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

Date: November 17, 2009

To: Council Member Lisa Goodman, Community Development Committee

Subject: Extend development rights and financial assistance to Twin Cities Habitat for Humanity, Inc. for the proposed Old Third Avenue Townhomes Project at 929 Third Avenue NF

Recommendation: Authorize CPED Staff to execute the necessary agreements to extend the development rights and financial assistance provided to Twin Cities Habitat for Humanity, Inc. to:

- 1. extend the start of construction of the proposed Old Third Avenue Townhomes Project at 929 Third Avenue NE to start the foundations no later than November 1, 2010 and the completion of the proposed development by no later than December 31, 2011; and
- 2. extend the Affordable Ownership Housing Program funding commitment to provide \$360,000 in assistance for construction and/or affordability gap financing for the proposed development.

Previous Directives:

- On November 7, 2008, the City Council approved the sale of the referenced land to Twin Cities Habitat for Humanity, Inc. for \$79,650 for the development of the Old Third Avenue Townhomes Project.
- On October 5, 2007, the City Council approved up to \$360,000 for construction and/or affordability gap financing for the Old Third Townhomes project.
- On July 29, 2003, the MCDA Board of Commissioners approved the sale of the referenced land to Central Community Housing Trust of Minneapolis for \$79,650 for development of the Old Third Avenue Townhomes Project.
- On November 25, 2002, the MCDA Board of Commissioners granted exclusive development rights to Clare Housing for a 6-month period, which initially included this land as well as the actual site the Clare Apartments development was constructed on.
- MCDA acquired 929 Third Avenue NE on November 21, 1983 for \$40,000 during site assembly for the I-335 Highway Corridor.

Department Information

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Approved by: Charles T. Lutz, Deputy CPED Director
Thomas A. Streitz, Director Housing Policy & Development _____

Presenter in Committee: Theresa Cunningham, Phone 612.673.5237

Financial Impact:

Action is within the Business Plan

Other financial impact: Eliminate property management costs.

Community Impact

Neighborhood Notification: On February 25, 2008, the St. Anthony East Neighborhood Organization was advised of the proposed sale of the reference land to Twin Cities Habitat for Humanity, Inc. for development of the Old Third Avenue Townhomes project. They have provided their full support for the proposed development.

City Goals – A safe place to call home, One Minneapolis, connected communities, enriched environment, premier destination. In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Sustainability Targets – Affordable housing units, economically vibrant neighborhood commercial districts create attractive urban neighborhoods for infill development, support efficient growth, and reduce the need for car travel to obtain necessary goods and services.

Comprehensive Plan – On April 14, 2008, the Planning Commission approved the sale of 929 Third Avenue NE as being consistent with the Comprehensive Plan.

Zoning Code: R3 - Multiple-family District, which permits 1-4 unit residential buildings. Site plan review and a conditional use permit approval will be required.

Living Wage/Business Subsidy Agreement Yes___ No_X_
Job Linkage Yes___ No_X_

Supporting Information

The Old Third Avenue Townhomes development project proposes the creation of eight units of long-term affordable home ownership housing constructed by Twin Cities Habitat for Humanity, Inc. (TCHFH) at 929 Third Avenue NE. The development will be located at the western edge of a larger development site which includes common green space shared with the Clare Apartments and MPHA's Spring Manor Apartments just north and northeast of the development site.

On November 7, 2008, the City Council approved the sale of the referenced land to Twin Cities Habitat for Humanity, Inc. for \$79,650 for the development of the Old Third Avenue Townhomes Project. Since the approval of the land sale, the City as well as the nation, has experienced a catastrophic collapse of the housing market that has affected the real estate industry nation-wide and more specifically here in the Twin Cities area. The City of Minneapolis has experienced record foreclosures, excessive vacant, boarded, and abandoned properties and slow, if at all, homes sales that have seen excessive decreases in homes values.

Various local lenders, developers and investors have stepped to the plate to attempt to band together to address the struggling housing market and address the ever increasing number of foreclosures and their impact on the neighborhoods in which the homes are located. TCHFH has joined with the City in assisting to evaluate, treat and attempt to return the affected properties back on the market and to hopefully identify potential homebuyers for the troubled properties.

Due to this enormous task, TCHFH has had to delay a number of their development projects, including the Old Third Avenue townhomes development, to assist the City in recovering during this daunting nation-wide revitalization initiative. TCHFH is now requesting an extension on the start of construction of this development. Initially, they had estimated that they would have started construction this past fall, 2009; however, due to the excessive number of foreclosure properties that need attention, they are requesting that the City extend their development rights and start of construction of the foundations no later than November 1, 2010 and the completion of the proposed development by no later than December 31, 2011.

CPED staff has considered their request and subsequently concur and support them thereby urging the City Council to approve this request to extend their development rights and start

of constructing the foundations to no later than November 1, 2010 and the completion and occupancy of the proposed development by no later than December 31, 2011.

In addition, on October 5, 2007, the City Council approved up to \$360,000 for construction and/or affordability gap financing for the Old Third Townhomes project. Attached is a project data worksheet that provides additional details regarding the proposed development. CPED staff is further urging the City Council to extend the funding commitment to provide \$360,000 for construction and/or affordability gap financing for the Old Third Townhomes project through December 31, 2011.