Charities, have successfully completed similar projects in the City.

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