



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

Date: June 20, 2006

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

Subject: Land Sale Public Hearing
1101 West Broadway Redevelopment Project

Recommendation: (1) Approve the sale of 1101 West Broadway, 1831 Emerson Av N, and 1834, 1836 and 1838 Fremont Av N to 1101 West Broadway Partners, LLC for \$50,000; (2) Approve the attached term sheet as a basis for a redevelopment contact.

Previous Directives: The City Council authorized appropriate staff to negotiate the terms of a redevelopment agreement and a land sale for City owned real property at the 1101 West Broadway Project Site with development team of The Ackerberg Group, Pillsbury United Communities, and Welsh Companies, partners in 1101 West Broadway Partners, LLC, in April 2006. The City Council authorized the MCDA to apply to the Metropolitan Council Livable Communities Act Tax Base Revitalization Account Grant Program for 1101 West Broadway in October 2002. CPED acquired 1101 West Broadway on October 13, 1992, 1831 Emerson Av N on June 15, 1994, and 1834, 1836 and 1838 Fremont Av N collectively on February 8, 1995.

Prepared or Submitted by: Erik Hansen, Senior Project Coordinator (612-673-5022)

Approved by: Chuck Lutz, Deputy CPED Director _____
Mike Christenson, Director, Economic _____
Policy & Development

Permanent Review Committee (PRC) Approval _____ Not Applicable X

Policy Review Group (PRG) Approval ___ Date of Approval ___ Not Applicable X

Presenter in Committee: Erik Hansen

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the ____ Capital Budget or ____ Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain): Eliminate property management costs.
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Ward: 5

Neighborhood Notification: Staff worked with Northside Residents Redevelopment Council (NRRC), Jordan Area Community Council (JACC), Hawthorne Area Community Council (HACC), the West Broadway Area Coalition (WBAC) and the West Broadway Business Association (WBBA) on preparation of the Request for Proposals and held a public meeting for development goals on August 9, 2005. After receipt of development proposals staff notified the neighborhoods on December 23, 2005 and January 13, 2006. Staff held a public presentation on January 31, 2006. Staff formed a Project Review Team (PRT) with representatives of the aforementioned neighborhoods. Staff worked with NRRC for additional recommendation and comments.

City Goals: Consistent with goal to "Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets".

Comprehensive Plan: This lot is located within the West Broadway Redevelopment Project plan which was adopted on August 31, 1973 and the sale is therefore consistent with City's Comprehensive Plan.

Zoning Code: C2/R3

Background/Supporting Information Attached

<u>PARCELS</u>	<u>ADDRESS</u>	<u>COMBINED SALE PRICE</u>
WB 216-1	1101 W. Broadway	\$50,000
WB 216-24	1831 Emerson Ave N	
WB 216-7	1838 Fremont Ave N	
TF-259	1834 Fremont Ave N	
TF-260	1836 Fremont Ave N	

PURCHASER

1101 West Broadway Partners, LLC
3033 Excelsior Blvd, Suite 10
Minneapolis, MN 55416

PROPOSED DEVELOPMENT:

The Purchaser proposes a development plan and commitment to rehabilitate the existing structure at 1101 West Broadway for commercial services, office, and retail/restaurant uses. The proposal includes commitments from Pillsbury United Communities and City County Federal Credit Union to occupy about 95 percent of the building. The remaining space is for an unknown coffee/restaurant retail tenant. For the remaining parcels, Purchaser proposes constructing a drive through teller for the Credit Union with parking covering the remaining area.

The building treatment proposed for the existing building will follow the requirements identified in the building's structural survey dated September 23, 2005, prepared by Buildings Consulting Group, Inc. on file with the City. In addition to fully restoring the building, Purchaser proposes, "constructing a new two-story glass atrium at the building's Emerson Avenue lobby to function as the primary entrance" and a "new brick colonnade entry and exterior seating area for the coffee shop/deli tenant [along Emerson and Broadway]."

FINANCING*:

The Purchaser proposes financing the redevelopment through the use of equity, debt, and tenant improvements contributions. The total development cost (TDC) is expected to be \$2,885,265; 45 percent of the financing (\$1,298,245) would be in the form of a first mortgage. The remaining would come from developer equity (\$587,020 or 20 percent of TDC) and City-County Federal Credit Union tenant improvements (\$1,000,000 or 35 percent of TDC). Purchaser proposes purchasing the project site for the established fair reuse value of \$50,000.

<u>Purchaser Sources</u>		Type	Amount	% of Sources
DEBT	MORTGAGE	Private	\$1,298,245	45%
EQUITY	Developer Equity	Private	\$587,020	20%
	CCFCU Tenant Improvement	Private	\$1,000,000	35%

TOTAL DEVELOPMENT COST \$2,885,265 100%

Uses

Hard Costs	
Site Acquisition	\$50,000
Building Shell	\$679,395
Building Common Area	\$119,875
Basement	\$172,035
Site Improvements	\$99,180
Tenant Improvements	\$1,230,000
Contractor General Conditions (6.5%)	\$84,530
Contractor OH&P (5%)	\$76,175
Contingency (10%)	\$138,500
Total Hard Costs	\$2,649,690
Soft Costs	
Finance Fee (1%)	\$12,980
Development Fee (5%)	\$82,485
Leasing Commission	\$17,365
Title Insurance	\$2,985
Mortgage Registration Tax	\$1,625
Misc Closing Costs	\$5,000
Legal	\$5,000
Environmental	\$7,500
Construction Period Interest	\$30,635
Architectural	\$70,000
Total Soft Costs	\$235,575
Total Uses	\$2,885,265

*Subject to application and underwriting requirements.

LAND DISPOSITION POLICY:

With the exception of the 1101 West Broadway parcel, these properties are buildable lots as defined by City policy and are being sold for development. 1101 West Broadway shall be improved by rehabilitation as defined by City policy and is being sold for development.

OFFERING PROCEDURE:

The City initiated developer selection for this project area through a Request for Redevelopment Proposals (RFP) in September 2005. The *Minneapolis Plan*, community input, and past redevelopment attempts informed the creation of the RFP's redevelopment goals. The redevelopment goals focus on renovating the existing building to increase retail and commercial choices in the business district, adding to the parking supply, and improving on the district's sense of place. Proposers were to consider traditional urban form as the basis to the redevelopment concept. Developers were also required to supply parking for community uses for one-half of the spaces created in the surface lot. The sales price of this property does reflect the full re-use value.

COMMENTS:

The Purchaser has agreed to a number of terms and conditions to sale. These are attached as Attachment 1.

**Authorizing sale of land West Broadway Redevelopment Project
Disposition Parcels Nos. WB 216-1, WB 216-24, TF-259, TF-260, and WB 216-7.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcels WB 216-1, WB 216-24, TF-259, TF-260, and WB 216-7, in the Near North neighborhood, from 1101 West Broadway Partners, LLC, hereinafter known as the Redeveloper, the Parcels WB 216-1, WB 216-24, TF-259, TF-260, and WB 216-7, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

WB 216-1 1101 W. Broadway

Lot 1 and the East 6 inches front and rear of Lot 2, next to and adjoining said Lot 1, Block 35, Highland Park Addition to Minneapolis

WB 216-24 1831 Emerson Ave N

Lots 1, 2 and 3, Block 15, Gales Subdivision in Sherburne & Beebe's Addition to Minneapolis

WB 216-7 1838 Fremont Ave N

The North one half of Lot 20, Block 15, Gale's Subdivision in Sherburne & Beebe's Addition to Minneapolis

TF 259 1834 Fremont Ave N

Unit Nos. 1, 2, 3 and 4, Condominium No. 389, TAHA Condominiums, a condominium located in Hennepin County. Subject to Declaration Doc No. 4780580 and Bylaws Doc No. 478058

Being registered as evidenced by Certificate of Title No. 1142808.

TF 260 1836 Fremont Ave N

The South Half of Lot 20, Block 15, Gales Subdivision in Sherburne & Beebe's Addition To Minneapolis

Being registered as evidenced by Certificate of Title No. 1142809;

Whereas, the Redeveloper has offered to pay the sum of \$50,000, for Parcels WB 216-1, WB 216-24, TF-259, TF-260, and WB 216-7; the offer includes a development plan and commitment to improve by rehabilitating the existing structure on 1101 West Broadway. 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 the accepted methods in aiding the City in determining a re-use value for the Parcels; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on June 9, 2006, a public hearing on the proposed sale was duly held on June 20, 2006, 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 West Broadway Redevelopment Project plan, as amended, is hereby estimated to be the sum of \$50,000 for Parcels WB 216-1, WB 216-24, TF-259, TF-260, WB 216-7.

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 parcels 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.

1101 WEST BROADWAY PROJECT TERM SHEET

1. PROPERTY

Street Address	Property Identification Number	Size (sq. ft.)	Zoning
1101 West Broadway	16-029-24-13-0091	6,105	C2
1831 Emerson Ave N	16-029-24-42-0060	21,054	C2/R3
1838 Fremont Ave N	16-029-24-42-0079	3,696	C2
1836 Fremont Ave N	16-029-24-42-0078	3,696	C2
1834 Fremont Ave N	16-029-24-42-0167	6,816	R3

2. PURCHASER

1101 West Broadway Partners, LLC
3033 Excelsior Boulevard, Suite 10
Minneapolis, Minnesota 55416

3. PURCHASE PRICE

\$50,000.00 (with considerations)

4. PURCHASE CONSIDERATIONS

The City will place a restriction on the deed that requires at least 50 percent of the parking supply created in this development be preserved for community/shared use. The exact number of spaces will be identified in the deed restriction. The Purchaser and the City will agree to this figure prior to closing. The Purchaser will be responsible for all maintenance and operations of the parking facility. The Purchaser is prohibited from letting parking contracts for the deed-restricted supply of spaces to an individual user or organization; however, there will be no restriction on charging a fee for use of a parking space. The Purchaser may limit the duration a vehicle may use an individual parking space to ensure adequate supply for commercial/retail uses in the surrounding area.

5. GOOD FAITH DEPOSIT

\$5,000.00 (10% of Purchase Price)

6. CLOSING DATE

On or before November 30, 2006

7. CONSTRUCTION START DATE

On or before December 1, 2006

8. CONSTRUCTION COMPLETION DATE

On or before November 30, 2008

9. PROPOSED PROJECT

The City of Minneapolis issued a Request for Redevelopment Proposals (RFP) for development of a 5-parcel project area at the southwest corner of the intersection of West Broadway and Emerson avenues in September 2005. In response, the Ackerberg Group along with Pillsbury United Communities and Welsh Companies submitted a proposal depicting a commercial/retail redevelopment in a renovated structure at 1101 West Broadway. In the rear of the building on the remaining four parcels the Purchaser will create a surface parking facility with approximately 70 stalls. At the northeast corner of the parking facility the Purchaser will construct a drive through facility for the credit union tenant. The proposal would create 6,000 square feet of new retail and commercial service space and 6,000 square feet of new office space within a 100+ year old building. Pillsbury United Communities and City County Federal Credit Union will be the primary tenants of the building with a small deli/coffee shop tenant at the corner of Emerson and West Broadway.

10. CONDITIONS TO SITE PLAN

Through the public review process, the Northside Residents Redevelopment Council and a multi-stakeholder project review team drafted the following condition:

That the development team work with the NRRC Residential and Commercial Task Force to develop a written plan that addresses the crime prevention design in the site plan of the parking lot, and the lot's maintenance and security.

- **Developer obligations:**

Meet with NRRC RCTF to discuss the condition. Provide a copy of the written plan to City staff.

- **CPED obligations:**

Coordinate a preliminary review of the site plan and the potential impacts of the addition of the conditions to the site plan. Provide written responses to developer with detailing requirements for redevelopment.

11. PUBLIC ASSISTANCE REQUEST

NONE

12. TAX INCREMENT FINANCING ASSISTANCE

NONE

13. LOCAL EMPLOYMENT GOALS

The Purchaser agrees to targeting residents of the Minneapolis Empowerment Zone in construction and on-site jobs. The Purchaser and the City will agree to local employment goals prior to closing.

14. REDEVELOPMENT AGREEMENT

As noted in the Offer to Purchase (Section 7), the Redevelopment Agreement shall include, but not be limited to, the following general terms with which the Offeror shall be responsible for compliance:

1. Developer Obligations:
 - i. General liability, hazard, builder's risk and worker's compensation insurance requirements;
 - ii. Indemnity and hold the City harmless provisions;
 - iii. Standard warranties and representations; and
 - iv. City reversionary rights and certificate of completion requirements.
 - v. The Developer shall pay the following costs in addition to the Purchase Price and 10% Good Faith Deposit:
 - a. Title Insurance, closing costs and recording fees;
 - b. Prorated taxes, special assessments and utilities;
 - c. Insurance and bond fees;
 - d. Appraisal, and site investigation costs;
 - e. Legal costs, sales commission and professional service fees; and
 - f. Design and architects fees and construction costs.

The Developer's obligations may also include obtaining and/or provision of:

- Acquisition Escrow Agreement execution and implementation
 - Construction Estimates
 - Development site plan
 - Design plan
 - Construction plans and specifications as approved by City
 - After-value appraisals
 - Zoning/code compliance/vacation/subdivisions
 - Building permits
 - Utilities availability
 - Insurance certificates
 - Indemnity and hold harmless to CPED
 - Proof of construction financing
 - Construction contractor bidding/selection process
 - Subcontractor list
 - Executed construction contract AIA form
 - Construction contractor satisfaction of CPED contracting requirements, including:
 - City of Minneapolis Prevailing Wage
 - Apprentice Training
 - Certified construction cost statement with sources and uses
 - Construction financing in place
 - Construction completion certificate requirements met
 - Project pro forma for 25 years
 - equal employment opportunity
- vi. CPED Obligations:
 - Deliver clean and buildable site (remediation complete for "As is" sale)
 - Provide "No Further Action" letter (or equivalent)
 - Determine status of "No Further Action" letter or equivalent