

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

Date: May 3, 2011

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

Subject: Land Sale Public Hearing
Franklin LRT Station Area
Bystrom Bros Phase II Proposal by CRS Housing LLC

Recommendation:

1. Approve the sale of 2304 Snelling Ave (portion) to CRS Housing LLC (or an affiliate), a joint partnership of Seward Redesign, Inc. and CommonBond Communities, subject to the conditions outlined in this report.
2. Approve the sale of the remainder of 2304 Snelling Ave to either CRS Housing LLC (or an affiliate) or PPL Acquisition LLC (or an affiliate) for drive access purposes, as well as a reciprocal easement and operating agreement as described in this report.
3. Authorize amendment to or replacement of that certain Option Agreement by and between City of Minneapolis, Seward Commons LLC, and PPL Acquisition LLC regarding the Touchstone Project to extend the closing deadline to on or before December 31, 2012.
4. Authorize proper City staff to execute necessary agreements related thereto, as described in this report.

Previous Directives: CPED acquired 2304 Snelling Ave on June 2, 2009 with a combination of City Transit-Oriented Development (TOD) funds and Met Council Land Acquisition for Affordable New Development (LAAND) funds. Council authorization for this action was granted on May 8, 2009. On October 2, 2009 the City Council authorized the sale of a portion of the site to PPL.

Prepared by: Amy Geisler, CPED Senior Project Coordinator, Phone (612) 673-5266

Approved by: Charles T. Lutz, Deputy CPED Director

Thomas A. Streitz, Director, Housing Policy & Development

Presenters in Committee: Amy Geisler

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: Staff notified the Seward Neighborhood Group (SNG) of this proposed land sale on March 17, 2011. SNG is expected to provide formal comments prior to the public hearing.
- City Goals: A Safe Place to Call Home; Livable Communities, Healthy Lives
- Sustainability Targets: Affordable Housing Units
- Comprehensive Plan: On March 26, 2009, the Planning Commission approved the sale of this parcel as being consistent with the Comprehensive Plan.
- Zoning Code: I2/IL/PO
- Other: On February 17, 2009, Planning Staff approved a land sale review of this parcel.

Supporting Information

PARCEL

ADDRESS

SALE PRICE

FS-4B

2304 Snelling Ave (portion)

To be determined – see below

PURCHASER

CRS Housing LLC (or an affiliate)
2619 East Franklin Avenue
Minneapolis MN 55406

PROPOSED DEVELOPMENT:

The project will be co-developed by CommonBond Communities (CommonBond) and Seward Redesign, Inc. (Seward Redesign). Seward Redesign acquired the Bystrom Brothers site in 2009 and is currently undertaking master planning and infrastructure-related work on the site in partnership with the City. The project will include 60 units of affordable rental housing for seniors. The developer anticipates submitting an application to HUD for Section 202 funding for the project, which must be submitted by June 1st. If approved, the Section 202 funding would comprise the majority of the overall project financing, though additional financing will be needed.

This project is the second development associated with the Bystrom Brothers site, a former industrial machining operation located along the Hiawatha LRT line near the intersection of 22nd St E and Minnehaha Ave. The Council will recall that Seward Redesign purchased the site from Hillcrest Development in June 2009, for purposes of redeveloping the site into a mixed-use, mixed-income transit-oriented development. The acquisition included a number of public funding sources, including sources from the City of Minneapolis, Hennepin County, Minnesota Housing Finance Agency, and the Metropolitan Council. One of the Met Council sources (LAAND, or Land Acquisition for Affordable New Development) required the City to acquire a portion of the Bystrom site directly. The LAAND funds are a no-interest loan that requires repayment to the Met Council.

The City Council previously authorized the sale of a portion of the 2304 Snelling Avenue site to PPL Acquisition LLC (PPL), for purposes of their Touchstone project, which is directly south of the current proposal. CommonBond and Seward Redesign have now submitted an Offer to Purchase for the balance of the City-owned site.

The City has a loan agreement with the Metropolitan Council for the LAAND funds, which includes a number of specific requirements on how the property may be conveyed to an end developer. One of these requirements is that the sale price be based on an appraisal of the property, dated no earlier than 60 days prior to closing. The City has conducted a preliminary appraisal of the property, which sets its current value at \$667,000. Per the LAAND rules, this appraisal will be updated no more than 60 days prior to closing, which will then set the final sales price at the value of the property based on the planned development for the site.

Along with HUD 202 funding, the developer is expected to submit other public funding applications in Summer/Fall 2011. The land sale closing would not occur until such time that CommonBond and Seward Redesign have assembled all necessary sources of funding and are ready to begin construction of the project. If all anticipated funding sources are approved, the land sale is expected to occur in 2013. Consistent with the City's obligations to the Metropolitan Council, the City will require a closing date on or before May 19, 2013, which may be extended to February 19, 2014 if sufficient progress toward closing can be demonstrated to the City's satisfaction.

The overall City site is approximately 32,000 square feet, and the portion proposed for sale to CommonBond/Seward Redesign is approximately 26,880 square feet.

Because the site was purchased with a combination of City and Met Council funds, the land sale proceeds will be used to repay a portion of the Met Council LAAND loan, and to repay a portion of the City's TOD loan.

UNDERGROUND DRIVE ACCESS AND RECIPROCAL EASEMENT AND OPERATING AGREEMENT:

The 2009 Council action that authorized the sale of 32 feet of the City-owned site to PPL would facilitate the construction of a shared driveway access to service underground parking for both the Touchstone and CommonBond projects. The previous Council action also included authorization of a reciprocal easement and operating agreement for shared driveway purposes. It is expected that the easement would extend approximately 18 feet onto the balance of the City-owned site, once it is reconfigured.

While it is expected that Touchstone will secure the balance of their financing and move forward first, this is not yet certain and therefore staff is recommending Council approval of the following:

Option #1: PPL begins construction on Touchstone first, constructs the driveway and establishes the easement. The sale of a small portion of the City-owned site to PPL would occur as previously approved by the Council. Staff recommends extending the closing deadline for this transaction to 12/31/12.

Option #2: CommonBond/Seward Redesign begins construction first. The City would sell the previously-approved portion of the site to CommonBond instead together with the balance of the City-owned site as described above, and they would construct the driveway and establish the easement.

The land sale and creation of the easement will not occur, with either party, until such time that project financing is fully in place and construction is ready to commence.

LAND DISPOSITION POLICY:

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

FINANCING:

The proposed sources of financing for the project are listed below. No sources are committed to date, and all are subject to approval:

HUD 202 Capital Grant	\$8,652,360
City Affordable Housing Trust Fund	\$944,584
Hennepin County AHIF	\$500,000
Hennepin County ERF/DEED Cleanup Funds	\$325,000
Met Council TBRA	\$100,000
FHLB Des Moines	\$300,000
Other Public Financing	\$400,000
Hennepin County TOD	\$100,000
Owner Contribution	\$25,000
Total Development Cost:	\$11,346,944

OFFERING PROCEDURE:

Negotiated Sale.

CONDITIONS OF SALE:

To PPL:

1. Execution of an amendment to or replacement of the existing option agreement within 6 months of Council action.
2. Completion of an appraisal to establish the sale price no more than sixty (60) days prior to closing
3. Payment of a 10% good-faith deposit at or prior to closing.
4. Approval of the land sale by the Metropolitan Council, and partial release of the LAAND mortgage and LAAND Declaration.
5. City approval of property and building modifications necessary to facilitate the lot split.
6. Closing by 12/31/12.
7. "As Is" sale.

To CRS Housing LLC:

1. Execution of a redevelopment contract within 60 days of Council action.
2. Completion of an appraisal to establish the sale price no more than sixty (60) days prior to closing
3. Payment of a 10% good-faith deposit at or prior to closing.
4. Approval of the land sale by the Metropolitan Council, and partial release of the LAAND mortgage and LAAND Declaration.
5. Construction of access drive and establishment of easement, if not already constructed
6. Closing by 5/19/13, unless extended administratively to 2/19/14 upon a showing of substantial progress towards closing.
7. "As Is" sale.

Authorizing sale of land Franklin LRT Station Area Disposition Parcel No FS-4B.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel FS-4B, in the Seward neighborhood, from

CRS Housing LLC (or an affiliate), hereinafter known as the Redeveloper, the Parcel FS-4B, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

FS-4B; 2304 Snelling Ave (portion)

Lots 7,8 and 9, Block 7 and the Northwesterly 18 feet of Lot 10, Block 7, Westfall's Addition to Minneapolis, including that part of the adjoining vacated alley lying between the Southwesterly extensions across it of the Northwesterly line of Lot 7 and the Southeasterly line of the Northwesterly 18 feet of said Lot 10.
(part of Torrens Certificate No. 1306776)

Whereas, the Redeveloper has offered to pay a sum to the City for Parcel FS-4B (approximately 26,880 square feet) (the "Parcel") to be determined by an appraisal 60 days prior to closing as an amount equal to the value of the property based on the planned development for the site of the Parcel, and the Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; and

Whereas, the City will have the appraised value reviewed by an appraisal expert prior to closing, stating that the value opinion for the Parcel is consistent with the City's accepted valuation methods; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on April 22, 2011, a public hearing on the proposed sale was duly held on May 3, 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 value for the Parcel for uses in accordance with the Franklin LRT Station Area Redevelopment Plan, as amended, will be determined by an appraisal 60 days prior to closing establishing a value equal to the value of the property based on the planned development for the site of the Parcel.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to an executed Land Sale Contract and Partial Assignment and Assumption of Redevelopment Contract. Furthermore, that the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver such agreements to the Redeveloper; provided, however, that this Resolution does not constitute such an agreement and no such agreement 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 Parcel to the Redeveloper in accordance with the provisions of the executed agreements 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.

Authorizing sale of land Franklin LRT Station Area Disposition Parcel No FS-4A.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop disposition Parcel FS-4A, in the Seward neighborhood, from

PPL Acquisition LLC (or an affiliate), hereinafter known as the Redeveloper and another offer to purchase and develop Parcel FS-4A, from CRS Housing LLC, hereinafter known as the Alternate Redeveloper, the Parcel FS-4A, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

FS-4A; 2304 Snelling Ave (portion)

Lot 10, Block 7, Westfall's Addition to Minneapolis, except the northwesterly 18 feet thereof, including that part of the adjoining vacated alley lying between the Southwesterly extensions across it of the Southeasterly line of the Northwesterly 18 feet of Lot 10 and the Westerly extension across it of the South line of Lot 10.

(part of Torrens Certificate No. 1306776)

Whereas, the Redeveloper has offered to pay a sum to the City for Parcel FS-4A (approximately 5,120 square feet) (the "Parcel") to be determined by an appraisal 60 days prior to closing as an amount equal to the diminishment of value to the adjacent City-retained property caused by the sale (Disposition Parcel FS-4B (the "Retained Parcel"), and the Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; and

Whereas, the Alternate Redeveloper has offered to pay a sum to the City for Parcel FS-4A (approximately 5,120 square feet) (the "Parcel") to be determined by an appraisal 60 days prior to closing as an amount equal to the value of the property based on the planned development for the site of the Parcel when combined with the Retained Parcel, which the Alternate Redeveloper has also offered to purchase, and the Alternate Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; and

Whereas, both the Redeveloper and the Alternate Redeveloper have submitted to the City statements of financial responsibility and qualifications; and

Whereas, the City will have the appraised value reviewed by an appraisal expert prior to closing, stating that the value opinion for the Parcel is consistent with the City's accepted valuation methods; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on April 22, 2011, a public hearing on the proposed sale was duly held on May 3, 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 value for the Parcel for uses in accordance with the Franklin LRT Station Area Redevelopment Plan, as amended, will be determined by an appraisal 60 days prior to closing establishing a value as previously described, depending on which party closes on the Parcel.

Be It Further Resolved that the acceptance of the offers and proposals are both hereby determined to be in accordance with the City's approved disposition policy and it is further determined that both the Redeveloper and the Alternate Redeveloper possess the qualifications and financial resources necessary to acquire and develop the parcel in accordance with the Redevelopment Plan and/or Program.

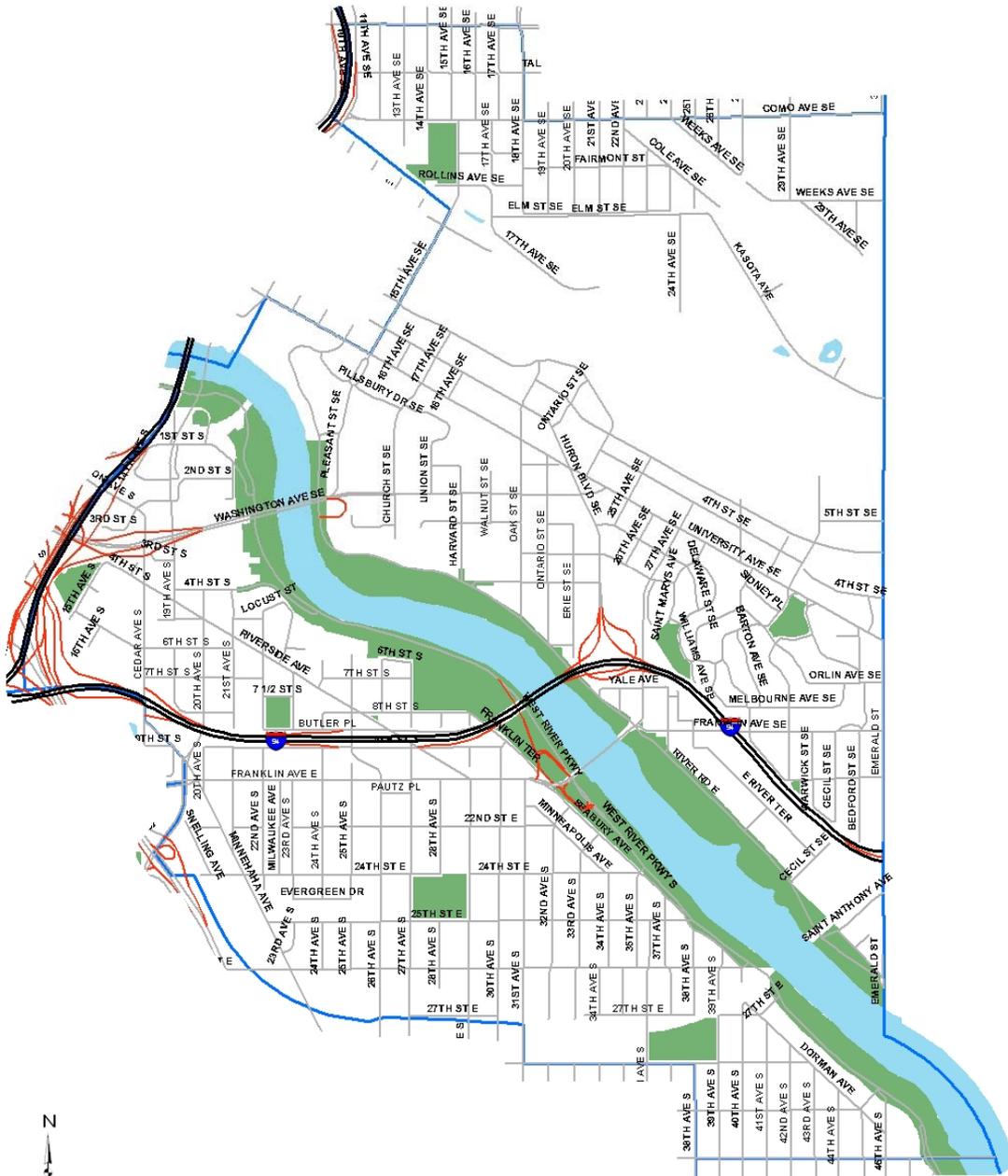
Be It Further Resolved that the Redeveloper's proposal is hereby accepted, subject to an executed Option Agreement and the execution of a Partial Assignment and Assumption of Redevelopment Contract.

Be It Further Resolved that if and only if Redeveloper fails to close on the land sale prior to the Alternate Redeveloper's purchase of the Retained Parcel pursuant to the conditions described above, the Alternate Redeveloper's proposal is hereby accepted, subject to the execution of a Land Sale Contract and Partial Assignment and Assumption of Redevelopment Contract.

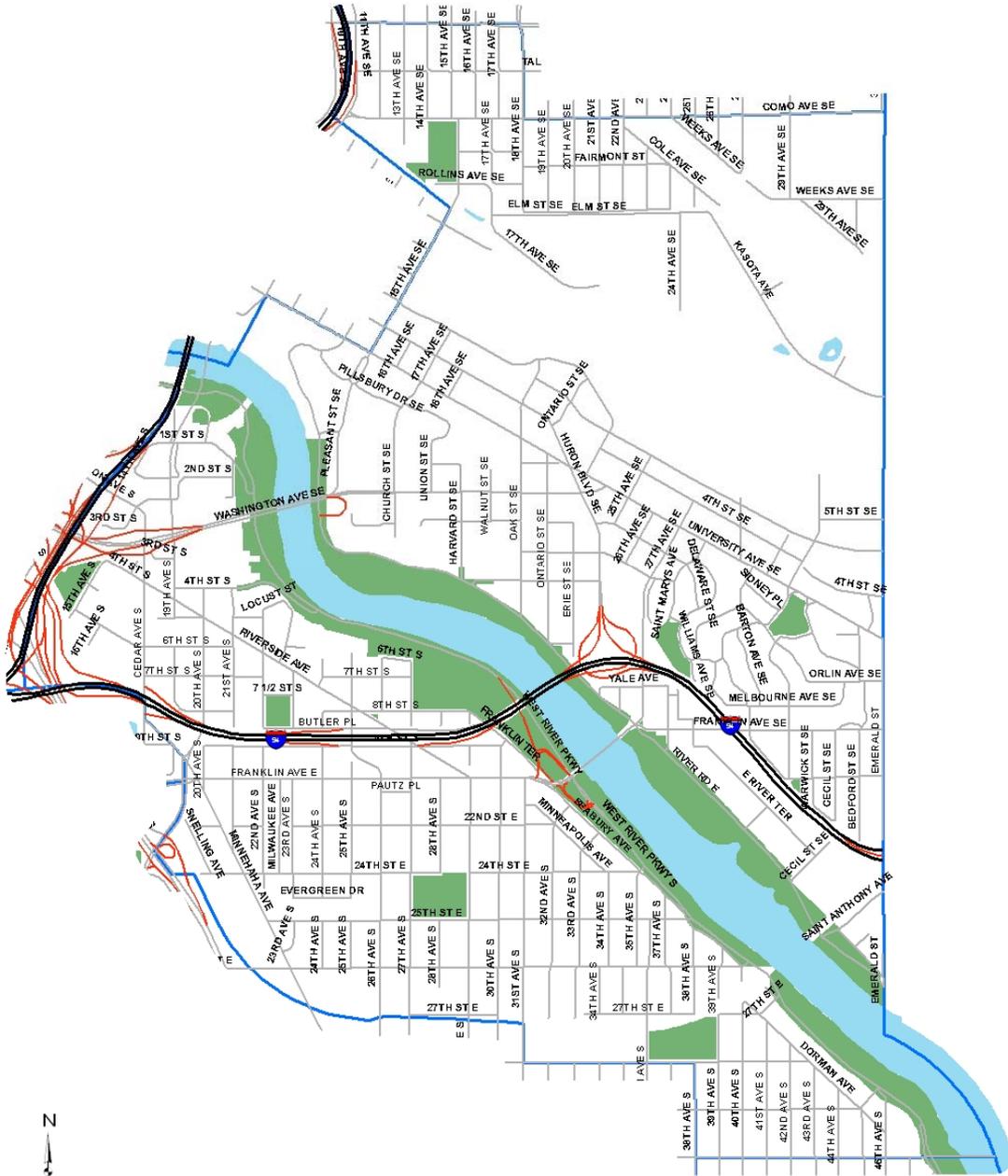
Be it Further Resolved that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver such agreements to the Redeveloper or Alternate Redeveloper, as appropriate; provided, however, that this Resolution 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 to execute and deliver a conveyance of the land to the Redeveloper or the Alternate Redeveloper, as appropriate; 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 2



WARD 2



Created by GBS 8/23/06

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

Date: May 3, 2011
 Subject: Land Sale – Public Hearing
 Franklin LRT Station Area
 Address: 2304 Snelling Ave (portion)
 Purchaser: CRS Housing LLC (or an affiliate)
 2619 E. Franklin Ave.
 Minneapolis, MN 55406

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
FS-4B 06/02/09	2304 Snelling Ave (portion)	\$341,485	(-)TBD	TBD

Re-Use Value Opinion	Less Sales Price	Write-Down
TBD, based on appraisal	TBD, based on appraisal	-0-

Write-Down

Reason: Not applicable

Developer History with CPED:

Seward Redesign purchased the overall Bystrom Brothers site in June 2009, using a combination of City, County, State, Met Council, and private funds. Seward Redesign is currently collaborating with PPL on the Touchstone supportive housing project, to be located directly south of this site. CommonBond has two HUD 202 projects ready to begin or under construction in Minneapolis: Riverview Apartments and the Bii De Gain Dash Anwebi senior housing community.

Developer Information:

- Single Individual(s)
- Married Individual(s)
- Limited Liability Partnership of the State of Minnesota
- Limited Liability Corporation of the State of Minnesota
- Corporation of the State of Minnesota
- Nonprofit Corporation of the State of Minnesota
- Other

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

Date: May 3, 2011
 Subject: Land Sale – Public Hearing
 Franklin LRT Station Area
 Touchstone Project
 Address: 2304 Snelling Ave (portion)
 Purchaser: PPL Acquisition LLC (or an affiliate)

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
FS-4A 06/02/09	2304 Snelling Ave (portion)	\$158,515	(-)TBD	TBD

Re-Use Value Opinion	Less Sales Price	Write-Down
TBD, based on appraisal	TBD, based on appraisal	-0-

Write-Down

Reason: Not applicable

Developer History with CPED:

PPL has developed numerous affordable- and supportive-housing projects within the City of Minneapolis and throughout the metropolitan area. The most recent supportive housing projects developed in Minneapolis include Collaborative Village Initiative (20 units), Camden Apartments (23 units), and Van Cleve Apartments (85 total units, 20 supportive)

Developer Information:

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 Subject: Land Sale – Public Hearing
 Franklin LRT Station Area
 Address: 2304 Snelling Ave (portion)
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 Minneapolis, MN 55406

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FS-4A 06/02/09	2304 Snelling Ave (portion)	\$158,515	(-)TBD	TBD

Re-Use Value Opinion	Less Sales Price	Write-Down
TBD, based on appraisal	TBD, based on appraisal	-0-

Write-Down
 Reason: Not applicable

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 Seward Redesign purchased the overall Bystrom Brothers site in June 2009, using a combination of City, County, State, Met Council, and private funds. Seward Redesign is currently collaborating with PPL on the Touchstone supportive housing project, to be located directly south of this site. CommonBond has two HUD 202 projects ready to begin or under construction in Minneapolis: Riverview Apartments and the Bii De Gain Dash Anwebi senior housing community.

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