



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

February 28, 2006

To: Council Member Lisa Goodman, Chair, Community Development Committee
Council Member Paul Ostrow, Chair, Ways and Means Committee

Subject: Land Sale Public Hearing
Locus Architecture

Recommendation:

- **Approve the development concept as described in this report**
- **Adopt the attached resolution authorizing acquisition of 1401 Central Avenue NE, tax forfeit land, from the State of Minnesota**
- **Adopt the attached resolution authorizing the sale of 1401 Central Avenue NE to Locus Architecture, Inc. or an affiliate or a related entity**
- **Authorize the Director to execute the purchase agreement with Hennepin County and authorize the Director or his assigns and the Finance Officer to execute the Redevelopment Contract with Locus Architecture, Inc. or an affiliate or a related entity as described in this report**
- **Amend the 2006 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund CPO-Capital Projects – Other (CPO0-890-8933) appropriation by \$121,349.80**
- **Increase the 2006 Revenue Budget for the Community Planning & Economic Development agency Fund CPO-Capital Projects – Other (CPO0-890-8490) by \$121,349.80**

Previous Directives: On October 7, 2005 the City Council adopted Modification No. 5 to the Central Avenue Redevelopment Plan changing the acquisition and land use plans to accommodate this development.

Prepared or Submitted by: Sharrin Miller-Bassi, Senior Project Coordinator
Phone 612-673-5019

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

Permanent Review Committee (PRC) Approval _____ Not Applicable X

Presenters in Committee: Sharrin Miller-Bassi, Senior Project Coordinator

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information).

Action requires an appropriation increase to the X 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): The developer will pay a 10% administrative fee to the City in addition to the \$12,228.23 good faith deposit which has been on deposit with CPED since July 2005.

Request provided to department's finance contact when provided to the
Committee Coordinator.

Community Impact (use any categories that apply)

Ward: 1

Neighborhood Notification: Northeast Park Neighborhood Association reviewed this proposal and recommends that it be approved.

City Goals: Preserve and enhance our environmental, economic and social realms to promote a sustainable Minneapolis. 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 Central Avenue Redevelopment Plan as revised with Modification No. 5 which was adopted on October 7, 2005 and the sale is therefore consistent with City's Comprehensive Plan. The land sale also was reviewed by the Planning Commission for consistency with the Comprehensive Plan on July 20, 2005.

Zoning Code: The proposed office use and scale is permitted in the existing I-1 zoning.

Other: Comprehensive Plan: *The Minneapolis Plan* identifies this portion of Central Avenue NE as a Community Corridor. Community Corridors are locations that support a mix of neighborhood-serving commercial, office and residential uses and typically have a mix of commercial, office and residential zoning. This portion of Central Avenue is also identified to be within the boundaries of the Northeast Arts District. The Northeast Arts District Plan is not an adopted land use plan but does provide strategies for the retention and expansion of the artist base in Northeast.

Background/Supporting Information Attached

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
TF 701	1401 Central Avenue NE	\$121,349.80

PURCHASER

Locus Architecture, Inc.,
or an affiliate or a related entity
1500 Jackson Street NE, Suite 333
Minneapolis, MN 55413

PROPOSED DEVELOPMENT:

Background

The City of Minneapolis through its Department of Community Planning and Economic Development (CPED) has received an Offer to Purchase 1401 Central Avenue NE from Locus Architecture, Inc. (Locus). The triangular site is approximately 30,050 sq. feet and is located at the northeast corner of Central and 14th Street NE. It is bounded on the third side by the Northern Pacific, an active rail line. The property is owned by the State of Minnesota and is part of the Hennepin County tax forfeited land inventory.

The site was originally occupied by an industrial warehouse that was ultimately abandoned and burned in 1990. The site was cleared and filled and has been in the hands of Hennepin County since the tax forfeiture on September 30, 1993. Recently the land has been used as a sculpture garden for local artists and a experimental tree planting site by the University of Minnesota. Both of these uses have been terminated. In 2002 Hennepin County convened a community task force to discuss reuse options for the site. An RFP was issued during that process but did not yield a viable proposal.

Terms of Purchase and Redevelopment Agreements

Locus has offered to purchase the property for the appraised value of \$107,000 as determined by Hennepin County plus associated transfer costs and a 10% administrative fee to CPED for a total of \$121,349.80. In addition, Locus has paid to the City a good faith deposit of \$12,228.23, which has been on deposit with CPED since July of 2005. The good faith deposit will be returned to the developer upon issuance of a Certificate of Completion for the minimum improvements. Locus has agreed to purchase the property as is with all its faults. Minimum improvements are defined as an approximately four story 20,000 square foot commercial office building with approximately 37 parking spaces. Locus has agreed to reimburse the City at closing for holding cost expenses.

The City and Hennepin County have agreed to the transfer of the property to Locus by means of a pass through land sale which is anticipated to occur by May 31, 2006. CPED staff and Hennepin County have negotiated purchase terms to account for site responsibilities and status for the interim time period between the date the City takes title to the property from Hennepin County through the date of closing with Locus. Hennepin County has requested an earnest money payment of \$5,000 be made by the City upon execution of the purchase agreement between the County and the City.

The basic terms of both the Purchase Agreement with Hennepin County and the Redevelopment Contract with Locus have been agreed to. It is anticipated that both agreements will be finalized by mid March.

Development Concept

Currently Locus plans to construct a four story approximately 33,400 sq. foot signature commercial building on the site to serve as the company's headquarters and provide space for other commercial tenants. The building design focuses on the experience of space, light, urban context, and material. Total project cost is estimated at \$4,200,000. The project will include approximately 37 to 42 parking spaces, and site landscaping and amenities.

Notable features of the proposal include the use of sustainable technologies and identification with the Northeast Arts District. Locus is committed to employing sustainable technologies such as solar power, heat recovery, and radiant heating – unusual in commercial construction – as part of the basic design of the building. Locus anticipates seeking a variance to get wind power incorporated into the site. The project will serve as a “gateway” to the Northeast Minneapolis Arts District given its location on the southeast corner of that district. As a counterpoint to the large brick artist loft buildings, such as Northrup King and the California Building where art is produced inside, the building will be a work of art itself. It will serve as a catalyst for arts development and as a visible locus for events such as Art a Whirl.

Locus proposes an extension of the existing Industrial Living Overlay District across Central Avenue to incorporate the site. This would lend the possibility of creating housing in any of the suites – live/work options consistent with the Minneapolis Zoning Code. Flexibility in the marketing of the units would be an added benefit. If the

Industrial Living Overlay District is not approved, Locus will proceed with just commercial development.

Locus intends to retain ownership interest in part of the building and would favor ownership over lease tenants in an office-condo setting. Discussions are underway with a Minneapolis restaurateur as an anchor owner on the first floor with an additional two to three retail tenants on that level. The other three floors could serve 1-5 tenants each, in suites ranging in size from 1,325 square feet to 8,350 square feet for an entire floor. The maximum number of suites is likely 18, with 10-12 tenants projected in the final arrangement. Discussions are underway with the following potential tenants in addition to the two suites anticipated for Locus Architecture, Inc.:

- Restaurant – half of first floor & basement
- Alternative Energy Design/Build Firm – 1 suite
- Professional Photographer – 2 suites
- High Tech ISP & Consulting Firm – 3-4 suites
- Masseuse – 1 suite
- Graphic Design Firm – 1 suite + gallery (first floor or other)
- Graphic Design Firm – 1 suite

It is estimated that 25 jobs will be retained and as many as 50 new jobs created as a result of the project.

Project Financing:

The total project cost is estimated to be \$4,200,000.

Locus proposes to finance the project with a combination of commercial bank loans and cash and contributed equity.

Preliminary Sources of Funds

- Construction and end loans from First Commercial Bank. A conditional commitment has been submitted.
- 10% cash equity.
- 20% additional equity by providing soft costs (architectural fees, general contractor fee and land equity)

Project Timeline:

Land transaction	by May 31, 2006
Locus closes on Construction Financing	by June 15, 2006
Construction start	by July 1, 2006
Substantial completion by Art a Whirl	May 2007
Construction Completion	July 2007

The lot size is 30,050 total square feet.

SPECIAL ASSESSMENTS:

The City Department of Regulatory Services has agreed to remove the \$922.69 in special assessments on this property and not to re-assess the 1993 demolition assessment.

LAND DISPOSITION POLICY:

This property is a buildable lot as defined in the City Policy and is being sold for development.

OFFERING PROCEDURE:

Negotiated. The sales price of this property does reflect the full re-use value.

DISCUSSION:

1401 Central is an important site. It has the potential to be a gateway to Northeast and to the Northeast Arts District. Locus proposes to match this potential with a quality development that identifies with the Northeast Arts District and employs sustainable technologies on a highly visible, well suited site. Locus has offered to purchase the site for Fair Market Value and construct the project substantially with private funds. The development timeline as described above is reasonable.

Approving the purchase of certain forfeited land located in the City of Minneapolis, Hennepin County, Minnesota, and the conveyance thereof.

Whereas, the City Council of the City of Minneapolis, Hennepin County, Minnesota, has been advised by the County of Hennepin, Minnesota, that certain parcels of land in said City have become the property of the State of Minnesota under the provision of law declaring the forfeiture of lands to the State of for nonpayment of taxes;

Now, Therefore, Be It Resolved by the City Council of The City of Minneapolis;

That the parcel located at 1401 Central Avenue NE be purchased by and conveyed to the City of Minneapolis pursuant to the provision of Minnesota Statutes 282-01; Subd. 1b.

Authorizing sale of land Central Avenue

Disposition Parcel No TF-701.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel TF-701, in the Northeast Park neighborhood, from Locus Architecture, Inc. or an affiliate or a related entity, hereinafter known as the Redeveloper, the Parcel TF-701, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

TF-701; 1401 Central Avenue NE

Lots 2 through 8, Block 3, "Chute Bros. Central Ave. Addition to Minneapolis."

The Easterly boundary line of said Lot 2 has been marked by Judicial Landmarks set pursuant to Torrens Case No. 8667.

Being registered property.

Whereas, the Redeveloper has offered to pay the sum of \$121,349.80, for Parcel TF-701 to the City for the land, and the Redeveloper's proposal is in accordance with the applicable 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 Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on February 17, 2006, a public hearing on the proposed sale was duly held on February 28, 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 Central Avenue Redevelopment Plan, as amended, is hereby estimated to be the sum of \$121,349.80 for Parcel TF-701.

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 parcel 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 (the "Contract"). 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.