



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

Date: April 19, 2005

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Bernadette Hornig, Senior Project Coordinator, 673-5236

Presenter in Committee: Bernadette Hornig, Senior Project Coordinator

Approved by: Elizabeth Ryan, Director, Housing Policy & Development

Subject: Exclusive Development Rights for MNDOT owned land on Buchanan Street between Winter and Spring Streets in Northeast Minneapolis

RECOMMENDATION: Grant Exclusive Development Rights for 18 months to Northeast Community Development Corporation (NECDC) to allow NECDC to finalize multifamily housing redevelopment concept and select a development partner for site; authorize CPED staff to negotiate terms of a direct sale to the select development partner.

Previous Directives: None.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- 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: 1

Neighborhood Notification: NECDC has been working directly with the Beltrami Neighborhood Council (BNC) for the past year to finalize a development concept

for the site. See attached letter from BNC.

City Goals: The proposed redevelopment of the site as multifamily 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 the site as multifamily 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: Will comply.

Living Wage/Job Linkage: Not applicable.

Background/Supporting Information

The Minnesota Department of Transportation (MNDOT) currently owns a parcel of vacant land (approximately 2.25 acres) adjacent to I-35W, along Buchanan Street between Winter and Spring Streets, in Northeast Minneapolis. See attached location map.

MNDOT acquired this property as part of the construction of I-35W. As a result of this acquisition, there are legal restrictions on how MNDOT can sell the land. MNDOT's preferred option is to sell the land directly to the City of Minneapolis and in accordance with Minnesota Statutes Section 161.44, the City has exercised a formal right of first refusal. In a letter dated June 9, 2003, Council President Paul Ostrow notified MNDOT of the City's interest in acquiring the property to initiate a pass through sale to develop multifamily housing on the site. In a letter dated January 26, 2004, former Housing Policy and Development Director Lee Pao Xiong sent a formal letter to MNDOT confirming that the City would purchase the property from MNDOT if both parties could agree on a price. MNDOT has agreed to sell the land to the City.

In evaluating sale of the site, MNDOT staff notified CPED that Burlington Northern Santa Fe Railroad (BNSF) has fee title to a sliver of the site; MNDOT has a highway easement over the Burlington Northern land that will not be removed unless CPED can obtain fee title to the land. CPED staff has contacted BNSF to request a sale. BNSF has confirmed their fee interest in the land and their willingness to sell the land, pending negotiation of an acceptable price.

Several previous attempts to redevelop this site in the early 1990s failed, resulting in neighborhood, staff and developer frustration. Given this history, CPED staff and

Council President Ostrow decided to pursue a new model for initiating redevelopment: CPED would engage NECDC to work with BNC to conduct a community visioning process for the site and design a process to select a developer. CPED Planning and Development staff will continue to work with NECDC and BNC to develop appropriate development/land use guidelines for the site, and will encourage consideration of greater density. BNC and NECDC would then jointly recommend a developer to CPED. Pending CPED review and approval of developer capacity and quality of the proposal, CPED staff would pursue a direct pass-through sale to the developer. The resulting development proposal will be consistent with City's Affordable Housing Policy. See attached proposal from John Vaughan, Executive Director of NECDC, outlining NECDC's proposed community engagement and developer selection process.

CPED recommends granting Exclusive Development Rights for the site to NECDC for 18 months. Once NECDC and BNC select the developer, CPED staff will negotiate a direct sale with the designated development partner. Pursuant to Section 2.c.iv. of the Disposition Procedures, the CPED Director approved a direct negotiation sale for the property for redevelopment of a specific property. Currently, (i) no other purchasers have submitted offers to purchase for this site; (ii) the property is not already being offered for disposition; (iii) the property has not been approved for sale as part of an existing or proposed redevelopment project; and (iv) the a Direct Sale is consistent with the Disposition Policy and will meet City housing goals.

Final sale of the property to would be subject to CPED staff review and evaluation, neighborhood review, Planning Commission review, a public hearing, City Council approval and the negotiation and full execution of a Redevelopment Contract. Once the development partner and the land sale are approved by the City Council, CPED staff will then complete a pass-through land sale transaction with the developer.

In conjunction with NECDC and BNC's efforts, CPED staff will continue to work with MNDOT and BNSF on the pre-acquisition due diligence, which includes completing the environmental and geotechnical assessment now underway and initiating an appraisal of the site. MNDOT will use the environmental and geotechnical assessment, in conjunction with the appraisal, to determine the land sale price.