



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

Date: March 23, 2004

To: Council Member Lisa Goodman, Community Development Committee

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Presenter in Committee: Bernadette Lynch, Project Coordinator

Approved by: Lee Pao Xiong, Director, Housing _____

**Subject: Authorization to Grant Exclusive Development Rights
for 12 months for 3310-14 Nicollet Avenue.**

RECOMMENDATION:

Grant Exclusive Development Rights for 12 months to Prima Land, Inc. and Lyndale Neighborhood Development Corporation (LNDC) to draft a redevelopment plan and allow the developer to secure financing. Both the CPED staff and the neighborhood review of responses to the RFP for 3310-14 Nicollet Avenue selected the joint venture between Prima Land, Inc. and LNDC as the preferred developer.

Previous Directives: The City Council authorized the acquisition of 3310-14 Nicollet Avenue through tax forfeiture proceedings on January 30, 1997 in order to make the site available for redevelopment.

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): **Pending sale of land, at fair market value, will generate revenue of \$345,600 for fund FBG.**
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward: 10

Neighborhood Notification: The Lyndale Neighborhood Association (LNA) worked with CPED staff to prepare development objectives and the subsequent Request for Proposals issues for 3310-14 Nicollet Avenue. LNA was also given 45 days to review the proposals submitted in response to the RFP as part of the

proposal selection process.

City Goals: The proposed redevelopment of 3310-14 Nicollet Avenue to create 34 units of ownership housing supports Goal 2: Ensuring that an array of housing choices exist to meet the needs of our current residents and attract new residents to the city; Goal 3: Supporting strong and diverse neighborhoods where people choose to live; and Goal 6: Managing existing financial resources effectively and identifying new sources of revenue to carry out our mission.

Comprehensive Plan: The proposed redevelopment of 3310-14 Nicollet Avenue to create 34 units of ownership housing supports Section 4.9: Minneapolis will grow by increasing its supply of housing; Section 4.11: Minneapolis will improve the availability of housing options for its residents; Section 9.22: Minneapolis will promote increased housing production in designated areas of the City in order to accommodate population growth.

Zoning Code: Complies with current zoning of R-6.

Living Wage/Job Linkage: Not applicable at this time.

Background/Supporting Information

Site History

The MCDA acquired these adjacent sites through tax forfeiture proceedings in 1997. Two apartment buildings containing a total of 41 units previously occupied the site. At the time the MCDA acquired the properties, both buildings were condemned. Shortly after the acquisition, the MCDA elected to demolish the buildings.

Since 1997, there have been several attempts to redevelop the sites. First the MCDA, the Lyndale neighborhood and the YMCA envisioned that the Blaisdell YMCA, which is located across the alley from 3310-14 Nicollet, would acquire the site for its use or for a mixed-use project. When the YMCA finally concluded that expansion was not viable, MCDA staff issued a RFQ for the site in 2003, in consultation with LNA. After reviewing the responses to the RFQ, MCDA staff and LNA both concluded that it was unclear who in the pool of respondents was “qualified” and that a RFP would be more effective for selecting a developer for the sites. All of the respondents to the RFQ were rejected.

RFP Process

In October 2003, CPED staff drafted a RFP and worked with LNA on the design and development objectives for the sites.

It is important to note that LNA was involved with the RFP process from the beginning both to provide neighborhood input and to ensure that the Lyndale Neighborhood Development Corporation (LNDC) was not involved in the process. LNDC is a Lyndale neighborhood based non-profit development corporation whose board typically also functions as the Housing and Redevelopment Committee for LNA. Given that LNDC had an interest in the site, LNA set-up a committee specifically to work on the RFP for 3310-14 Nicollet Avenue. LNA staff recruited neighborhood residents and a representative from the YMCA who were not affiliated with LNDC or the LNDC Board to serve on the committee. LNA staff and residents door-knocked and put a survey in the *Lyndale News* (circulation 2,400, delivered by hand to each property in the Lyndale

neighborhood) in order to gauge neighborhood opinions on redeveloping the site and to generate interest in serving on the committee; LNA staff also mailed copies of the survey to 203 property owners surrounding 3310-14 Nicollet. CPED staff consulted with its citizen participation and legal staff and both agreed that creating this separate committee addressed potential conflict of interest concerns.

CPED issued the RFP in November 2003, with responses due on January 16, 2004. CPED received three responses from the following developers: Welsh Construction with Brian Goff and Roger Heegaard acting as partners, Lyndale West Partners LLC, and a joint venture between Prima Land, Inc. and LNDC.

The following "Selection Criteria" are outlined in the RFP:

1. Developer experience (including housing development, work in the urban environment, urban and transit oriented development and collaborative development projects);
2. Site design (stipulated in the development objectives and design guidelines);
3. Proposal includes collaborative effort with adjacent property owners to address shared issues;
4. Realism of budget and financial feasibility;
5. Neighborhood recommendation;
6. Incorporation of green construction and site development.

Since neighborhood support is one of the six Selection Criteria, the LNA committee conducted a review of the proposals and invited the developers to present to the committee on February 11, 2004. On February 17, the committee brought its recommendation to support Prima Land, Inc. and LNDC to the LNA general membership meeting and the general membership unanimously approved the committee's recommendation.

It should be noted that during the neighborhood review process, a LNA staff person accidentally distributed copies of the development proposals to two of three developers (Welsh Construction and Prima Land, Inc. / LNDC). All three developers signed consent letters allowing their proposals to be made public as part of the review process. Following CPED protocol that proposals are "made public" to the neighborhood for the purposes of their review, but not to other parties, CPED staff had denied requests from Welsh Construction and Lyndale West Partners for copies of the proposals. CPED legal and citizen participation staff reviewed the situation and have concluded that the distribution of the proposals did not affect the overall integrity of the neighborhood review process.

Independent of the neighborhood, CPED conducted its review using a committee of five staff representing planning, multi-family housing development and finance. Based solely on the Selection Criteria, this committee also recommended Prima Land, Inc. and LNDC as the preferred developer for the site.

Proposed Development

Prima Land, Inc. and LNDC propose to develop 34 units of ownership housing, with one structured garage stall per unit at 3310-14 Nicollet Avenue. The unit mix will include 20 one-bedroom units (800 square feet each) and 14 two-bedroom units (1,100 square feet

each). The sales prices are projected to be \$150,000 for the one-bedroom units and \$200,000 for the two-bedroom units.

See attached rendering of the building and site plan.

The Prima Land, Inc./ LNDC estimates the total development cost for the project at \$5,910,426. The developer has provided the following project budget:

Sources

1BR Sales	\$3,000,000
2BR Sales	2,800,000
Equity/ MHFA	<u>110,426</u>
TOTAL	\$5,910,426

USES

Land	\$345,600
Construction	4,150,000
Architectural	145,250
Site Prep	189,250
Contingency	207,500
Marketing	290,000
Soft Costs	355,678
Profit	<u>227,148 (3.8%)</u>
TOTAL	\$5,910,426

A review of this budget by CPED staff finds that this budget and these projections are reasonable.

Since the developer plans to purchase the land at the fair market value and has not requested any other subsidy funds from CPED or NRP, the City of Minneapolis' affordable housing policy does not apply. If the developer were to request subsidy funds for any reason going forward, the affordable housing policy would require 20% of the units of each style to affordable to households at 50% of AMI.