

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

Date: September 22, 2009

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

Subject: Land Sale Public Hearing
Village In Phillips Redevelopment Project
Bii Di Gain Dash Anwebi Elder Housing Development
Vacant Housing Recycling Program

<u>Property Address</u>	<u>Block/Parcel</u>
2400 Bloomington Avenue	MC 130-26
2401 Bloomington Avenue	MC 131-5B
2415 Bloomington Avenue	MC 131-6
2417 Bloomington Avenue	MC 131-7A
2419 Bloomington Avenue	TF-106

Recommendation: Approve the sale of the subject land for \$4.00 per square foot to a joint partnership of the American Indian Community Development Corporation and CommonBond Communities or an affiliated entity created to undertake the proposed development and authorize the appropriate City staff to execute a redevelopment contract in accordance with the terms of this report.

Previous Directives: On March 10, 2006, the City Council approved the sale of the referenced land to Powderhorn Residents Group, Inc. for \$153,078 to complete the development site for Phase 2 of the Village in Phillips Redevelopment Project and the issuance of a Pay-As-You-Go Tax Increment Revenue Note in an amount not to exceed \$484,900.

CPED acquired 2400 Bloomington Avenue South on September 3, 2002, 2401 Bloomington Avenue South on May 10, 2000, 2415 Bloomington Avenue South on April 2, 2002, 2417 Bloomington Avenue South on November 12, 1993 and 2419 Bloomington Avenue South on May 6, 1994.

Prepared by: Theresa Cunningham, Senior Project Coordinator, Phone 612-673-5237
Approved by: Charles T. Lutz, Deputy CPED Director _____
Thomas A. Streitz, Director Housing Policy & Development _____
Presenters in Committee: Theresa Cunningham, Senior Project Coordinator

Financial Impact

- Other financial impact: Eliminate property management costs.

Community Impact

- Neighborhood Notification: On July 22, 2009, the East Phillips Improvement Coalition and the Midtown Phillips Neighborhood Association were advised of this development

and the proposed land sale. Comments from the two affected neighborhood organizations will be provided at the public hearing for this proposed land sale.

- City Goals: A SAFE PLACE TO CALL HOME 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. Foster the development and preservation of a mix of quality housing types that are available, affordable, meets current needs and promotes future growth. Support the development of new medium and high density housing in appropriate locations throughout the city. Support housing density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities. Increase housing that is affordable to low and moderate income households.
- Sustainability Targets: Affordable Housing
- Comprehensive Plan: On February 16, 2006, the Planning Commission determined that the proposed land sale is consistent with the comprehensive plan through its recommendation that the TIF Plan and Redevelopment Area are consistent with the comprehensive plan. This land sale will NOT require additional review by the City Planning Commission for consistency with the comprehensive plan.
- Zoning Code: Complies. The site is currently zoned R2B. To accomplish the proposed development, the developer will be required to apply for appropriate variances, alley vacations/re-alignment and conditional use permits as the proposed development will require.
- Living Wage/Business Subsidy Agreement Yes_____ No__X__
- Job Linkage Yes_____ No__X__
- Other: On August 17, 2009 the Planning staff completed a land sale review of this parcel and approved the proposed development.

Background/Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE/ SQUARE FEET</u>	<u>ESTIMATED TOTAL SQ. FT.</u>
MC 130-26	2400 Bloomington	\$4.00	7,395
MC 131-5B	2401 Bloomington	\$4.00.	7,280
MC 131-6	2415 Bloomington	\$4.00	5,515
MC 131-7A	2417 Bloomington	\$4.00.	2,800
TF-106	2419 Bloomington	\$4.00	2,525

Powderhorn Residents Group, Inc. (PRG) initially proposed to develop the subject land within the Village in Phillips – Phase 2 redevelopment plan which included the proposed construction of 38 units of condominium residential housing on the referenced site. On March 10, 2006, the City Council approved the sale of the referenced land to PRG for \$153,078 to develop this site with Phase 2 of the Village in Phillips Redevelopment Project. Due to the collapse of the housing market in 2008, they were not able to presale the required 50% of the units prior to the start of the development. They have since relinquished their development rights to the site.

PURCHASERS/CO-DEVELOPERS

American Indian Community
Development Corporation
1404 E. Franklin Avenue
Minneapolis, MN 55404

CommonBond Communities
328 Kellogg Boulevard
Saint Paul, MN 55101

PROPOSED DEVELOPMENT:

On July 14, 2009, the American Indian Community Development Corporation (AICDC) and CommonBond Communities (CommonBond) entered into a Memorandum of Understanding in which they defined their individual roles in a joint partnership where they are offering to purchase the subject land from the City to be assembled with recently acquired land purchased from the Powderhorn Residents Group (PRG). These parcels of land are being combined to construct a 48-unit development of senior rental apartment housing to be located on the two southern corners of the 24th and Bloomington Avenue intersection in the Phillips neighborhood of South Minneapolis.

The current proposal of AICDC and CommonBond is to construct two 4-story buildings on each of the southern corners with covered parking stalls on the ground levels of both buildings and three-stories of residential apartment housing above. Eighteen one-bedroom apartments will be constructed on the western corner and the remaining thirty-units will be constructed on the eastern corner. The development will feature 48 one-bedroom apartments with approximately 540 square feet of living space. Rents will start at \$480 per month plus electric and remain affordable for 40 years to senior households with the primary tenant being at least 62 years of age at the time of initial occupancy and earning less than 50% of the area median income. Tenants will pay 30% of their income for rent and could be eligible for rental assistance under HUD's Section 202 Supportive Housing for the Elderly Program. The development will include a community room, library, shared laundry facilities and access to computers and internet service.

LAND DISPOSITION POLICY:

The subject development site is an assemblage of five City owned vacant lots which will be combined to make a buildable site as defined by City policy with total square footage of approximately 27,564 square feet or .63 acres. The land will be sold to the developer for the fair market value of \$4.00 per square foot. The actual purchase price will be calculated once a final site plan and plat have been approved which will vacate an existing alley bisecting the development site on the eastern side of the street.

The subject parcels of land will be combined with land recently purchased from PRG to make one large development site with approximately 34,959 square feet or .80 acres of developable land.

FINANCING:

Total development cost is estimated at \$8,012,754 or \$166,932 per unit. A full range of various forms of public financial assistance is anticipated in the form of an Affordable Housing Trust Fund loan, tax increment financing, and a possible HUD 202 Supportive Housing for the Elderly Program grant. Attached is a Project Data Worksheet that provides additional details regarding the proposed development and the various forms of financing. None of these sources of funds are being approved with this report.

The primary source of financing for the proposed development is a HUD Section 202 Supportive Housing for the Elderly Program award. HUD has not yet released its annual Notice of Fund Availability (NOFA) as of the writing of this report. CPED is bringing forward this land sale approval request to provide the developers with required site control needed to secure funding for the proposed development and to provide leverage in securing other needed funds to complete the development.

OFFERING PROCEDURE:

These parcels were not publicly advertised; this is a Direct Sale under CPED Disposition Policy. The co-developers, AICDC & CommonBond, submitted an independent offer to

purchase and develop the site. The sale price of these parcels of land reflects their full re-use value.

COMMENTS:

Staff supports the developer's offer to purchase the referenced land for the fair market value of \$4.00 per square foot and recommends approval of this land sale request authorizing CPED to enter into the appropriate agreement and/or contracts with the developers or an affiliated entity created specifically to undertake this development.

The land will not be sold to the developers until they have successfully secured the necessary financial resources to complete the proposed development. Therefore, the developers will be required to pay holding and property management costs estimated to be \$3,000 per year.

**Authorizing sale of land Village in Phillips Redevelopment Project Disposition
Parcel Nos. MC 130-26, MC 131-5B, MC 131-6, MC 131-7A and TF-106.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel MC 130-26, in the Midtown Phillips neighborhood and Disposition Parcels MC 131-5B, MC131-6, MC 131-7A and TF-106 in the East Phillips neighborhood, from American Indian Community Development Corporation (AICDC) and CommonBond Communities (CommonBond) or an affiliated entity, hereinafter known as the Redeveloper, the Parcels MC 130-26, MC 131-5B, MC131-6, MC 131-7A and TF-106 being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

MC 130-26; 2400 Bloomington Av S:

Lot 1, Block 1, Gales 1st Addition to Minneapolis.

MC 131-5B; 2401 Bloomington Av S:

Lot 5, Block 4, Gilpatrick's Addition to Minneapolis.

MC 131-7A & TF-106; 2417 & 2419 Bloomington Av S:

Lot 7, except the North 8 inches of said Lot 7, Block 4, Gilpatrick's Addition to Minneapolis.

All being registered land as is evidenced by Certificate of Possessory Title No. 1194797.

MC 131-6; 2415 Bloomington Av S:

Lot 6 and the North 8 inches of Lot 7, Block 4, Gilpatrick's Addition to Minneapolis.

Being registered land as is evidenced by Certificate of Title No. 1142786.

Whereas, the Redeveloper has offered to pay the sum of \$4 per sq. ft (square footage will be confirmed by a final site plan and plat which will vacate an alley and price will be adjusted accordingly), for Parcels MC 130-26, MC 131-5B, MC131-6, MC 131-7A and TF-106 to the City for the land, and the Redeveloper's proposal is in accordance with the applicable 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 the accepted methods in 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 September 11, 2009, a public hearing on the proposed sale was duly held on September 22, 2009, at the regularly scheduled Community Development Committee meeting of the City Council, 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:

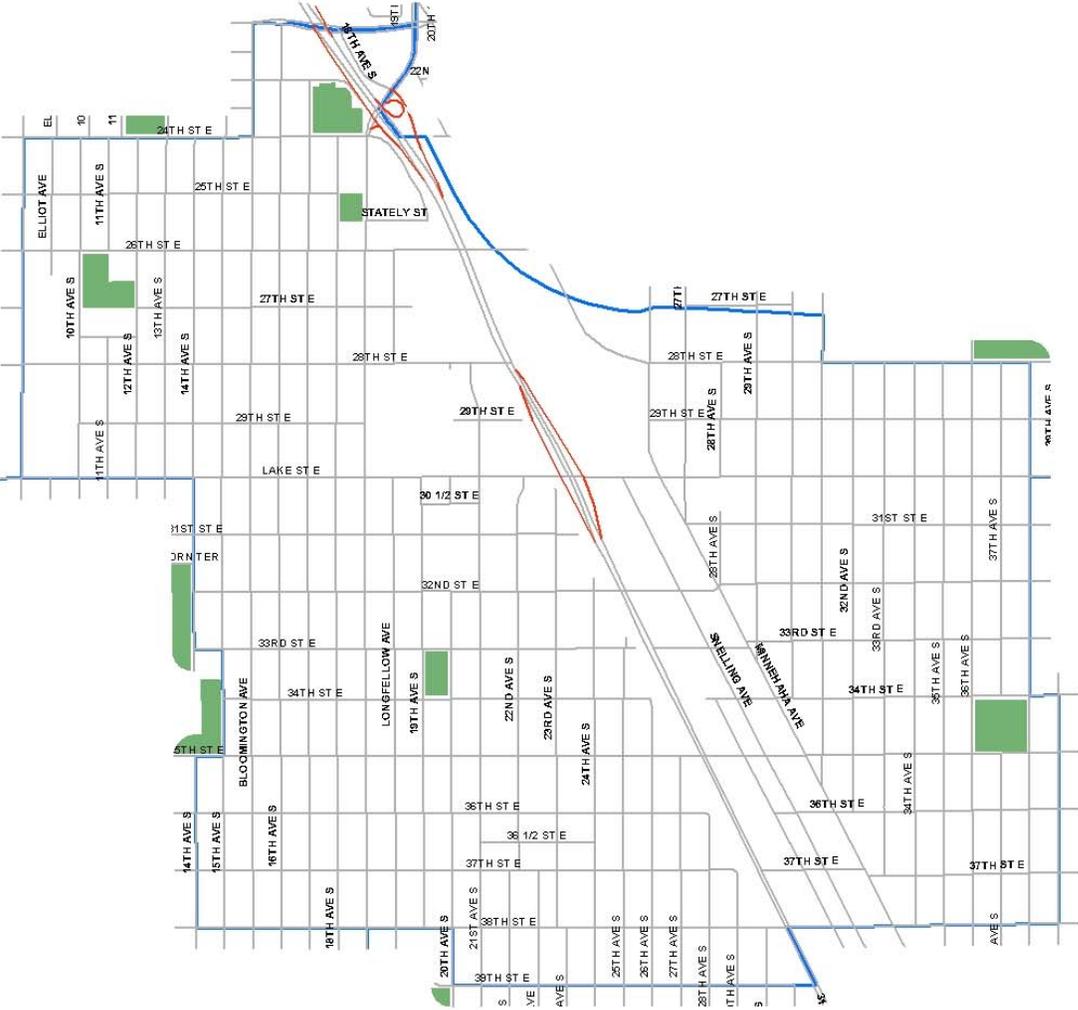
That the re-use value for uses in accordance with the Village in Phillips Redevelopment Project plan, as amended, is hereby estimated to be the sum of \$4 per sq. ft. for Parcels MC 130-26 MC 131-5B, MC131-6, MC 131-7A and TF-106.

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. Furthermore, that 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 by the Finance Officer or other appropriate City official of the City.

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Created by GBS 8/23/06

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

Date: September 22, 2009

Subject: Land Sale - Public Hearing

Addresses: 2400 Bloomington 2401 Bloomington
2415 Bloomington 2417-19 Bloomington

Co-Developers: American Indian Community Development Corporation
1404 E. Franklin Avenue
Minneapolis, MN 55404

In Partnership With:
CommonBond Communities
328 Kellogg Blvd. W.
St. Paul, MN 55102

Dispo/Acq Parcel No. Date Acq.	Address	Total CPED Cost	Less Estimated Sales Price	Write-off
MC 130-26	2400 Bloomington Av	\$170,360		
MC 131-5B	2401 Bloomington Av	\$27,689		
MC 131-6	2415 Bloomington Av	\$129,300		
MC 131-7A	2417 Bloomington Av	\$5,450		
TF-106	2419 Bloomington Av	\$5,351		
Total		\$338,090	\$102,060	\$236,030

Value Opinion	Less Sales Price	Write-Down
\$4.00 per square foot	\$4.00 per square foot	-0-

Write-Down

None

Developer History with CPED:

American Indian Community Development Corporation (AICDC) has had nominal experience working with the City of Minneapolis and CPED on the development of affordable housing in the City of Minneapolis. CommonBond Communities has had extensive successful development experience working with CPED/MCDA as a partner in the development of various multi-family affordable housing in the City of Minneapolis.

Developer Information:

- Single Individual(s)
- Family with ___ Dependents (one or more adults with dependents)
- General Partnership
- Limited Partnership
- Non-Profit Corporations of the State of Minnesota