

Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: March 22, 2011

To: Council Member Lisa Goodman, Community Development Committee

Subject: Land Sale Public Hearing/2029-2033 West Broadway in the West Broadway
Redevelopment Project

Recommendation: 1) Approve the sale of City-owned real property located at 2029-2033 West Broadway to Plymouth Christian Youth Center (PCYC) or an affiliated entity for \$347,800 2) Approve the attached term sheet, dated March 22, 2011 as a basis for a redevelopment contract 3) Authorize the appropriate City staff to enter into agreements with the purchaser in accordance with the terms herein and the attached Term Sheet.

Previous Directives: On August 14, 2009 the City Council approved a modification to the West Broadway Redevelopment Plan and added these properties to the list of properties that may be acquired. On February 26, 2010, the City Council accepted a Metropolitan Council Livable Communities Demonstration Account grant of \$869,000 for acquisition of these properties. On March 17, 2010, the CPED Director authorized an offer to purchase these properties along with 2101 West Broadway and 2114 23rd Avenue North.

Department Information

Prepared by:

Kelly Hoffman, Senior Project Coordinator, CPED phone: 612-673-5079

Approved by:

Charles T. Lutz, Deputy Director CPED _____

Catherine Polasky, Director of Economic Policy and Development _____

Presenter in Committee: Kelly Hoffman

Financial Impact

- Action is within the Business Plan

Community Impact

- Neighborhood Notification: the Northside Residents Redevelopment Council was notified of this sale and City staff and PCYC presented plans at the March 14, 2011 meeting.
- City Goals - *Jobs & Economic Vitality*- strong commercial corridors, thriving business corners and businesses – big and small – start here, stay here, thrive here, arts and artists are economic drivers in and of themselves; *Livable Communities, Healthy Lives*- plentiful arts, cultural, and recreational opportunities
- Sustainability targets - Increased density of development along a commercial corridor.
- Comprehensive Plan - *Policy 1.10*: Support development along Commercial Corridors that enhances the street's character, fosters pedestrian movement, expands the range of goods and services available, and improves the ability to accommodate automobile traffic; *Policy 8.10*: Promote the benefits of preservation as an economic development tool and a method to achieve greater environmental sustainability and city vitality.
- Zoning Code – properties are zoned C-1 with a Pedestrian Overlay District

- Other – On August 14, 2009 the City Council approved Modification No. 8 to the West Broadway Redevelopment Plan (Attachment 2). City Planning staff was involved in the approval process.

Supporting Information

<u>Parcel</u>	<u>Address</u>	<u>Sale Price</u>
WB 6-11	2029 West Broadway	\$264,400
WB 6-12	2033 West Broadway	\$83,400
	Total =	\$347,800

Purchaser

Plymouth Christian Youth Center or an affiliated entity
2210 Oliver Ave North
Minneapolis, MN 55411

Site Description and Development Proposal:

Explanation of entities:

Plymouth Christian Youth Center (PCYC) is a Minnesota nonprofit community-based organization, that exists to benefit children, youth, families and adults through programs of education, cultural arts, human services, and community building. PCYC owns and operates Plymouth Youth Center Arts and Technology High School and the Capri Theater.

Background:

The subject properties are part of the “Capri Block”, the block on West Broadway bookended by the Five Points building (formerly “Delisi’s”) at Penn and West Broadway and the Capri Theater at Oliver Ave N. and West Broadway. All of the properties between these two anchors are currently vacant and blighted.

This block has long been viewed as a prime redevelopment opportunity with the potential to be a catalyst to spur private market investment. In 2006 it was the subject of a Hennepin County funded TOD study and the site was featured in the West Broadway Alive! Small Area Plan as a case study. The overarching vision for this block is a higher density, lively, arts and entertainment district. The subject properties were purchased with the goal of selling them to PCYC to support the expansion of the Capri Theater. The Capri Theater is an important amenity and driver of commercial activity in North Minneapolis. The expansion will allow the theater to become even more of a destination, increase programming, and marketability.

The City has been working closely with PCYC and The Ackerberg Group, the developer of the Five Points building, to support the implementation of strategies that advance this redevelopment vision. PCYC had been working with the former property owner, Holding Forth the Word of Life Church (Holding Forth) and at one time had a purchase agreement that fell through. In 2009, the properties were foreclosed by the first mortgage lender, Strongtower Financial. In January of 2010, the City was awarded an \$869,000 LCDA grant from the Met Council for the acquisition of these properties for the overall redevelopment described herein.

In May of 2010 the City acquired these properties along with 2101 West Broadway and 2114 23rd Avenue using the LCDA grant as well as \$376,000 of Higher Density Corridor Housing Funds (to be repaid from the proceeds from the sale of the remaining properties) and \$5,000 from the Capital Acquisition Revolving Fund (also to be repaid to the City upon sale). In September of 2010, the City received an offer to purchase 2029-2033 West Broadway from PCYC. The offer is for the Fair Reuse Value of the properties.

The City currently leases the parking lot at 2101 West Broadway to PCYC for additional theater parking. The City also has a lease with T-Mobile for a cell phone tower on the same lot. Between these two leases, the City collects \$925 per month which helps offset the City's property maintenance costs.

There is currently not enough parking for the Capri Theater or the newly redeveloped Five Points building. Once site assembly is complete, the City will issue an RFP for the redevelopment of the remaining block and expects multi-family housing and shared parking to be major components of the redevelopment.

Capri Theater Expansion:

PCYC plans to expand the Capri Theater, the historic 250 seat theater adjacent to the subject properties. In 2009, PCYC invested close to \$1 million in capital improvements by improving the façade and the marquee and upgrading the lighting and sound systems. This next phase of the Capri Theater Renaissance is focused on expanding the theater and adding uses that complement the existing theater. This phase will require approximately \$1.4 million of investment and will include:

- Structural stabilization
- Asbestos and lead remediation
- New HVAC system
- New electrical system
- New plumbing
- New roof
- New windows and doors
- Interior build-out including:
 - Green room
 - Rehearsal space
 - Recording studio

Timeframe:

PCYC expects to have funding in place to purchase the properties by December 31, 2011 and complete the redevelopment by December 31, 2013.

Public benefits:

- Community support – PCYC's plans for the Capri Theater are consistent with the vision articulated in the West Broadway Alive! plan and is supported by the community.
- Fair Market Value price – PCYC's offer is consistent with the Fair Reuse Value of \$347,800
- Highest and best use – because of the lack of parking and configuration of space, it is unlikely that these buildings would have a retail or office use. Expansion of the Capri Theater is the best possible use of these buildings
- Blight removal – These buildings are currently vacant and blighted and in poor condition.
- Economic impact– The Capri Theater not only plays an important role in the education of PCYC students but it is also an anchor for the Penn/West Broadway commercial node. For a sold out show, the Capri brings about 250 people to this area. It is a regional anchor that will complement the other entertainment related uses we hope to see in this district. For example, The Ackerberg Group has been actively recruiting a restaurant to the Five Points building and the audience represents an important pool of potential customers.
- No other public support needed – PCYC is not requesting any public subsidy.

Financing:

PCYC is funding the improvements through a capital campaign that is well underway and pursuant to City policy will have all funds in place to purchase and redevelop the properties before closing.

Land Disposition Policy:

These properties will be improved by rehabilitation as defined by City policy and are being sold for redevelopment. The properties were acquired from Strongtower Financial using a grant from the Metropolitan Council and City sources Higher Density Corridor Housing funds and the Capital Acquisition Revolving Fund. The City has the authority to sell the property for private development in accordance with Minnesota Statutes (Sections 469.001-469.047, 469.124-469.134 and 469.174-469.179, as amended) and the Minneapolis Code of Ordinances (Title 16, Chapter 415).

Offering Procedure:

This is a direct sale and the sale price of the properties reflects the full re-use value. The City purchased these properties with the intent to sell them to PCYC as part of a large scale redevelopment of the block.

Staff Recommendation:

Staff recommends selling the property to the Purchaser at the offered price, subject to a number of agreed to terms and conditions described in Attachment 1.

Attachments:

Attachment 1 – Term Sheet

Attachment 2 – Modification No. 8 to the West Broadway Redevelopment Plan
(in lieu of land sale/acquisition form and CPC approval)

Attachment 3 – Site Map

Authorizing sale of land West Broadway Redevelopment
Disposition Parcels WB 6-11 and WB 6-12.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcels WB 6-11 and WB 6-12 in the Willard - Hay neighborhood, from Plymouth Christian Youth Center or an affiliated entity, hereinafter known as the Redeveloper, the Parcels WB 6-11 and WB 6-12 being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

WB 6-11; 2029 West Broadway

Lot 2, Block 21, Forest Heights, Hennepin County, Minnesota, together with that portion of the adjacent vacated alley accruing thereto, except that portion taken for street.

WB 6-12; 2033 West Broadway

The Southeasterly 30 feet of Lot 3, Block 21, Forest Heights, Hennepin County, Minnesota, together with that portion of the adjacent vacated alley accruing thereto, except that portion taken for street.

Whereas, the Redeveloper has offered to pay the sum of \$347,800, for Parcels WB 6-11 and WB 6-12 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 Parcels; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on March 11, 2011, a public hearing on the proposed sale was duly held on March 22, 2011, 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:

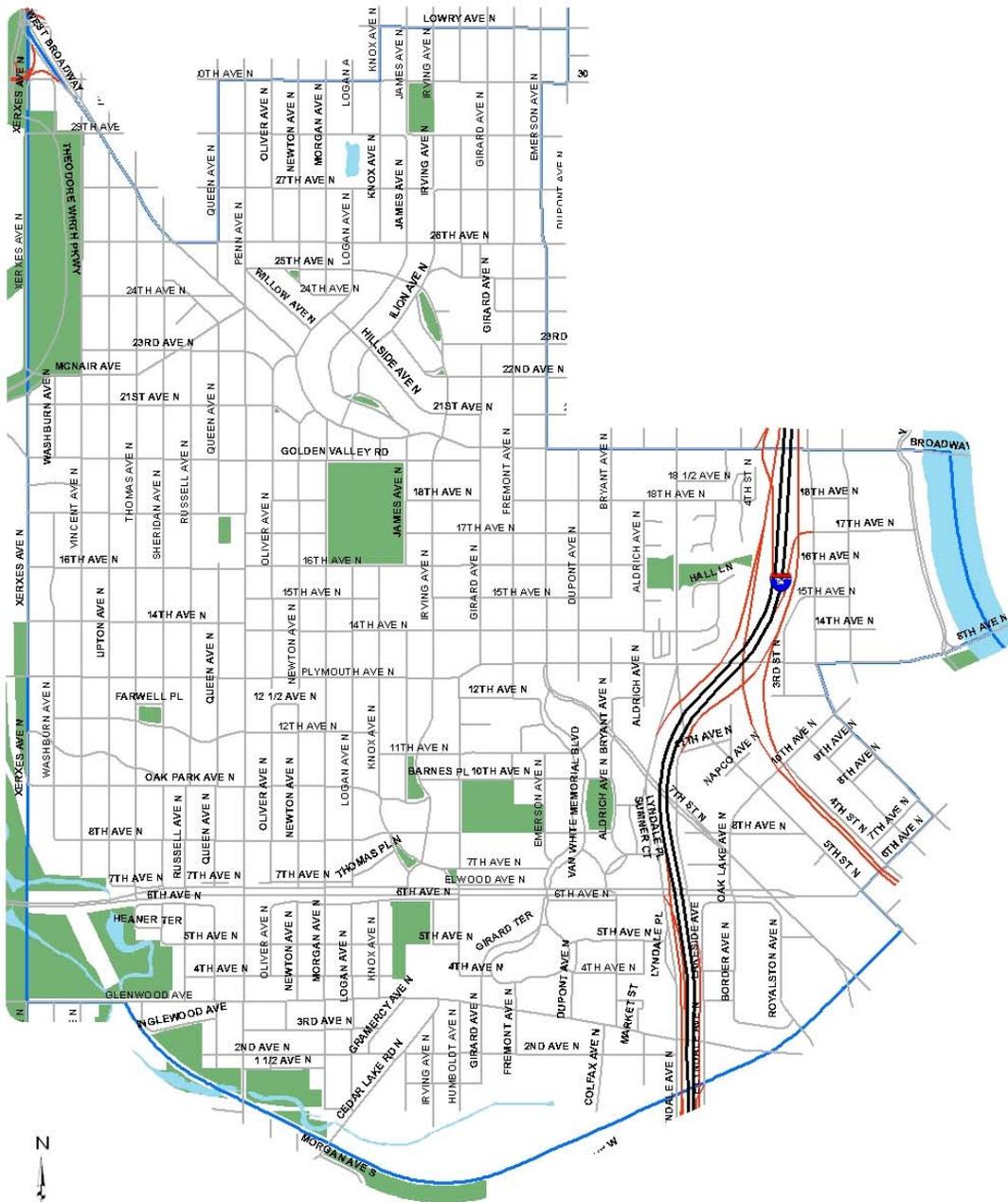
That the re-use value for uses in accordance with the West Broadway Redevelopment plan, as amended, is hereby estimated to be the sum of \$347,800 for Parcels WB 6-11 and WB 6-12.

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 upon publication of this Resolution, 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 and delivered by the Finance Officer or other appropriate City official of the City.

WARD 5



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

Date: March 22, 2011
 Subject: Land Sale – Public Hearing
 West Broadway Redevelopment Project
 Address: 2029-2033 West Broadway
 Purchaser: Plymouth Christian Youth Center

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
Parcels WB 6-11 & WB 6-12 05/17/2010	2029 & 2033 West Broadway	\$548,250	(-) \$347,800	(-) \$200,450

Re-Use Value Opinion	Less Sales Price	Write-Down
\$347,800	\$347,800	\$0

Write-Down
 Reason: N/A

Developer History with CPED:

On May 22, 2009 Minneapolis City Council (Resolution 2009R-221) and the MCDA Board of Commissioners (Resolution 2009-978M) approved \$2 Million in Bank Qualified Bank Direct Tax Exempt Revenue Bonds for the refinance of a project on behalf of Plymouth Christian Youth Center. The funds were used for the acquisition and renovation of a building located at 2021 West Broadway in the City that is used as a school and neighborhood center, as well as the refinancing of the acquisition and construction of a building located at 2210 Oliver Avenue North in the City that is used for additional school space and other youth and community programming space.

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

Attachment 1 –Term Sheet for Redevelopment Contract (March 22, 2011)

1. PROPERTY

Street Address	Property Identification Number	Size (sq.ft.)	Zoning
2029 West Broadway	1602924220177	9792 5214 (bsmnt)	C1/Pedestrian-oriented overlay
2033 West Broadway	1602924220178	3090 3090 (bsmnt)	C1/Pedestrian-oriented overlay

2. PURCHASER

Plymouth Christian Youth Center or an Affiliated Entity
2210 Oliver Ave North
Minneapolis, MN 55411

(the “Developer”)

3. PURCHASE PRICE

2029 West Broadway: \$264,400

2033 West Broadway: \$83,400

Total = \$347,800 in cash at closing

4. PURCHASE CONSIDERATIONS

Subject to City Council approval

5. GOOD FAITH DEPOSIT

\$34,780 (10% of Purchase Price)

6. CLOSING DATE

On or before December 31, 2011 (the “Closing Date”). The developer must demonstrate to the City’s reasonable satisfaction that as of the Closing Date, Developer has available all necessary equity and debt financing commitments to commence and complete the Project.

7. TITLE

The City shall provide Developer with a current title insurance commitment from Old Republic Title Insurance Company for the Property. Buyer shall make any objections to title in writing to the City within twenty (20) days of receiving such commitment. If Developer makes timely written objections to title, then the City shall have until the Closing date to cure the title defects and establish insurable title to the Property. If the City chooses not to or fails to have the objections to title removed or satisfied to Developer’s satisfaction by the Closing date, the Developer may elect, within twenty (20) days after notification from the City of such choice or failure, to (1) purchase the Property subject thereto or (2) declare the Development Agreement null and void and the Good Faith Deposit shall be returned to the Buyer.

8. CONSTRUCTION START DATE

Construction will commence within 1 month of Closing Date (the "Start Date")

9. CONSTRUCTION COMPLETION DATE

Construction will be complete by December 31, 2013.

10. PROPOSED PROJECT

PCYC is purchasing these two interconnected properties in order to expand the Capri Theater. PCYC will join these two building with the existing Capri Theater to add space that supports the theater's operations.

Improvements include the structural stabilization, installation of a new room, new mechanical and electrical systems, new doors and windows, interior build-out including a green room and other space that supports the theater's operations.

11. "AS IS" SALE AND INDEMNIFICATION

Subject to Buyer's ability to conduct environmental due diligence prior to the Closing Date, the City shall deliver a Quit Claim Deed to Developer on the Closing Date conveying insurable fee simple title to the Property and execute the TBRA Grant agreement described below. The sale shall be "as is" and Developer shall release the City from and indemnify the City against any environmental contamination on the Property. Developer agrees to defend, indemnify and hold the City harmless from any and all claims or lawsuits that may arise from Developer's ownership, acts or omissions after Closing.

12. CONDITIONS TO SITE PLAN

The Developer agrees to make good faith efforts to incorporate green and sustainable design elements throughout the development.

13. PUBLIC ASSISTANCE REQUEST

NONE

14. TAX INCREMENT FINANCING ASSISTANCE

NONE

15. REDEVELOPMENT AGREEMENT

The Redevelopment Agreement shall include, but not be limited to, the following general terms with which the Offeror shall be responsible for compliance:

1. Employment Requirements.
Developer shall cause its general contractor with a contract over \$100,000 and subcontractors with contracts over \$50,000.00 to participate in a registered apprenticeship program.
2. Payment and Performance Bond Requirements.

The Developer shall furnish or cause to be furnished, to the City on or before the Closing Date a Payment Bond and a Performance Bond covering the faithful performance of this Agreement with respect to construction of the Minimum Improvements and the payment of all obligations arising thereunder. The Payment Bond and Performance Bond shall name the City as obligee or co-obligee, shall be in the amount of the contracts for the construction of the Development Improvements, shall be in such form and with such surety or sureties as the City may approve.

3. Living Wage Requirements – None

4. Standard Contract Obligations:

General liability, hazard, builder's risk and worker's compensation insurance requirements; Indemnity and hold the City harmless provisions; standard warranties and representations; and City reversionary rights and certificate of completion requirements.

5. Project pro forma for 25 years