

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

**Date:** May 17, 2011  
**To:** Council Member Lisa Goodman, Community Development Committee  
**Subject:** Land Sale Public Hearing – 907 & 907 ½ - 18 ½ Avenue NE  
Artspace Jackson Flats Rental Housing Development

**Recommendation:** 1) Approve the sale of City-owned real property located at 907 and 907 ½ - 18 ½ Avenue Northeast to Artspace Jackson Flats Limited Partnership (Artspace) or an affiliated entity for \$3.00 per square foot; and 2) authorize the appropriate City staff to enter into agreements with the purchaser in accordance with the terms outlined in this report.

**Previous Directives:**

- On November 5, 2010, the City Council approved 2011 Low Income Housing Tax Credits of \$50,000 for the development of the Artspace Jackson Flats Rental Housing Development.
- On October 22, 2007, CPED purchased the referenced property for \$225,000 at the request of the previous developer, Northeast Community Development Corporation (NECDC), for inclusion of the referenced land in the proposed Artspace Jackson Flats Rental Housing Development project described in this report.

**Department Information**

Prepared by: Theresa Cunningham, Senior Project Coordinator, CPED – Phone 612.673.5237

Approved by: Charles T. Lutz, Deputy Director CPED \_\_\_\_\_

Tom Streitz, Director of Housing Policy & Development \_\_\_\_\_

Presenter in Committee: Theresa Cunningham

**Financial Impact**

- This action is within the City's Business Plan
- Other financial impact: Sale of this property will generate land sale proceeds and eliminate future property management costs. The property also will begin to pay real estate taxes.

**Community Impact**

- Neighborhood Notification: On March 2, 2011, the Logan Park Neighborhood Association (LPNA) was notified of this land sale. The LPNA advised CPED staff that the developer presented the proposed land sale and development to its June 2010 general meeting at which time the LPNA voted to support the proposed development.
- City Goals: This project will meet the following City Goals – A Safe Place to Call Home; Livable Communities, Healthy Lives; Eco-Focused; and A City That Works.
- Sustainability Targets: Affordable rental housing; bicycle lanes and pathways; combined sewer overflow; permeable surfaces; renewable energy use; students in the Arts; and enhanced water quality of streams, lakes and the Mississippi River.
- Comprehensive Plan: On May 9, 2011, it is anticipated that the Planning Commission will approve the sale of these parcels as being consistent with the Comprehensive Plan. The Minneapolis Plan shows this site as “urban neighborhood’ which is primarily residential. The Central Avenue Small Area Plan is more specific, guiding this site for “medium density housing.” This project is consistent with both land use and other guidance from both plans.
- Zoning Code: Property is zoned R4; this land is nonconforming as to lot area and lot width, a conditional use permit for a multiple family dwelling of five units or more, site plan review and an application to vacate the alley will be required.
- Living Wage/Business Subsidy Agreement Yes \_\_\_\_\_ No  X
- Job Linkage (voluntary) Yes \_\_\_\_\_ No  X
- Other: On April 7, 2011 the Planning Staff completed a land sale review of these parcels and approved the proposed development.

### Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
VH-241	907 – 18 ½ Avenue NE	\$3.00 per square foot
VH-242	907 ½ - 18 ½ Avenue NE	\$3.00 per square foot

### **PURCHASER:**

Artspace Jackson Flats Limited Partnership  
 250 Third Avenue North, Suite 500  
 Minneapolis, MN 55401

### **PROPOSED DEVELOPMENT:**

The Artspace Jackson Flats Rental Housing Development project proposed in this report includes a joint-partnership between Artspace and Northeast Community Development Corporation (NECDC) which propose to construct a 4-story, 35-unit rental live/work artist housing development. The project will include underground parking and approximately 2,500 square feet of gallery/community space. The referenced land will be assembled with adjacent land currently owned by NECDC. Attached is a map of the development site and a

Project Data Worksheet (PDW) which provides additional details regarding the proposed development.

**LAND DISPOSITION POLICY:**

The land being sold is a vacant lot bisected by a 10 ft. X 35 ft. 'to be vacated' alley that will be added to the parcel at the time this land is sold to the developer. The developer will request the vacation of the existing alley which currently bisects the referenced land and the development site as part of its site plan review approvals.

**FINANCING:**

Total development cost to construct the proposed development is approximately \$9.3 million. CPED awarded Year 2011 Low Income Housing Tax Credits of \$50,000 in October, 2010. The developer will be applying for the remaining LIHTC assistance needed in the Year 2012 RFP cycle. To secure additional funds needed to complete the proposed development, the developer needs to demonstrate site control; hence this land sale request. This land will be sold to the developer upon securing all the necessary financial commitments to construct the proposed development.

The referenced vacant land includes approximately 4,095 square feet plus the 'to be vacated' alley of approximately 350 square feet totaling approximately 4,445 square feet. The referenced land will be assembled with adjacent land currently owned by the co-partner, NECDC. Attached is a map which depicts the footprint of the proposed development site.

**OFFERING PROCEDURE:**

Negotiated voluntary sale. The sale price of this property reflects the fair re-use value.

**COMMENTS:**

The Artspace Jackson Flats Rental Housing Development project is an updated, revised development proposal, which has transitioned from an artist condominium ownership development to the current artist rental housing project now being proposed. The current development includes the redevelopment of the referenced site assembled with adjacent land currently owned by the developer's partner, NECDC, for the construction of 35 units of affordable housing for local artists. While the attached Project Data Worksheet does not reflect any secured financing, on November 5, 2010, the City Council approved \$50,000 in LIHTC assistance. This land will not be sold to the developer until all the necessary financing has been secured to construct the proposed development.

The developer will be required to pay holding costs for the time frame between land sale approval and the closing date of \$125 per month or \$1,500 per year and will be billed quarterly for these costs. Furthermore, the developer anticipates closing on the purchase of this land on or before December 31, 2012 with a construction timeline of approximately 12 months.

**Authorizing Sale of Land**  
**Artspace Jackson Flats Rental Housing Development**  
**Disposition Parcels VH-241 and VH-242.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcels VH-241 and VH-242, in the Logan Park neighborhood, from Artspace Jackson Flats Limited Partnership or an affiliate, hereinafter known as the Redeveloper, the Parcels VH-241 and VH-242, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

VH-241; 907 18 1/2 Avenue NE

Lot 3, Johnson's Subdivision of Lots 8 and 9, Block 33, Wilson's Re-arrangement of Blocks 2,3,6,7,9,10,11,14,15,19,20,21,24,26,29,31,33,35,37,39 and 41 of East Side Addition to Minneapolis, Hennepin County, Minnesota

Abstract Property

VH-242; 907 1/2 18 1/2 Avenues NE

The Easterly 35 feet of the Westerly 105 feet of Lot 10, Block 33, Wilson's Re-arrangement of Blocks 2,3,6,7,9,10,11,14,15,19,20,21,24,26,29,31,33,35,37,39 and 41 of East Side Addition to Minneapolis, Hennepin County, Minnesota

Being Registered Land as evidenced by Certificate of Title No. 1214330.

Whereas, the Redeveloper has offered to pay the sum of \$3 per square foot, for Parcels VH-241 and VH-242 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 May 6, 2011, a public hearing on the proposed sale was duly held on May 17, 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:

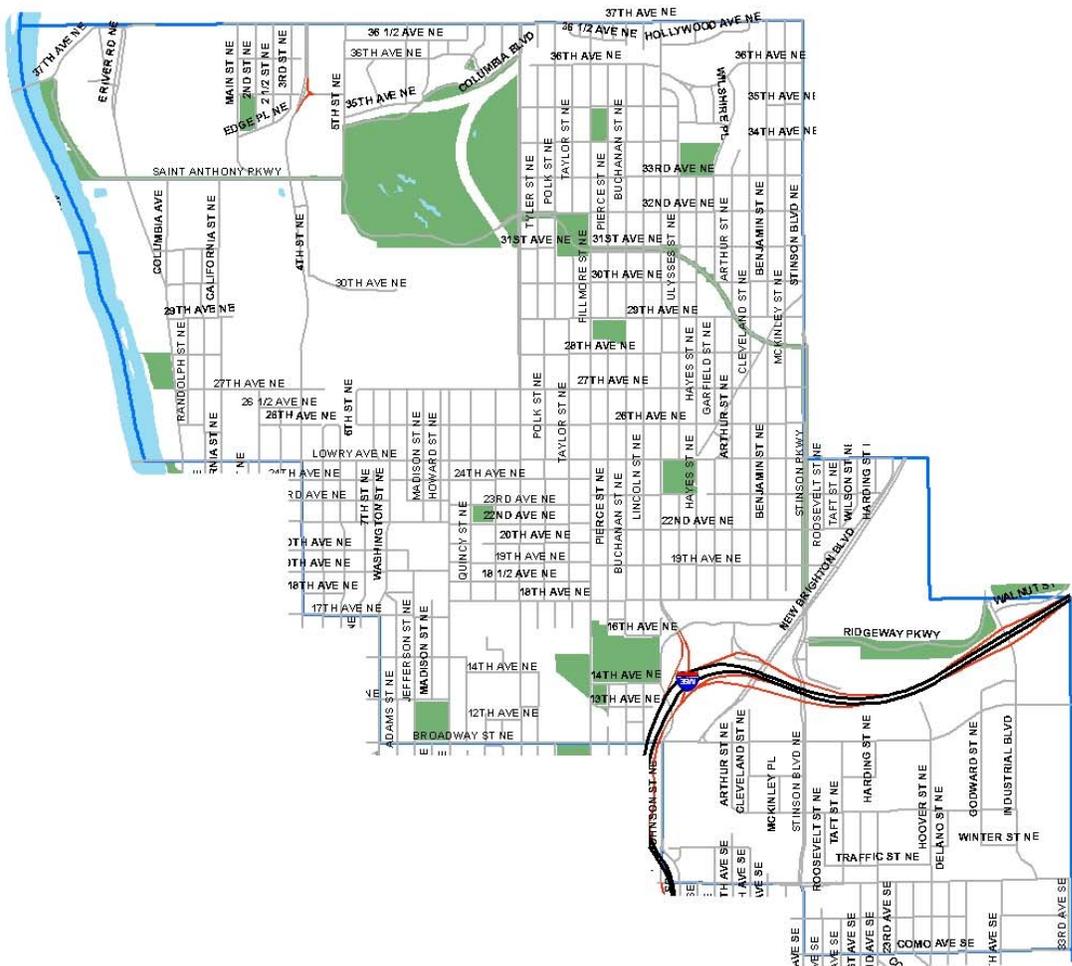
That the re-use value for uses in accordance with the applicable Redevelopment Plan and/or Program, is hereby estimated to be the sum of \$3 per square foot for Parcels VH-241 and VH-242.

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 1



0 0.25 Miles

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

**Date:** May 17, 2011  
**Subject:** Land Sale Public Hearing  
 907 & 907 ½ - 18 ½ Avenue NE  
**Purchaser:** Artspace Jackson Flats Limited Partnership or an affiliate  
 250 Third Avenue North, Suite 500  
 Minneapolis, MN 55401

<b>Disposition Parcel No. Acq. Date</b>	<b>Address</b>	<b>CPED Acq. Costs</b>	<b>Less Net Sales Price</b>	<b>Write Off</b>
VH – 241 & VH – 242 10/22/07	907 – 18 ½ Avenue NE & 907 ½ - 18 ½ Avenue NE	\$248,000	\$13,335.00	-\$234,765.00

<b>Re-Use Value Opinion</b>	<b>Less Sales Price</b>	<b>Write-Down</b>
\$13,335.00	\$13,335.00	0

Write-Down

Reason: Not applicable

Developer History with CPED:

None with the LLC created for this project; however, Artspace has had a number of successful developments in Minneapolis

Developer Information:

- Single Individual(s)
- Married Individual(s)
- Limited 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