



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

Date: March 10, 2009

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Theresa Cunningham, Senior Project Coordinator, Phone 612-673-5237

Presenter in
Committee: Theresa Cunningham, Senior Project Coordinator

Approved by Charles T. Lutz, Deputy CPED Director _____
Thomas Streitz, Director, Housing Policy and Development _____

Subject: Higher Density Corridor Housing Program
Land Sale Public Hearing
Lot 2 - 54th & Riverview Road Apartment Development Site

RECOMMENDATION: 1.) Approve the sale of Lot 2 of the 54th & Riverview Road Development Project for \$11.59 per square foot to PCNF Acquisition LLC or an affiliated entity created specifically to undertake the development of the Riverview Apartments Project; 2.) authorize CPED to reduce its Good Faith Deposit from 10% to 5% of the purchase price; and 3.) authorize appropriate City staff to execute a redevelopment contract in accordance with the terms of this report.

Previous Directives: On December 12, 2008, the City Council approved an allocation of 2008 Affordable Housing Trust Funds of \$800,000 and Non-Profit Housing Development Assistance Funds of \$30,000 for the Riverview Apartments development to be located at 5100 East 54th Street by Plymouth Church Neighborhood Foundation and CommonBond Communities or an affiliated entity.

On January 18, 2008, the City Council approved the selection of a joint partnership of the Plymouth Church Neighborhood Foundation, CommonBond Communities, and Twin Cities Habitat for Humanity, Inc. as the combined developers of the 54th & Riverview Road Development 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 program income to Fund 01400 (Multifamily CDBG Account-Higher Density Corridor Housing Program)
- 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: 12

Neighborhood Group Notification: On October 3, 2008, the Nokomis East Neighborhood Association was advised of this land sale. On November 17, 2008, they provided a letter of support and commitment to continue to work with the developers to resolve any issues relating to the proposed development.

City Goals: Foster the development and preservation of a mix of quality housing types that are available, affordable, meets current needs and promotes future growth. Support the development of new medium and high density housing in appropriate locations throughout the city. Support housing density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities. Increase housing that is affordable to low and moderate income households.

Comprehensive Plan: On July 24, 2008, the Planning Commission completed a land sale review of this parcel and approved the proposed development finding it consistent with the Comprehensive Plan.

Zoning Code: Complies. The site is currently zoned R1. To accomplish the proposed development, the Developer will be required to apply for appropriate variances, zoning changes, alley vacations/re-alignment and conditional use permits as the proposed development will require.

Living Wage/Job Linkage: NA

Other: NA

BACKGROUND/SUPPORTING INFORMATION:

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALES PRICE</u>
5M	5100 East 54 th Street	
6M	5106 East 54 th Street	
7M	5110 East 54 th Street	
8M	5114 East 54 th Street	\$11.59/sq. ft.
10M	5344 Riverview Road (a portion of)	
9M	5348 Riverview Road (a portion of)	
3M	5352 Riverview Road (a portion of)	
2M	5356 Riverview Road (a portion of)	
1M	5360 Riverview Road (a portion of)	

PURCHASER

PCNF Acquisition LLC or an affiliated entity
430 Oak Grove St., #130
Minneapolis, MN 55403

PROPOSED DEVELOPMENT:

The 54th & Riverview Road development site includes approximately 78,000 square feet of developable land. The Riverview Apartments proposal promises the development of a 3-story, elevator building with 42 one-bedroom apartments for senior households comprised of at least one person who is at least 62 years old at the time of initial occupancy. The apartment complex will occupy approximately 64% of the developable land (or approximately 48,578 square feet). Three units will be specifically set aside for physically and sensory disabled individuals as well as all common areas in the building will be handicap accessible.

The development site was recently purchased from the Minnesota Department of Transportation (MNDOT), which acquired the site during site assemble for the expansion and alignment of Highway 55 between 1972 and 1979. At the completion of the roadway construction the referenced development site lands were declared excess land and made available to be sold to a public entity for development.

Attached is an area map which provides a snapsite of the development site located in the Minnehaha neighborhood of the Nokomis East community of South Minneapolis.

On June 24, 2007, CPED released a Request for Proposals to solicit and identify a potential developer or development team that could develop a medium-density residential development of approximately forty to fifty (40-50) units with a preference for senior/elderly rental or ownership housing. Three proposals were received with the Community Development Collaborative, LLC, a joint partnership of Plymouth Church Neighborhood Foundation, CommonBond Communities and Twin Cities Habitat for Humanity, Inc. (Habitat), selected as the preferred developers.

To undertake the apartment building development, the developers plan to create a limited liability corporation (LLC) joint partnership including both Plymouth Church Neighborhood Foundation, and CommonBond Communities. The entire 54th and Riverview Road development site is now owned by CPED and was acquired under the City's Higher Density Corridor Housing Program for \$1,062,000 including improvements from MNDOT. Included in the sale was a home at 5324 Riverview Rd., which is not a part of the development site. At the time of writing this report, CPED is negotiating the purchase of an additional triangle parcel of land located just east of the development site from MNDOT. This triangular parcel will be needed to provide sideyard access for both adjacent property owners when the existing alley is vacated and re-aligned to accommodate the proposed development. Another companion land sale report is also being brought forward today for Council consideration that discusses the sale related to the balance of the development site.

LAND DISPOSITION POLICY:

The 54th and Riverview Road development site is a buildable site as defined by City policy and was purchased in anticipation of the pass-thru of the site to the developer for the proposed development. The land will be sold to the developer for the fair market value of \$11.59 per square foot. The actual purchase price will be calculated once a final site plan and plat have been approved which will create the separate development parcels and re-align the alley to serve all residents in the area.

FINANCING:

Total development cost is estimated at \$7.6 million or \$181,791 per unit. A full range of various forms of public assistance is anticipated in the form of TIF, Affordable Housing Trust Funds (\$800,000 previously approved), HUD 202 Supportive Housing for the Elderly Program, Hennepin County's Affordable Housing Incentive Funds and Minnesota Housing's Community Revitalization Program assistance. Attached is a Project Data Worksheet that provides additional details regarding the proposed development. None of these sources are being approved with this report.

The primary source of financing the proposed development is a HUD Section 202 Supportive Housing for the Elderly Program award. Applications are due June, 2009 and require that the developer provide evidence of site control as a condition of application. CPED is bringing forward this land sale approval request to provide the required site control needed to secure funding for the proposed development and to provide leverage in securing the necessary funding to complete the development.

COMMENTS:

Staff supports the developer's offer to purchase the 54th and Riverview Road development site for the fair market value of \$11.59 per square foot by April 1, 2011 and recommend approval of this land sale request.

The developer will be required to pay any holding and property management costs estimated not to exceed \$54,000 over the next 24-month option to purchase period. While it is City Policy to require a Good Faith Deposit (GFD) of 10% of the purchase price; the developer is requesting that we lower the deposit requirement from 10% to 5% citing undue hardship on the part of this non-profit developer. If approved, a GFD of 5% of the purchase price (approximately \$28,149) will then be collected at the time the redevelopment contract is executed and refundable upon completion of the proposed development.

Staff supports and recommends the approval of the developer's request to lower the GFD requirement to 5% due to the fact that the developer will also be required to pay the City's holding costs which are anticipated to total in excess of \$80,000. The developer anticipates that they will be hard-pressed to finance both the GFD and holding cost over the 24-month option to purchase period.

Authorizing sale of land 54th & Riverview Road Development Project Disposition Parcel Nos. 5M, 6M, 7M, 8M, 10M, 9M, 3M, 2M and 1M .

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcels 5M, 6M, 7M, 8M, and a portion of Disposition Parcels 10M, 9M, 3M, 2M and 1M , in the Minnehaha neighborhood, from PCNF Acquisition LLC or an affiliated entity, hereinafter known as the Redeveloper, the Parcels 5M, 6M, 7M, 8M, 10M, 9M, 3M, 2M and 1M , being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

5M, 6M, 7M, 8M: 5100, 5106, 5110 and 5114 East 54th Street
Lots 17, 18, 19, and 20, Block 2, Thorpe Bros. Minnehaha Grove Addition to Minneapolis

Portions of 10M, 9M, 3M, 2M & 1M: 5344, 5348, 5352, 5356 & 5360 Riverview Road
Portions of Lots 5, 6, 7, 8, and 9, Block 2, Thorpe Bros. Minnehaha Grove Addition to Minneapolis
Said Lot 7 is Registered Land, Certificate of Title No. 1215455

The legal description of the property will be determined after the replat of the property.

Whereas, the Redeveloper has offered to pay the sum of \$ 11.59 per square foot, for Parcels 5M, 6M, 7M, 8M, 10M, 9M, 3M, 2M and 1M 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 February 27, 2009, a public hearing on the proposed sale was duly held on March 10, 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:

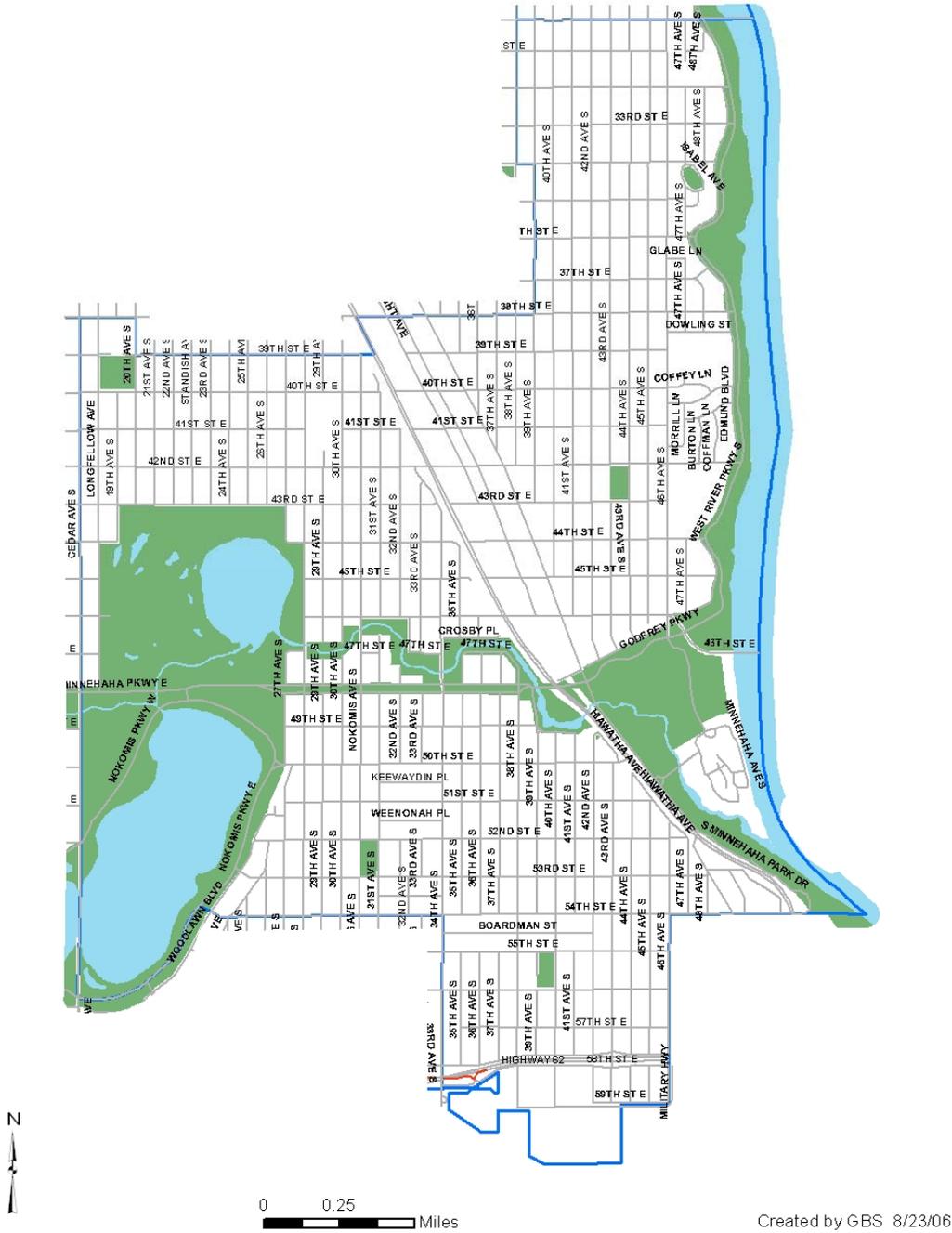
That the re-use value for uses in accordance with the 54th & Riverview Road Development Project plan, as amended, is hereby estimated to be the sum of \$11.59 per square foot for Parcels 5M, 6M, 7M, 8M, 10M, 9M, 3M, 2M and 1M .

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.

WARD 12



Created by GBS 8/23/06

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

Date: March 10, 2009

Subject: Land Sale - Public Hearing

Addresses: 5100 East 54th Street 5106 East 54th Street
 5110 East 54th Street 5114 East 54th Street
 5344, 5348, 5352, 5356 and 5360 Riverview Road (portions of)

Purchaser: PCNF Acquisition LLC or an affiliated entity
 430 Oak Grove St., #130
 Minneapolis, MN 55403

Dispo/Acq Parcel No. Date Acq.	Address	Total CPED Cost	Less Sales Price	Write-off
5M, 6M, 7M, 8M, and portions of 10M, 9M, 3M, 2M and 1M	5100, 5106, 5110, and 5114 East 54 th Street and portions of 5344, 5348, 5352, 5356 and 5360 Riverview Road	\$14.00 per square foot	\$11.59 per square foot	\$3.00 per square foot

Reuse Value Opinion	Less Sales Price	Write-Down
\$11.00 to \$14.00 per square foot	\$11.59 per square foot	0

Write-Down

None

Developer History with CPED:

PCNF Acquisition LLC is a subsidiary of Plymouth Church Neighborhood Foundation, who with CommonBond Communities will form a LLC to undertake the proposed development. Both partners have had extensive successful development experience with CPED/MCDA as a partner in the development of various multi-family affordable housing in the City of Minneapolis.

Developer Information:

Single Individual(s)

Family with ___ Dependents (one or more adults with dependents)

General Partnership

Limited Partnership

Non-Profit Corporations of the State of Minnesota