

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

Date: November 27, 2007

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

**Subject:** Extension of Exclusive Development Rights to the Northeast Community Development Corporation (NECDC) for the Beltrami MnDOT site (Buchanan Street between Winter and Spring Streets NE)

**Recommendation:** Approve a one-year extension of exclusive development rights to NECDC for the Beltrami MnDOT site.

**Previous Directives:** On April 29, 2005, the City Council approved a recommendation to grant exclusive development rights to this site to NECDC for 18 months to allow NECDC to finalize a multifamily redevelopment concept and select a developer partner, and authorized CPED staff to negotiate the terms of a direct sale to the selected development partner; and 2) On November 3, 2006, the City Council approved a 1-year extension of exclusive development rights to the Beltrami MnDOT site to NECDC.

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| Prepared by: Jerry LePage, Senior Project Coordinator, 673-5240                |
| Approved by: Elizabeth Ryan, Director for Housing Policy and Development _____ |
| Presenters in Committee: Jerry LePage  |

**Reviews**

Permanent Review Committee (PRC): Approval NA Date \_\_\_\_\_  
Policy Review Group (PRG): Approval NA Date \_\_\_\_\_

**Financial Impact**

No financial impact.

**Community Impact**

Neighborhood Notification: Over the past several years, NECDC has been working with the Beltrami Neighborhood Council (BNC) on a development concept for the site, based on the assumption that the City would eventually be able to purchase it from MnDOT.

City Goals: 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 – new/positive conversion.

Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

Zoning Code: Not applicable.

Living Wage/Business Subsidy Agreement Yes \_\_\_\_\_ No X \_\_\_\_\_  
Job Linkage Yes \_\_\_\_\_ No X \_\_\_\_\_

Other

### 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 map, **Exhibit 1**). 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 has been 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.

Several previous attempts to redevelop this site in the early 1990s failed, resulting in neighborhood, staff and developer frustration. Given this history, the City decided to pursue a new model for initiating redevelopment of this site. The City would engage NECDC to work with the Beltrami Neighborhood Council (BNC) to conduct a community visioning process for the site and design a process to select a developer. CPED Planning and Development staff has worked with NECDC and BNC to develop appropriate site development/land use guidelines, which include 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.

In June 2003, the City informed MnDOT of its interest in acquiring the property to initiate a pass through sale to develop multifamily housing on the site. In January 2004, the City formally notified MnDOT that the City would like to purchase this property if both parties could agree on a price. MnDOT has agreed in principle to sell the land to the City.

Subsequently, contaminated soils were discovered on the site, and therefore MnDOT's plan has been to first proceed with further Phase I and Phase II environmental investigation. The City's expectation was that this investigation would have been completed by this time. However, complications with MnDOT's contracting process for an environmental consultant and a temporary freeze on discretionary funding implemented in the aftermath of the 35W bridge collapse have pushed back the timetable for the environmental investigation. Consequently, there is a need for a further extension of NECDC's development rights.

The City has received a letter from John Vaughn, Executive Director of NECDC, requesting an extension of its development rights (**Exhibit 2**). The Beltrami Neighborhood Council has also provided a letter in support of this extension (**Exhibit 3**).

CPED will work with NECDC and BNC to create a competitive RFP or RFQ process to select a developer who will ultimately partner with NECDC. Once selection is complete, CPED staff will negotiate and process the sale to the designated development partnership. Final sale of the property 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.

Based on the most recent information from MnDOT, the consultant contract for the contamination investigation will be let as soon as the funding freeze is lifted. The purpose of

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these investigations is to determine the extent of the contamination and if any cleanup by MnDOT is necessary prior to the transfer of the site. From the City's perspective, the desired outcome would be that these investigations would ultimately reveal no required remediation of the site by MnDOT based on a restricted, industrial standard, which would then allow MnDOT to transfer the site to the City. The City would then pursue grant funding to perform any contamination cleanup that might be required based on an unrestricted reuse standard, which would allow housing development.