



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

Date: December 13, 2005

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Jerry LePage, Phone 612-673-5240

Presenter in

Committee: Jerry LePage, Senior Project Coordinator

Approved by: Elizabeth Ryan, Director of Housing Policy & Development \_\_\_\_\_

**Subject:** Grain Belt Housing Project - Redevelopment Contract Time Extension

**RECOMMENDATION:** Authorize the execution of an amendment to the Redevelopment Contract with Sheridan Development Company LLC: 1) to extend certain project deadlines by six months without further extension, as described in this report; and 2) to include additional Phase I performance dates as events of default subject to cure, and the expiration of the Redevelopment Contract if the event of default has not been cured as of the last day of the cure period, as described in this report.

**Previous Directives:**

- 1) On August 11, 2000, the MCDA Board and City Council approved an amendment to the Grain Belt Development Objectives, a modification to the Grain Belt Redevelopment Plan, and an authorization to issue a housing RFP.
- 2) On February 2, 2001, the MCDA Board selected the Sheridan Development Company (SDC) as the developer of the Grain Belt Housing Project over three other development proposals, and awarded it six-month development rights.
- 3) In July 2001, the Board approved a one-year extension of the development rights, and approved additional extensions in July 2002 and in February 2003.
- 4) On June 4, 2003, the Board approved the finance plan and redevelopment contract terms for Phase I of Grain Belt.
- 5) On September 26, 2003, the Council adopted the Grain Belt TIF Plan and related Plan modifications.
- 6) On November 5, 2004, the Council approved an amendment to the redevelopment contract business terms for Phase I of the Grain Belt Housing Project.
- 7) On December 23, 2004, the Council approved a modification to the Grain Belt Redevelopment Plan removing properties on the "Dusty's Bar/Old Science" block from the possible acquisition category.
- 8) On October 7, 2005, the Council approved the acceptance of a bid from Veit & Company for demolition activity on the Phase I site and also authorized the initiation of title registration proceedings for 132-34 13<sup>th</sup> Avenue NE on the Phase I site.

**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
- 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:** Third.

**Neighborhood Notification:** The Sheridan Neighborhood Organization (SNO) has been notified that this report will be presented by the City Council.

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

**Comprehensive Plan:** Minneapolis will increase its housing that is affordable to low and moderate income households (Section 4.10), and improve the availability of housing options to all of its citizens.

**Zoning Code:** The Phase I site will require a change in zoning to permit the proposed development.

**Living Wage/Job Linkage:** NA

**Other:**

**Background/Supporting Information**

In November 2004, the City Council approved the final business terms for the redevelopment contract with the Sheridan Development Company (SDC), which is composed of Ross Fefercorn of RMF Entities and his partners: Peter Pflaum (Plum Investment Company), Barry Berg and John Wanninger (Berg & Wanninger), David Newman (Bancor Group, Inc.), and Key Investments. A Project Data Worksheet on Phase I of the Grain Belt Housing Project is attached to this report as **Exhibit 1**.

The business terms approved by the Council last fall included a deadline for the execution of a redevelopment contract of March 31, 2005. This deadline was met with the signing of a contract with SDC on March 31<sup>st</sup>. The redevelopment contract deals primarily with the performance timetable and development of Grain Belt Phase I (the site east of the Grain Belt Brewhouse across Marshall Street), but also includes some provisions regarding Phase II development rights (the riverfront parcel) and SDC's option to develop the historic Grain Belt Office Building (1215 Marshall Street NE).

Based on the finance plan approved in June 2003 as part of the redevelopment contract terms, the land proceeds received from the sale of Phase I land will be re-used by the City to reimburse the developer for eligible Phase I Public Improvement Costs, instead

of utilizing tax increment financing in this phase. The Phase I site is part of the TIF district for the Grain Belt Housing Project and will generate a tax increment. However, the Phase I increment will be used to help fund redevelopment costs in later phases of the Grain Belt development.

### **Revised Development Timetable**

With the signing of the redevelopment contract on March 31<sup>st</sup>, SDC immediately began to work with the State Historic Preservation Office (SHPO) regarding the review of the Grain Belt Phase I development plans. SHPO review and concurrence with these plans is a requirement of the Programmatic Agreement (executed with SHPO in July 2000 for the Grain Belt area) and is considered a prerequisite to starting the City planning and regulatory process and involving the HPC and the Planning Commission. However, the response from SHPO, which was expected in June, was not actually received until the end of August. It is SDC's position that this delay was unavoidable and that it slowed progress on marketing/pre-sales, detailed design work, bidding, etc., causing SDC to miss the window for starting Phase I construction by the end of the year.

The delay in the SHPO process seemed to be due to complications at the SHPO office related in part to the shutdown of the State government last summer. Also, SHPO review may have taken longer because of some changes that were made by SDC based on its consultations with SHPO, which led to significant improvements in the Phase I plan (see attached March 2005 Site Plan, **Exhibit 2**, and Revised Site Plan, **Exhibit 3**). The latest SDC plan reduces the number of Phase I housing units from 177 units to 152 units (approximately 51 units/acre). This seems to be an appropriate density for this 3-acre site and is closer to what was originally proposed and more acceptable to the neighborhood. The plan changes also resulted in the creation of larger public plaza along Marshall Street and a better public circulation plan through the site.

Because of the delay, SDC has submitted a request that its Redevelopment Contract be amended to provide an eight-month extension of its contractual performance dates. A copy of a letter from SDC proposing this extension is attached as **Exhibit 4**.

Staff does agree with SDC that the two-month delay in SHPO review of Phase I plan was unavoidable and that it did impact the development schedule. However, we do not believe that an eight-month extension is warranted. Instead, staff is recommending a six-month extension of the Phase I and Phase II timetables, which seems reasonable under the circumstances. Staff has had further discussions with the developer regarding the development schedule, and SDC has now indicated that a six-month extension would be workable and acceptable.

However, with respect to the timetable for the Grain Belt Office Building, staff is not recommending any change. If SDC does not submit a proposal for the acquisition and rehabilitation of the Office Building by January 1, 2006, that is acceptable to the City, and does not execute a redevelopment contract with the City prior to the expiration of its option on March 31, 2006, then any rights held by SDC to use or develop the Grain Belt

Office Building contained in the Redevelopment Contract and any other agreement shall expire and the Redevelopment Contract and other agreements shall terminate. The City may then issue an RFP for the Office Building. Over the past several months, CPED staff has received strong market interest in the Office Building and believes that the process should be opened up to other developers if SDC does not submit an acceptable proposal within the current timeframe. Staff has also had further discussions with SDC on this point, and SDC has indicated that the current schedule for the Office Building is acceptable.

The table below shows the current performance timetable in the Redevelopment Contract and the timetable that staff is recommending, which has been agreed to by the developer.

Activity	Current Timetable in Redevelopment Contract	Staff Recommendation
Phase I: construction start	January 1, 2006	July 1, 2006
Phase I: completion	December 31, 2007	June 30, 2008
Phase II: execution of redevelopment contract *	January 1, 2007	July 1, 2007
Phase II: construction start	January 1, 2008	July 1, 2008
Grain Belt Office Building: Submission of Offer to Purchase	90 days prior to expiration of option (January 1, 2006)	No change in current timetable
Grain Belt Office Building: Submission of preliminary renovation plans	45 days prior to expiration of option (February 15, 2006)	No change in current timetable
Grain Belt Office Building: Deadline for developer to exercise option	March 31, 2006	No timetable change, but clarification that execution of development contract required by 3-31-06 & actual purchase of bldg. simultaneous with purchase of Phase I land

\* Execution of a Phase II redevelopment contract will be dependent upon SDC's satisfactory performance on Phase I and the submission of an acceptable Phase II proposal that is approved by the City Council.

### **Phase I Timetable/Events of Default**

The proposed amendment to the redevelopment contract will also add three performance dates, which are intermediate steps that the developer must accomplish leading up to the start of construction of Grain Belt Phase I on July 1, 2006. Each of the performance dates listed below, if not met by the developer, will constitute an event of default, which will be subject to the standard 30-day cure period.

- |  |                  |
|--|------------------|
| 1. Submittal of drawings for City planning and regulatory approvals                                    | January 31, 2006 |
| 2. Submittal of construction documents (sufficient detail for purposes of initial bidding and pricing) | May 15, 2006     |
| 3. Site purchase/construction loan closing   | June 30, 2006    |
| 4. Start of construction   | July 1, 2006     |

If SDC defaults on any of these performance dates and fails to cure the default within the 30-day cure period, then the Redevelopment Contract shall immediately expire and become null and void, without any further City action to terminate the Redevelopment Contract with SDC. The City may then seek other development proposals for the Phase I site and any of the sites in the other proposed phases.

One additional action that the City Council will be required to take to authorize the implementation of Grain Belt Phase I is a public hearing and the approval of the Phase I land sale to SDC. Staff will return to the City Council with the proposed land sale in April or May, assuming that the developer has met prior performance dates and is not in default. There are also planning and regulatory approvals that are necessary for this project, which will also require Council action since a rezoning is involved. However, these items will come to the Council through the Planning Commission.

### **Status of Phase I Site Assembly/Site Clearance**

In May 2003, the Metropolitan Council approved an LCDA grant of \$775,000 to fund site assembly and demolition activities on the Phase I site, and this grant is expiring on December 31, 2005. By the end of the year, the City will complete all of the work that it proposed to do with these LCDA funds, which will only require about \$600,000 of the total grant of \$775,000. The two remaining privately-owned properties (130 and 132-34 13<sup>th</sup> Avenue NE) on the Phase I site were acquired this summer and their occupants have been relocated. The City has already demolished the three residential structures on these two properties, and the vacant City-owned Caswell Warehouse (1221 Marshall Street) will be demolished in early December. Therefore, the entire Phase I site will be acquired, cleared, and ready for development by SDC, pursuant to the City's obligations under the Redevelopment Contract.