



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

Date: June 21, 2005

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: Elizabeth Ryan, Director, Housing ER

Subject: Project Analysis Authorization and Non-Profit Housing Development Fund Assistance for Village in Phillips – Phase 2 Redevelopment Project

RECOMMENDATION: The CPED Director recommends that the City Council grant a Project Analysis Authorization to allow staff to 1) evaluate the Village in Phillips – Phase development proposal and TIF application; 2) negotiate the terms and conditions of a possible redevelopment contract; 3) prepare a redevelopment TIF plan for this project, subject to final determination of project eligibility, required reviews, public input, notices and hearings; and 4) approve \$24,500 of Non Profit Housing Development Assistance Funds for the Village in Phillips – Phase 2 project and authorize staff to execute the appropriate documents.

Previous Directives:

- On May 27, 2005 the CPED Deputy Executive Director authorized staff to proceed with a City Council report to initiate condemnation proceedings on 2404 Bloomington.
- On November 9, 2004, the City Council approved Modification No. 1 to the Village in Phillips Redevelopment Plan to add 2404 Bloomington as Property That May Be Acquired.
- On November 10, 2003, the City Council adopted the Village in Phillips Redevelopment Plan, Phase 1 Tax Increment Financing Plan, and Modification 19 to the Model City Urban Renewal Plan.
- On April 8, 2002, the MCDA Board of Commissioners approved the Village in Phillips – Memorandum of Understanding with Powderhorn Residents Group (PRG) to initiate site assembly and assign purchase agreement rights.
- On December 6, 1999, the MCDA Board of Commissioners approved the Village in Phillips Project concept and direct staff to continue to development the necessary

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components to proceed with the development and to return for final approval of the project when it is appropriate.

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):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 6

Neighborhood Notification: Midtown Phillips Neighborhood Association and the East Phillips Improvement Coalition met on September 8, 2004 and September 9, 2004, respectively, to review the proposed development and both organizations provided their full support of the VIP – Phase 2 proposed development.

City Goals:

- Build communities where all people feel safe and trust the City's public safety professionals and systems;
- Maintain the physical infrastructure to ensure a healthy, vital and safe City; and
- Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

Comprehensive Plan:

- 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods;
- 4.9 Minneapolis will grow by increasing its supply of housing;
- 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households;
- 4.11 Minneapolis will improve the availability of housing options for its residents; and
- 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.

Zoning Code: Project will comply

Living Wage/Job Linkage: Not applicable.

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Background

The Village in Phillips (VIP) project is a three and one-half block area in the Phillips Neighborhood of South Minneapolis. A unique collaborative planning process among several Minneapolis non-profit community developers and residents produced a design by and for neighborhood residents. The vision is to create a safe, diverse, sustainable, child friendly and physically identifiable "village" that utilizes innovative land use, built form and circulation. The project increases density while preserving quality open space (central commons/pedestrian paths) and the positive features of the existing area.

VIP is a four phase development that will produce between 55 and 65 affordable housing units encompassing 60% homeownership and 40% rental. An additional 15,000 square feet of new commercial space is proposed along Bloomington Avenue in a future phase.

In November of 2003, the City approved a Redevelopment Project encompassing the entire project and a Tax Increment Financing (TIF) District for Phase 1 which included the new construction of 28 ownership townhouse units and is nearing completion with all 28 units sold and only landscape improvements remaining to be completed. PRG secured funding for 18 units affordable at less than 80% of Area Median Income (AMI); however, they were able to sell 24 units to households with incomes earning less than 80% of AMI. Fifteen units were placed in the City of Lakes Community Land Trust (CLCLT) and constructed by Twin Cities Habitat for Humanity. The first component consisted of four buildings containing two and three bedroom units (six 2-bedroom units and twenty-three 3-bedroom units). Sales prices ranged from \$97,500 to \$186,000. All the units provided for the option of finishing an additional bedroom on the lower level.

Future phases will include additional residential new construction throughout the project area and construction of mixed-use rental with potentially a small commercial component along Bloomington Avenue South.

Project Description

On May 9, 2005, CPED received an Application for Public Financial Assistance from Powderhorn Residents Group for Phase 2 of the VIP project. Phase 2 will include the redevelopment of seven existing tax parcels of which five are currently owned by the MCDA (City of Minneapolis), one by PRG and a remaining parcel (2404 Bloomington) owned by a private individual. Condemnation of the remaining parcel at 2404 Bloomington is being considered under a separate report during this meeting cycle.

Powderhorn Residents Group, Inc. (PRG) is a community-based nonprofit organization that was founded in 1976 by a group of residents of the Powderhorn Park neighborhood

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who believed that resident-controlled housing was a key to the health of their community. Today, 29 years later, PRG continues to provide and operate affordable housing. PRG currently operates mainly in the Powderhorn Park, Phillips, and Central neighborhoods. They primarily serve low to moderate-income individuals or families from diverse backgrounds. They develop and market affordable housing, educate and counsel first-time homebuyers, and own and operate rental cooperatives.

Phase 2 will include the construction of 36 condominium units and approximately 2,670 square feet of commercial space located on the southwest and southeast corners of Bloomington Avenue South and 24th Street East. The redevelopment area will include 2400, 2401, 2404, 2406, 2415, 2417, and 2419 Bloomington Avenue South, an area that includes approximately 34,779 square feet of land or 0.80 acres.

A combination of financial resources have been secured and is being pursued from a number of public and private non-profit entities including Hennepin County, LISC, Metropolitan Transit, MHFA, NRP and CPED. Attached is a Project Data Worksheet that provides additional detail and information on committed and pending assistance.

Current Status and Timeline

While, PRG's preliminary plans include commercial/retail space, they are considering removing the commercial component entirely from this phase of the project and anticipate that future phase 3 development may include a small commercial/retail node within another mixed-use segment along Bloomington Avenue.

Under separate cover is a report requesting authorization to initiate condemnation proceedings to acquire the last parcel to be assembled for Phase 2, 2404 Bloomington Avenue. PRG and their real estate agent have both attempted to negotiate a fair price for the vacant lot with the private owner; however, to date they have been unable to reach an agreement. PRG is requesting that CPED authorize condemnation if needed.

CPED staff anticipates acquiring 2404 Bloomington with the CDBG funded Higher Density Corridor Housing Program funds. Federal CDBG regulations requires that 51% of the housing created must serve low to moderate income family earning less than 80% of AMI. In addition, the City Affordable Housing Policy requires that at least 20% of the units serve individuals or families earning less than 50% of AMI. Of the 36 units created within Phase 2, PRG proposes that 8 units (20%) will serve individuals or families earning less than 50% of AMI, 6 units will serve individuals or families earning less than 80% of AMI and the remaining 22 units will be sold at market rate.

Phase 1 is now completed with all 28 units sold and only minor landscape improvements left to finish. Within Phase 1, PRG provided 24 units affordable at less than 80% of AMI. Combined phases 1 and 2 will create a total of 40 units affordable to

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individuals or families at less than 80% of AMI out of a total 64 units which represents 63% of the units far exceeding the required CDBG affordability requirements. CPED staff anticipates a positive ruling from HUD based on recent conversations.

CPED staff anticipates that the following actions will occur to move the project towards implementation:

Action	Date
Project analysis authorized by City Council	July 1, 2005
Schedule Public Hearing – TIF District	Sept. 1, 2005
Request authorization to sale land to PRG	Sept. 27, 2005
Public Hearing to Create TIF District	Sept. 27, 2005

Results of Preliminary Staff Analysis

CPED staff's initial analysis revealed a concern for the viability of the commercial/retail component at the 24th and Bloomington intersection. Existing commercial/retail uses along both commercial corridors: Franklin Avenue and Lake Street are experiencing prolonged lease-ups and absorption rates. Along both commercial corridors there are numerous "for rent/lease/sale" signs.

At this point, the numbers provided by the developer are very preliminary. PRG is now in the process of reworking the project to remove the commercial/retail component and revising the building's footprint.

PRG is a strong developer of affordable housing with an impressive track record for owning, operating and maintaining affordable rental housing.

Project Analysis Fee

On May 9, 2005, PRG submitted its Application for Public Financial Assistance to CPED staff with the appropriate \$1,000 application fee. CPED has initiated a preliminary analysis of the project and estimated that an additional \$6,000 is needed to complete the analysis.

