



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

Date: June 21, 2005

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

Prepared by: Theresa Cunningham, Phone 612-673-5237

**Presenter in
Committee:** Theresa Cunningham, Senior Project Coordinator

Approved by: Chuck Lutz, Deputy CPED Director _____
Elizabeth J. Ryan, CPED Director of _____
Housing Policy and Development _____

Subject: Village in Phillips – Phase 2 Redevelopment Project, acquisition of real property located at 2404 Bloomington Avenue South (North ½ of Lot 2, Block 1, Gale’s 1st Add’n to Minneapolis), approval of appraised value and authority to make offer to purchase/authorize condemnation proceedings- **Public Hearing**.

RECOMMENDATION: That the City acquisition of real property located at 2404 Bloomington Avenue South, Minneapolis, Minnesota (North 1/2 of Lot 2, Block 1, Gale’s 1st Add’n to Minneapolis) be authorized, either by negotiated purchase or by “quick take” or other condemnation, in accordance with the accompanying resolution- such acquisition to be carried out pursuant to the terms and conditions of a redevelopment agreement between Powderhorn Residents Group Incorporated or its related development entity and the City of Minneapolis and in accordance with the Village in Phillips – Phase 2 Redevelopment Plan, as modified by Modification No. 1. Further, that the City appraisal and appraised value of this property be approved.

Previous Directives:

- On May 27, 2005 the CPED Deputy Executive Director authorized staff to proceed with a City Council report to initiate condemnation proceedings on 2404 Bloomington.
- On November 19, 2004, the City Council approved Modification No. 1 to the Village in Phillips Redevelopment Plan to add 2404 Bloomington as Property That May Be Acquired.

- On November 10, 2003, the City Council adopted the Village in Phillips Redevelopment Plan, Phase 1 Tax Increment Financing Plan, and Modification 19 to the Model City Urban Renewal Plan.
- On April 8, 2002, the MCDA Board of Commissioners approved the Village in Phillips – Memorandum of Understanding with PRG to initiate Site Assembly and Assign Purchase Agreement Rights.
- On December 6, 1999, the MCDA Board of Commissioners approved the Village in Phillips Project concept and direct staff to continue to development the necessary components to proceed with the development and to return for final approval of the project when it is appropriate.

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): Sufficient funds are available for acquisition of the property under the CDBG funded Higher Density Corridor Housing Program.

Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 6

Neighborhood Notification: Midtown Phillips Neighborhood Association and the East Phillips Improvement Coalition met on September 8, 2004 and September 9, 2004, respectively, to review the proposed development and both organizations provided their full support of the VIP – Phase 2 proposed development.

City Goals: Foster the development and preservation of a mix of quality housing types that are affordable, meet current needs, and promote future growth.

Comprehensive Plan: 4.15: Minneapolis will identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demands.

Zoning Code: The project complies.

Living Wage/Job Linkage: NA

As outlined above in *Previous Directives*, the City's commitment to the Village in Phillips Redevelopment Project is evident. Construction of Phase 1 is nearing completion with all 28 units sold and only landscape improvements remain to be finished.

On May 9, 2005, CPED received an Application for Public Financial Assistance from Powderhorn Residents Group (PRG) for Phase 2 of the Village in Phillips project. Phase 2 will include the redevelopment of seven parcels, five parcels are owned by the City, one parcel is owned by PRG and the remaining parcel (2404 Bloomington), a 29 foot wide vacant unbuildable lot, is owned by a private owner.

PRG and its real estate agent have been negotiating the purchase of 2404 Bloomington Avenue South with the private owner. To date they have been unable to reach an agreement and remain far apart in value. PRG has offered \$29,500 for the property and the private owner has countered at \$79,500. Negotiations have been difficult and appear to be at a stalemate. This property is the last parcel to be assembled for the development. In order to complete the necessary site assembly, PRG has applied for CPED Higher Density Corridor Housing Program assistance to acquire this property and is requesting the City to authorize condemnation of the property.

Under the terms and conditions of a redevelopment agreement, the City will agree to acquire the subject property either by negotiated purchase or through the City's condemnation powers using the "quick take" process if the developer is unable to acquire the property through negotiations with the current owner. Except for the acquisition of the subject property, the project is ready to proceed. The public purposes underlying this public acquisition include: the elimination of blight and blighting influences and the creation of housing (and affordable housing).

The City has obtained a real estate appraisal for the subject property. It is valued at \$38,000.00. PRG has approved the City's real estate appraisal of the subject property. At this time, and subject to holding the required public hearing in this matter, it is requested that the City approve the appraised value and authorize the acquisition of the subject property based on the approved appraised value, either by negotiated purchase or through eminent domain proceedings, in accordance with the accompanying resolution.

Under the terms and conditions of a redevelopment agreement, all initial costs for the acquisition of the subject property are to be paid by the City using Higher Density Corridor Housing Program funds. Funds for such acquisition will be deposited by the City upon acceptance of the City's offer to purchase through a negotiated sale or at the time the Condemnation Petition is filed in District Court. At the time the subject property is sold to PRG pursuant to the terms and conditions of a redevelopment agreement, PRG will purchase the subject property from the City for its Fair Reuse Value.

AUTHORIZING CONDEMNATION PROCEEDINGS
AND ACQUISITION PURSUANT TO MINNESOTA STATUTES CHAPTER 117

VILLAGE IN PHILLIPS REDEVELOPMENT PROJECT (MODIFICATION NO. 1)

WHEREAS, The City Council of the City of Minneapolis, being the governing body of the municipality, acting pursuant to the Municipal Housing and Redevelopment Act in the State of Minnesota, Laws 1947, Chapter 487, (now recodified as Minnesota Statutes Sections 469.001 to 469.047) (hereinafter referred to as the "Act") on the 12th day of September, 1947 duly adopted the following resolution; "Whereas, there are in the City of Minneapolis substandard, slum or blighted areas which cannot be redeveloped without governmental assistance; Whereas, adequate housing accommodations are not available to the City for veterans and service men and their families; Whereas, there is a shortage of decent safe and sanitary dwelling accommodations available to persons of low income and their families at rentals they can afford; Now, Therefore Be It Resolved by the City Council of the City of Minneapolis; that it being fully advised in the premises by reason of the foregoing, declares that there is a need for a Housing and Redevelopment Authority to function in said City, in accordance with the provisions of Laws of 1947, Chapter 487", and

WHEREAS, pursuant to said resolution, the Housing and Redevelopment authority in and for the City of Minneapolis, later known as the Minneapolis Community Development Agency, (hereinafter referred to as the "Agency") was duly established; and

WHEREAS, Minnesota Laws 2003, Chapter 127, Article 12, Sections 31-34, (the "2003 Special Law"), authorized the City to create a City department of community planning and economic development and exercise the powers granted by the Act, among other powers; and

WHEREAS, the 2003 Special Law further granted the City the powers authorized by Laws 1980, chapter 595, as amended; by Laws 1990, chapter 604, article 7, section 29, as amended by Laws 1991, chapter 291, article 10, section 20; and any other development or redevelopment powers authorized by law.

WHEREAS, on August 8, 2003, the City Council of the City of Minneapolis by Ordinance 2003-OR-104 established the Department of Community Planning and Economic Development (hereinafter referred to as "CPED"); and

WHEREAS, on December 29, 2003, the City Council of the City of Minneapolis duly adopted Resolution 2003 R-625, transferring money, investments, personal property, assets, programs, projects, districts and obligations of the Agency to the City; and

WHEREAS, by the Assignment and Assumption Agreement dated as of January 1, 2004, the Agency assigned certain assets, rights and obligations to the City, including, but not limited to, redevelopment projects, housing development projects, industrial development districts, city development districts and other types of statutory districts or projects, which were assumed by the City of Minneapolis; and

WHEREAS, the City, pursuant to and as provided in Minnesota Statutes Section 469.012 has all the powers necessary and convenient to carry out the purposes of the Act; and

WHEREAS, among the purposes of said Act are: to provide a sufficient supply of adequate, safe, and sanitary dwellings in order to protect the health, safety, morals, and welfare of the citizens of this state; to clear and redevelop blighted areas; to perform those duties according to comprehensive plans; to remedy the shortage of housing for low and moderate income residents and to redevelop blighted areas, in situations in which private enterprise would not act without government participation or subsidies; and in cities of the first class, to provide housing for persons of all incomes, Minn. Stat. § 469.001; and

WHEREAS, for said purposes the City is authorized to develop and carry out redevelopment projects as defined in Minnesota Statutes Section 469.002, Subd. 14, and redevelopment plans as defined in Minnesota Statutes Section 469.002, Subd. 16; and

WHEREAS, on November 10, 2003, the City Council of the City of Minneapolis by resolution duly adopted the Village in Phillips Redevelopment Plan; and

WHEREAS, the City Council approved Modification No. 1 to the Village in Phillips Redevelopment Plan dated October 8, 2004 and approved on November 19, 2004; and

WHEREAS, the City has caused an independent fee appraiser to appraise the property hereinafter described in fee simple; and

WHEREAS, City staff have reviewed said appraisal and concurred with its conclusions; and

WHEREAS, said appraisal fairly estimates the fair market value in fee simple of all interests in the parcels hereinafter described.

NOW THEREFORE, BE IT RESOLVED AND DETERMINED:

1. It is necessary to acquire the real property in said project hereinafter described in order for the City to carry out the purposes of the Act, to eliminate and prevent the development or spread of conditions of blight found to exist by the City Council of the City of Minneapolis in its resolution of September 12, 1947, above referred to, and found to exist by the City.

2. The acquisition of the following described property is necessary to carry out the objectives of the Village in Phillips Redevelopment Project as described in the Village in Phillips Redevelopment Plan and Modification No. 1 to the Plan, to eliminate blight, incompatible uses and blighting influences by redeveloping underutilized property and to provide housing and affordable housing in accordance with the City's Affordable Housing Policy , in order to provide decent, safe and sanitary dwellings for persons of low and moderate income and in order to provide housing for persons of all incomes.

3. The acquisition of the following described property by exercise of the power of eminent domain in the manner provided by Minnesota Statutes Chapter 117 is deemed to be necessary and is hereby authorized.

4. The City deems it necessary to proceed without delay under Minnesota Statutes Section 117.042 to pay to the owner or into Court, a sum of money to secure compensation to the owners of the properties described in this resolution, which amount shall be equal to petitioner's approved appraisal of value as determined by City staff.

5. The City, based on an independent appraisal and review of that appraisal by City staff hereby approves the following appraised value for the properties to be acquired:

\$38,000.00

The property to be acquired hereunder is described as follows:

Parcel MC 130-25
2404 Bloomington Avenue South
Minneapolis, MN

The North 1/2 of Lot 2, Block 1, Gale's 1st Addition to Minneapolis, Hennepin
County, Minnesota.

Abstract Property

Address: 2404 Bloomington Avenue South
Parcel: MC 130-25
Purchaser: City of Minneapolis
Sq. Footage: 3,697
Zoning: R2B

WARD 6

