

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

Date: April 5, 2011

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

Subject: Land Sale Public Hearing
Neighborhood Stabilization Program

Recommendation:

1. Approve the Lot Division of 2514 14th Avenue South

2. Approve the sale of 2514 14th Avenue South (Part) to PRG, Inc. for \$60,000, plus reimbursement of City acquisition costs not to exceed \$10,000, subject to the following conditions; a) land sale closing must occur on or before 90 days from the date this Resolution is approved by the City, and b) payment of holding costs of \$300.00 per month (or portion thereof) if the land sale closing does not occur on or before the closing deadline. The sale conditions may be waived or amended with approval of the Community Planning & Economic Development (CPED) Director.

Previous Directives: CPED acquired 2514 14th Avenue South on February 11, 2011 and acquired 2516 14th Avenue South on January 14, 2011. These properties have been combined into one tax parcel with the address of 2514 14th Avenue South.

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| Prepared by: Earl S. Pettiford, Senior Project Coordinator, Phone 612-673-5231 |
| Approved by: Charles T. Lutz, Deputy CPED Director _____ |
| Thomas A. Streitz, Director Housing Policy & Development _____ |
| Presenters in Committee: Earl S. Pettiford, Senior Project Coordinator |

Financial Impact

- Other financial impact: Eliminate property management costs.
- Neighborhood Notification: Midtown Phillips reviewed this proposal and recommended it be approved.
- City Goals: A SAFE PLACE TO CALL HOME People and businesses thrive in a safe and secure city.
- Sustainability Targets: A vital community – Affordable Housing
- Comprehensive Plan: On March 7, 2011, the Planning Commission approved the lot division of 2514 14th Avenue South and the sale of the newly created property at 2514 14th Avenue South as being consistent with the Comprehensive Plan.
- Zoning Code: R2B
- Living Wage/Business Subsidy Agreement Yes _____ No x
- Job Linkage Yes _____ No x
- Other: On January 25, 2011, the Planning Staff completed a land sale review of this parcel and deemed it a buildable lot.

Supporting Information

| <u>PARCEL</u> | <u>ADDRESS</u> | <u>SALE PRICE</u> |
|---------------|------------------------|-------------------|
| PR-082 & 082A | 2514 14th Avenue South | \$60,000 |

PURCHASER

PRG, Inc.
2017 East 38th Street
Minneapolis, Minnesota 55407

PROPOSED DEVELOPMENT:

The rehabilitation of a three bedroom single family house to be sold to an owner occupant, with an income at or below 120% of the median income in accord with the program requirements of the Neighborhood Stabilization Program.

The lot size is 55' x 128' = 7,029 total square feet.

LAND DISPOSITION POLICY:

This property is being sold for development under the Neighborhood Stabilization Program and will be improved by rehabilitation of the existing structure as defined by City Policy.

FINANCING*:

The PRG, Inc. has demonstrated that sufficient funding is available for its proposal.

*Subject to application and underwriting requirements.

OFFERING PROCEDURE:

Direct Sale. The sales price of this property does reflect the full re-use value.

COMMENTS:

The properties at 2514 & 2516 14th Avenue South were previously sold by the City of Minneapolis to Greater Metropolitan Housing Corporation (GMHC) for development of a single family home for sale to an owner occupant. GMHC completed the development and sold this property to an owner occupant. Unfortunately, 2514 & 2516 14th Avenue South were individual tax parcels and were not combined as intended. The home did sell on two occasions to owner occupants and each lender failed to recognize that the improvements sat on two tax parcels and that the parcels should be combined. At the time of the third sale, the tax parcel for 2516 14th Avenue South was not included in the transaction. As a consequence, taxes were only paid for one tax parcel and the other parcel went forfeit for taxes, in 2007, and the owner failed in their mortgage and the other parcel with the house, subsequently, went through foreclosure.

On February 11, and January 14, 2011, the City acting as an intermediary, acquired 2514 and 2516 14th Avenue South, respectively, from Fannie Mae and Hennepin County for a total of \$60,000 as a pass thru to PRG, Inc., an approved Neighborhood Stabilization Program (NSP) developer. Staff has processed a lot combination creating one tax parcel with the address of 2514 14th Avenue South. These properties were not advertised for sale to the public.

The City of Minneapolis also owns 2518 14th Avenue South, which is a substandard parcel and the city planning and zoning staff have approved taking 3 feet from 2514 14th and combining it with 2518 14th Avenue South to make 2518 14th Avenue South a buildable parcel with a new frontage of 32 feet.

On February 17, 2011, PRG, Inc. submitted to CPED an offer to purchase the property for rehabilitation in accordance with the NSP program. On December 10, 2010, the appropriate offer materials were sent to Midtown Phillips Neighborhood Association for the 45-day

review process. Midtown Phillips Neighborhood Association reviewed the proposal and concurs with rehabilitation of the property.

Staff recommends approval of the lot division of 2514 14th Avenue South and the land sale to PRG, Inc. PRG, Inc. will remove any trees and relocate the existing fence as needed in connection with the new lot line.

Approving the subdivision of a lot at 2514 14th Avenue south

Whereas, the City of Minneapolis' Department of Community Planning and Economic Development (CPED) has requested that a parcel of land located at **2514 14th Avenue South** and legally described as:

*The South ½ of Lot 4 and the North ½ of Lot 5 all in Block 11,
Gales 1st Addition to Minneapolis*

be subdivided as follows:

*PR-082 & 082A The South ½ of Lot 4 and the North ½ of Lot 5 except the South
3.00 feet of said North ½ of Lot 5 all in Block 11, Gales 1st Addition to Minneapolis*

*VH-401A The South 3.00 feet of the North ½ of Lot 5 all in Block 11, Gales 1st
Addition to Minneapolis*

Whereas, the City of Minneapolis intends to combine the subdivided parcel VH-401A listed above with the following adjacent City of Minneapolis parcel:

VH-401 2518 14th Avenue South

The South ½ of Lot 5 in Block 11, Gales 1st Addition to Minneapolis

Whereas, the proposed subdivision conforms with Minnesota Statutes Section 462.358 and Land Subdivision Regulations adopted by the Minneapolis City Council on July 14, 1995; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on March 25, 2011, a public hearing on said subdivision and proposed sale was duly held in a meeting of the Community Development Committee of the City Council at 1:30 p.m., April 5, 2011, in Room 317, Minneapolis City Hall, 350 South 5th Street, 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 division of the above described property be approved and the requirement of a subdivision plat be waived.

Be It Further Resolved that a certified copy of this resolution shall be attached to the deeds conveying the subdivided parcels.

**Authorizing sale of land Neighborhood Stabilization Program Disposition Parcel
No PR-082 and PR-082A.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel PR-082 and 082A in the Midtown Phillips Neighborhood, from PRG, Inc., hereinafter known as the Redeveloper, the Parcel(s) PR-082 and 082A, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

PR-082 and 082A: 2514 14th Avenue South

The South ½ of Lot 4, and the North ½ of Lot 5 except the South 3.00 feet of said North ½ of Lot 5 all in Block 11, Gales 1st Addition to Minneapolis.

Whereas, the Redeveloper has offered to pay the sum of \$60,000, plus reimbursement of City acquisition costs not to exceed \$10,000 for Parcel PR-082 and 082A; the offer includes a development plan and commitment to improve by rehabilitating the existing structure. This offer is in accordance with the Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with accepted methods of aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on Friday, March 25, 2011, a public hearing on the proposed sale was duly held on April 5, 2011, 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 re-use value, for uses in accordance with the Neighborhood Stabilization Program plan, as amended, is hereby estimated to be the sum of \$60,000, for Parcel PR-082 and 082A.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses 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 proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land and further subject to the following conditions; 1) land sale closing must occur on or before 90 days from the date this Resolution is approved by the City and 2) payment of holding costs of \$300.00 per month (or portion thereof) if the land sale closing does not occur on or before the closing deadline.

Be It Further Resolved that the sale conditions described above may be waived or amended with the approval of the CPED Director.

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 the contract to the Redeveloper; 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 authorized to execute and deliver a conveyance of the land to the Redeveloper 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 official of the City.

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

Date: April 5, 2011
 Subject: Land Sale – Public Hearing
 Neighborhood Stabilization Program
 Address: 2514 14th Avenue South (Part)
 Purchaser: Powderhorn Residents Group, Inc.

| Disposition Parcel No. Acq Date | Address | Total CPED Costs | Less Sales Price | Write Off |
|------------------------------------|-------------------------------|------------------|--|-----------|
| PR-082 & 082A 2/11/11 & 1/14/11 | 2514 14th Avenue South (Part) | \$61,671.34 | (-)\$60,000 Plus reimbursement of \$1,671.34 additional costs incurred by the City | (+/-)\$0 |

| Re-Use Value Opinion | Less Sales Price | Write-Down |
|----------------------|------------------|------------|
| \$60,000 | \$60,000 | \$0 |

Write-Down
 Reason: None

Developer History with CPED:
 The developer has a lengthy positive history in City of Minneapolis.

Developer Information:

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