



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

**Date:** April 20, 2004

**To:** Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means Committee  
Council Member Sandra Colvin Roy, Transportation and Public Works Committee

**Prepared by:** Richard G. Victor, Senior Project Coordinator - Phone 612-673-5026

**Presenter in Committee:** Richard G. Victor, Senior Project Coordinator

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_  
Jack Kryst Director, Development Finance \_\_\_\_\_  
Klara Fabry, Director of Public Works \_\_\_\_\_  
Pat Born, Director of Finance \_\_\_\_\_

**Subject:** Project Analysis Authorization and Ramp Construction and Financing Authorizations for Parcel D East

**RECOMMENDATION:** Authorize staff to continue analysis of the Parcel D East proposal; grant Brighton Development Corporation or its assigns exclusive development rights for portions of Parcel D East (St. Anthony Mill 1 & 2 / Park Avenue East Lofts) for 12 months; establish a Preliminary Planning Fund budget in the amount of \$50,000 for Parcel D East; negotiate terms and conditions of two redevelopment contracts with Brighton Development Corporation or its assigns; prepare a redevelopment plan modification and tax increment financing plans for Parcel D East; and authorize the extension of the MCDA contract with Palanisami & Associates, Inc. for parking ramp design and inspection, establish a not to exceed amount for this work of \$384,000 and direct Public Works staff to advertise for ramp bids as soon as possible.

**Previous Directives:** Approval of Concept Plan for Parcel D on February 4, 2000. Land Sale approval for the Washburn Crosby Mill and Parcel D West to MHS and BDC approved July 7, 2001 by the City Council. Acceptance of a \$2.6M grant from the State Legislature was approved by the City Council on September 13, 2002. Authorization of a loan from the Multifamily Rental and Cooperative Housing Program/Affordable Housing Trust Fund for \$500,000 for Phase 1 of the St. Anthony Mill Apartments was approved by City Council on May 16, 2003.

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)
- 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):
- Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact**

**Ward:** 2

**Neighborhood Notification:** Presentation to Downtown Minneapolis Residents Association made April 6, 2004 and to the Industry Square Project Committee several times during the planning for the project.

**City Goals:** Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs and promotes future growth.

**Comprehensive Plan:** Plan generally conforms to the Comprehensive Plan and the Historic Mills District Plan as amended. A formal determination will be made when the redevelopment contract and land sale are presented to the City Council.

**Zoning Code:** C3A zoning permits uses proposed. Planning Commission approved Planned Unit Development for Parcel D on November 18, 2002.

**Living Wage/Job Linkage:** Not applicable

**Background/Supporting Information**

Background

The development of Parcel D is part of the development progress that began and is tied to the restoration and construction within the Washburn Crosby Mills and the adjacent historical buildings. The completed condominium homes, office space and the heralded Mill City Museum have added significantly to the vitality and the tax base of the City. When Brighton Development Corporation's (BDC) portion of the development of the Washburn Crosby Mill property was approved, it also included the western block of Parcel D. The Park Avenue West Lofts, currently under construction, is the first of three buildings that will be constructed on Parcel D West. The concept plan for the remaining

block, Parcel D East, was approved but not included in the current redevelopment contract with BDC because of the uncertain financing and design of the rental housing and the integration of the public ramp. The public ramp is needed to fulfill our commitment to the Minnesota Historical Society (MHS) and BDC for parking for the Mill City Museum and the Stone Arch Office. Our existing redevelopment contract with BDC included the provision of at-grade parking in our existing parking lots and recognized that we would jointly make an attempt at obtaining additional ramp financing from the State Legislature. Our initial attempt was thwarted at the 2001 session, but with a concentrated lobbying strategy lead by MHS, the MCDA was given \$2.6 million in financial assistance for the ramp in 2002. In the interim, the MCDA has made at-grade parking available for the Mill City Museum and the Stone Arch Office on the existing parking lot, which is the site of the proposed Park Avenue East Lofts condominium.

The staff has been working with BDC for the past several years to develop a workable design and financing package for the housing (St. Anthony Mills Apartments) that surrounds the public parking ramp on Parcel D East. We have also been working with Public Works to create a workable design and finance package to insure the ramp is successful. BDC has proposed a 99 year lease for a minimum of 68 parking spaces that will be required to meet the 0.8:1 space parking ratio for Phase 1 & 2 of the St. Anthony Mill Apartments.

### Project Description

The development site (Parcel D – East) is located between Washington Avenue South and Second Street South (Park Avenue South to Chicago Avenue South) (See attached Exhibit A). Three major projects will be undertaken on the block as follows:

The first project proposed for construction will be a public parking ramp located in the center of the block. The ramp will contain 324 spaces and will meet our commitments to the Mill City Museum and the Stone Arch Apartments. Total construction cost for the ramp is estimated to be \$5.27 million. In addition it will provide the parking for the St. Anthony Mill Apartments and additional public parking. Funding for the ramp is expected to come from the \$2.6 million grant from the State Legislature and \$3.665 million in General Obligation Tax Increment Bonds. The bonds will payable from the net parking revenues of the ramp and taxes generated by the proposed 38-unit Park Avenue East Lofts. Plans for the ramp are nearing completion and will be ready for bidding in late April.

The St. Anthony Mill Apartments project, proposed by Brighton Development Corporation, is a 5-story, 84 unit, affordable housing project proposed to be built in two phases. Phase 1 contains 42 units, affordable at 30%, 50% and 60% of median income. Phase 1 surrounds the ramp on the two sides and with the addition of Phase 2 will hide the ramp completely from the street, except for the ramp entrance lanes. The estimated construction cost of the St. Anthony Mill Apartments project is \$12 million.

Public assistance in the form of tax increment financing, generated by the rental housing itself is being requested. The City Council has authorized a loan from the Rental and Cooperative Housing Program/Affordable Housing Trust Fund in the amount of \$500,000. Approvals for tax increment funding and the issuance of housing revenue bonds will be needed in the future. Construction is anticipated to start later this year and timing is dependent on the progress of the parking ramp. Funding allocations by CPED, MHFA, Hennepin County and DMNA are in place for Phase 1 with the exception of the tax increment financing assistance and the housing revenue bond request

The Park Avenue East Lofts project is a four-to-five story luxury condominium containing 38 units that mirrors the design of the Park Avenue West Lofts currently under construction across Park Avenue. Parking will be provided under the building. Total construction cost for the Park Avenue East Lofts is estimated to be approximately \$22 million. This project will be a market rate project with no public subsidy. Land appraisals have been ordered and are underway.

#### Results of Preliminary Staff Analysis

The development of Parcel D began several years ago with the approval of the development concept by the City Council. Much of the planning activity for this project was done before the Project Analysis Authorization (PAA) process was established, so we have much greater information and commitments than is typical for projects presented for PAA. The overall project has been designed to be consistent with City goals and the existing Mills District Master Plan, as amended.

Every project undertaken in the Mill Quarter Area has been the product of intense partnering and commitment by all involved parties. City involvement in the parking ramp and new streets, private capital for market rate homeownership, and a public/private partnership providing for affordable rental apartments is being utilized in this project. We believe that BDC's development experience in this neighborhood and financial commitments will enable the private development of this block to proceed quickly.

The public ramp construction must precede the private construction that will surround the ramp. It is crucial that we accelerate the actions necessary to begin construction. It is equally important that we obtain firm bids on the cost of the ramp in order to insure that we continue to have a viable financially viable project. Therefore, we are requesting specific authorizations to allow the Finance Department to proceed with planning and document preparation for a bond sale for the ramp and for the Public Works Department to bid the project as soon as possible. No work on the Park Avenue East Lofts can commence until the public ramp is open for occupancy, allowing the museum and office staff to begin parking in the ramp.

The Finance Department is recommending that two separate tax increment financing districts be created to support the activities on the Parcel D - East block. The first will

include the ramp and the Park Avenue East sites. Tax increment generated by this district will be used to fund the majority of the debt service on the Tax Increment Bonds. In addition, the net parking revenues of the ramp will provide additional funding for debt service. The second district would include only the St. Anthony Mills Apartment and tax increment generated by this district would help support this affordable housing project.

The successful completion of this project will add a significant number of market rate and affordable housing units to Mill Quarter District of Minneapolis vastly improving the physical landscape of this former railroad yard, turned parking lot.

#### Project Analysis Fee

Staff has estimated the Project analysis fee to be \$11,665 based upon the complexity of the project and the hours needed by the Housing Development, Business Development and Finance Department staffs.

