



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

Date: July 27, 2010

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

Subject: Land Sale Public Hearing
Lovell Square Affordable Housing Project

Recommendation: Approve the sale of the properties in the Lovell Square Affordable Housing Project to Urban Homeworks, Inc. or an affiliate, subject to the conditions outlined in this report and authorize City staff to execute necessary agreements related thereto.

Previous Directives: On June 26, 2009, the Minneapolis City Council approved and authorized the necessary City staff to execute foreclosure on the Lovell Square affordable housing project, relocate eligible project tenants and execute necessary documents. On October 16, 2009, the Minneapolis City Council approved and authorized the Mayor and City Clerk to sign an application for title registration to be filed pursuant to Minnesota Statute 508.03(6). On June 11, 2010 the City of Minneapolis acquired the eleven (11) properties in the Lovell Square Affordable Housing Project by deed in lieu of foreclosure.

Prepared by: Tiffany Glasper, CPED Senior Project Coordinator, Phone (612) 673-5221
Approved by: Charles T. Lutz, Deputy CPED Director _____
Thomas A. Streitz, Director, Housing Policy & Development _____
Presenter in Committee: Tiffany Glasper

Financial Impact

- Eliminate property management costs.
- Action is within the Business Plan
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Community Impact

- Neighborhood Notification: Northside Residents' Redevelopment Council has been involved in the ownership, management and foreclosure of this project.
- 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.
- Sustainability Targets: Affordable Housing Units

- Comprehensive Plan: On February 22, 2010, the Planning Commission approved the sale of this parcel as being consistent with the Comprehensive Plan.
- Zoning Code: Will comply
- Living Wage/Business Subsidy Agreement Yes _____ No x
- Job Linkage Yes _____ No x
- Other: On January 20, 2010, the Planning Staff approved a land sale review of this parcel.

Supporting Information

<u>PARCEL</u>	<u>PIN</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
LS-1	21-029-24-21-0025	1115 Humboldt Ave N	\$1.00
LS-2	21-029-24-21-0032	1205 Humboldt Ave N	\$1.00
LS-3	21-029-24-21-0153	1042 Irving Ave N	\$1.00
LS-7	21-029-24-21-0205	1419-27 11 th Ave N	\$1.00
LS-8	21-029-24-24-0008	1012-14 Irving Ave N	\$1.00

PURCHASER

Urban Homeworks, Inc.
 2015 Emerson Avenue North
 Minneapolis, MN 55411

PROPOSED DEVELOPMENT:

A portion of the project will be purchased and rehabbed by Urban Homeworks, Inc. a faith-based housing organization that has rehabilitated and constructed numerous housing units in Minneapolis since 1995.

Urban Homeworks, Inc. intends to rehab 18 of the 25 units in the existing Lovell Square project, stabilizing twelve 3-bedroom units, five 2-bedroom units and one 1-bedroom unit in Near North Minneapolis. The final scope for the project, prepared by Urban Homeworks, Inc. and reviewed by CPED Construction Management staff shows that the rehab of 1111-15 James Avenue North, 1205-07 Irving Avenue North and 1216 James Avenue North is not financially feasible. These structures will be demolished and the resulting vacant lots along with the project associated vacant lots at 1222 James Avenue North, 1203 Irving Avenue North, and 1219 Irving Avenue North will be made available for sale via Single Family Housing's Vacant Lot List.

In 2005, Northside Residents' Redevelopment Council submitted an Affordable Housing Trust Fund application for this project. The project was approved for \$418,407. The project did not close for a variety of reasons including, but not limited to a lack of responsiveness from NRRC in submitting required documentation, an insufficient scope of work and violations associated with the tax credits. In 2007, at the City's request, the project's co-general partner Legacy Management and Development took over the project management responsibilities. Legacy worked with the City in attempting to find a way to get this project back into service. However, all parties quickly realized that the high costs (in excess of \$2.5m) were prohibitive. Additionally, attempts to encourage other non-profits to step in and assist with the project were fruitless. The options available for dealing

with this project deteriorated rapidly and a decision was made to examine the possibility of foreclosure.

The availability of federal NSP funds made a bad situation more palatable as we learned that those funds could be brought to bear on this project because of the foreclosure. Also of significant consideration at the time was the condition of the units and the status of the remaining tenants. It was agreed that the rights and needs of the tenants were being compromised and we opted to use the approved funding to proceed with tenant relocation and to cover costs associated with moving the foreclosure forward. In June of 2009, this Committee approved the use of the Affordable Housing Trust Funds for tenant relocation and costs associated with a foreclosure action.

At our request, Urban Homeworks, Inc. reviewed the situation and the project and responded with a willingness to work with the City in getting as many of these units as possible back into service. Initial analysis showed that Urban Homeworks, Inc. could likely rehab some or all of the project units at costs significantly less than the \$2.5 million. Further analysis and the final results show that Urban Homeworks, Inc. costs to rehab the project are approximately equal to the costs determined back in 2008. However, it should be noted that the units have continued to deteriorate rapidly over the last two years, so cost increases in some areas is inevitable.

Urban Homeworks, Inc. plans to utilize NSP funds and other sources to complete this rehabilitation project. No Affordable Housing Trust Funds have been requested for the rehab of this project.

CPED staff will cause the City to enter into a standard Redevelopment Agreement with Urban Homeworks, Inc. upon approval of this action.

LAND DISPOSITION POLICY:

These properties will be improved by rehabilitation as defined by City policy and are being sold for development.

FINANCING:

The proposed sources of financing for the project are as follows:

City Affordable Housing Trust Fund	\$0
City NSP Funds	\$ 1,239,000
Hennepin County Lead	\$ 30,000
501c3 Bonds MN Housing	\$ 525,626
Total Development Cost:	\$1,794,626

The Hennepin County Lead and City NSP funds have been committed to the project and a decision on the bonds is expected sometime this summer.

OFFERING PROCEDURE:

Negotiated Sale. The sales price does not reflect the full re-use value.

**Authorizing sale of land Disposition Parcel Nos.
LS-1, LS-2, LS-3, LS-7, and LS-8.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel LS-1, LS-2, LS-3, LS-7, and LS-8 in the Near North Neighborhood, from Urban Homeworks, Inc. or an affiliate, hereinafter known as the Redeveloper, the Parcels LS-1, LS-2, LS-3, LS-7, and LS-8, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

LS-1; 1115 Humboldt Avenue North

North 16 ½ feet of Lots 26, 27 and 28 together with that part of the South Half of the adjoining vacated alley lying between the extensions across it of the West line of Lot 26 and the East line of Lot 28;

Lot 29, together with that part of the North Half of the adjoining vacated alley lying between the extensions across it of the West line of Lot 30 and the East line of Lot 29;

South 5.75 feet of Lot 30, Block 1, "Oak Park Addition to Minneapolis"

Being registered land as is evidenced by Certificate of Title No. 1322999.

LS-2; 1205 Humboldt Avenue North

Lot 36, Block 1, Oak Park Addition to Minneapolis, Hennepin County, Minnesota.

Abstract Property

LS-3; 1042 Irving Avenue North

Lot 5, Block 7, Oak Park Addition to Minneapolis, Hennepin County, Minnesota.

Abstract Property

LS-7; 1419-27 11th Avenue North

Lot 1, Block 7, and the East 30 feet of Lot 2, Block 7, "Oak Park Addition to Minneapolis"

Being registered land as is evidenced by Certificate of Title No. 1322999.

The West 15 feet of Lot 2; all of Lots 3 and 4, Block 7, Oak Park Addition to Minneapolis, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

Abstract Property

LS-8: 1012-14 Irving Avenue North

Lot 8, Block 8, Oak Park Addition to Minneapolis, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

Abstract Property

Whereas, the Redeveloper has offered to pay the sum of \$1 each, for Parcels LS-1, LS-2, LS-3, LS-7, and LS-8; the offer includes a development plan and commitment to improve by rehabilitating the existing structures. 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 Parcels; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on Friday, July 16, 2010, a public hearing on the proposed sale was duly held on July 27, 2010, 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 City's redevelopment goals for the properties, is hereby estimated to be the sum of \$445,000, for Parcels LS-1, LS-2, LS-3, LS-7, and LS-8, however, in accordance with public purpose consideration, the City is selling Parcels LS-1, LS-2, LS-3, LS-7, and LS-8 for the sum of \$1 each.

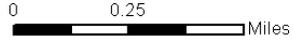
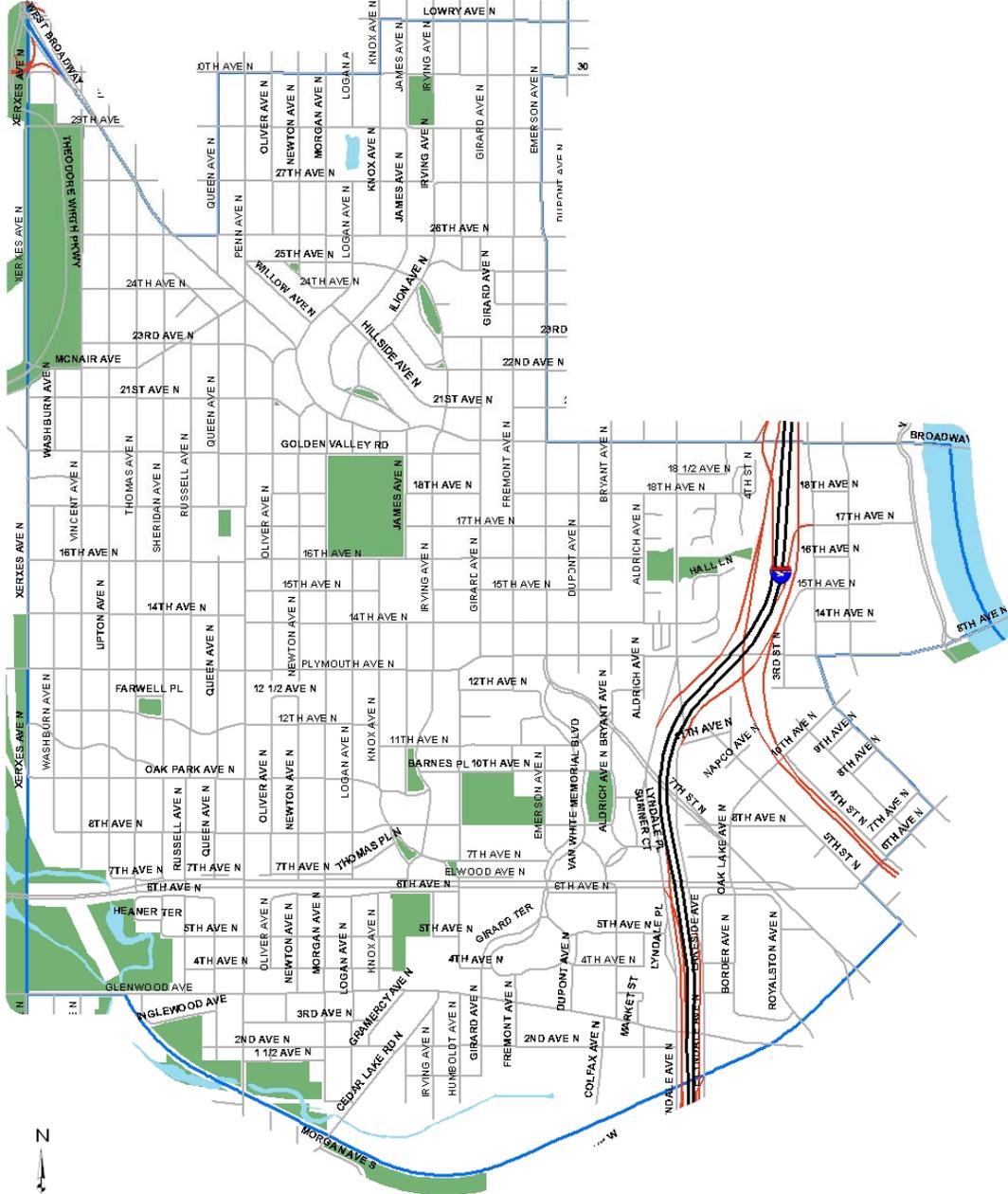
Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the Parcels 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 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 upon publication of this Resolution, 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 official of the City.

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

Date: July 27, 2010

Subject: Land Sale – Public Hearing
Lovell Square Affordable Housing Project

Address: 1115 Humboldt Avenue North
1205 Humboldt Avenue North
1042 Irving Avenue North
1419-27 11th Avenue North
1012-14 Irving Avenue North

Purchaser: Urban Homeworks, Inc.

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
LS-1 6/11/10	1115 Humboldt Av N	\$20,745	(-)\$1	(-)\$20,744
LS-2 6/11/10	1205 Humboldt Av N	\$11,804	(-)\$1	(-)\$11,803
LS-3 6/11/10	1042 Irving Av N	\$9,371	(-)\$1	(-)\$9,370
LS-7 6/11/10	1419-27 11 th Av N	\$24,321	(-)\$1	(-)\$24,320
LS-8 6/11/10	1012-14 Irving Av N	\$17,619	(-)\$1	(-)\$17,618

Re-Use Value Opinion	Less Sales Price	Write-Down
\$150,000	\$1	\$149,999
\$90,000	\$1	\$89,999
\$45,000	\$1	\$44,999
\$190,000	\$1	\$189,999
\$70,000	\$1	\$69,999

Write-Down

Reason: The price write down is due to the failure of the previous entity to properly maintain the project. If not for the willingness of Urban Homeworks, Inc. all properties would have been demolished.

Developer History with CPED:

Urban Homeworks, Inc. has worked with the City of Minneapolis for many years and successfully developed and sold properties to owner occupants as well as developed and operated multi family rental units.

Developer Information:

Nonprofit Corporation of the State of Minnesota