



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

**Date:** February 28, 2006

**To:** Council Member Lisa Goodman, Community Development Cmte  
Council Member Paul Ostrow, Ways & Mean/Budget Cmte

**Subject:** Sale of City owned real property at 1838 Dupont Avenue North for  
\$32,000 to Bobbie Fern.

### Recommendation

(1) Authorize appropriate staff to execute a redevelopment contract and land sale documents for the sale of City owned real property at 1838 Dupont Avenue North to Bobbie Fern for the fair re-use value of \$32,000, subject to conditions detailed in the report. (2) Increase the 2006 Revenue Budget for the Community Planning & Economic Development agency Fund CAZ – Common Project - Uncertified (CAZ0-890-8490) by \$32,000.

### Previous Directives

The Minneapolis Housing and Redevelopment Authority purchased the property in 1982 for \$66,000 to transform into a commercial parking lot. West Broadway Business Association maintained the lot until 1998 when it reverted back to Minneapolis Community Development Agency control due to delinquent tax payment and the inability to pay for maintenance and operations.

**Prepared by:** Erik Hansen, Senior Project Coordinator, Phone (612) 673-5022

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_  
Mike Christenson, Economic Policy and Dev. Dir. \_\_\_\_\_

**Permanent Review Committee (PRC) Approval** \_\_\_\_\_ Not Applicable  X

**Presenter in Committee:** Erik Hansen, Senior Project Coordinator, (612) 673-5022

**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.

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 notified the Northside Residents Redevelopment Council (NRRC), the West Broadway Business Association (WBBA) and the West Broadway Area Coalition (WBAC) on September 29, 2005 of the offer. Staff notified NRRC on February 13, 2006, that the project was moving forward and notified WBBA and WBAC on February 14, 2006.

**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** - The proposal is consistent with West Broadway's designation as a commercial corridor in The Minneapolis Plan. It conforms to comprehensive plan policies related to building and parking placement, with front doors on the street and parking located to the rear of the building.

**Zoning Code** – The property is zoned R2B, which does not allow parking for commercial uses. However the property has been used for parking for more than 20 years, so Community Planning staff presumes the parcel to have grandfathered rights for use as parking. Staff will work with Developer to obtain a certificate of non-conforming use.

## **Background/Supporting Information**

<b><u>PARCEL</u></b>	<b><u>ADDRESS</u></b>	<b><u>SALE PRICE</u></b>
WB 218-7	1838 West Broadway	\$32,000

### **PURCHASER**

Bobbie Fern  
5727 Brooklyn Boulevard  
Brooklyn Center, MN 55429

### **Summary**

The proposed sale of 1838 Dupont Avenue North is necessary to provide parking for 927 West Broadway which will undergo a \$1.5 million renovation and house Hennepin County Juvenile Probations and a Minneapolis Police Department Safety Center. The 927 building is in the heart of the Northside's largest commercial area that is seeing an unacceptable level of criminal activity. The goals of this project are to increase the law enforcement presence in the area, to work with the community to identify and combat crime, and to act as a major component of the West Broadway Business Association's West Broadway Security Collaborative.

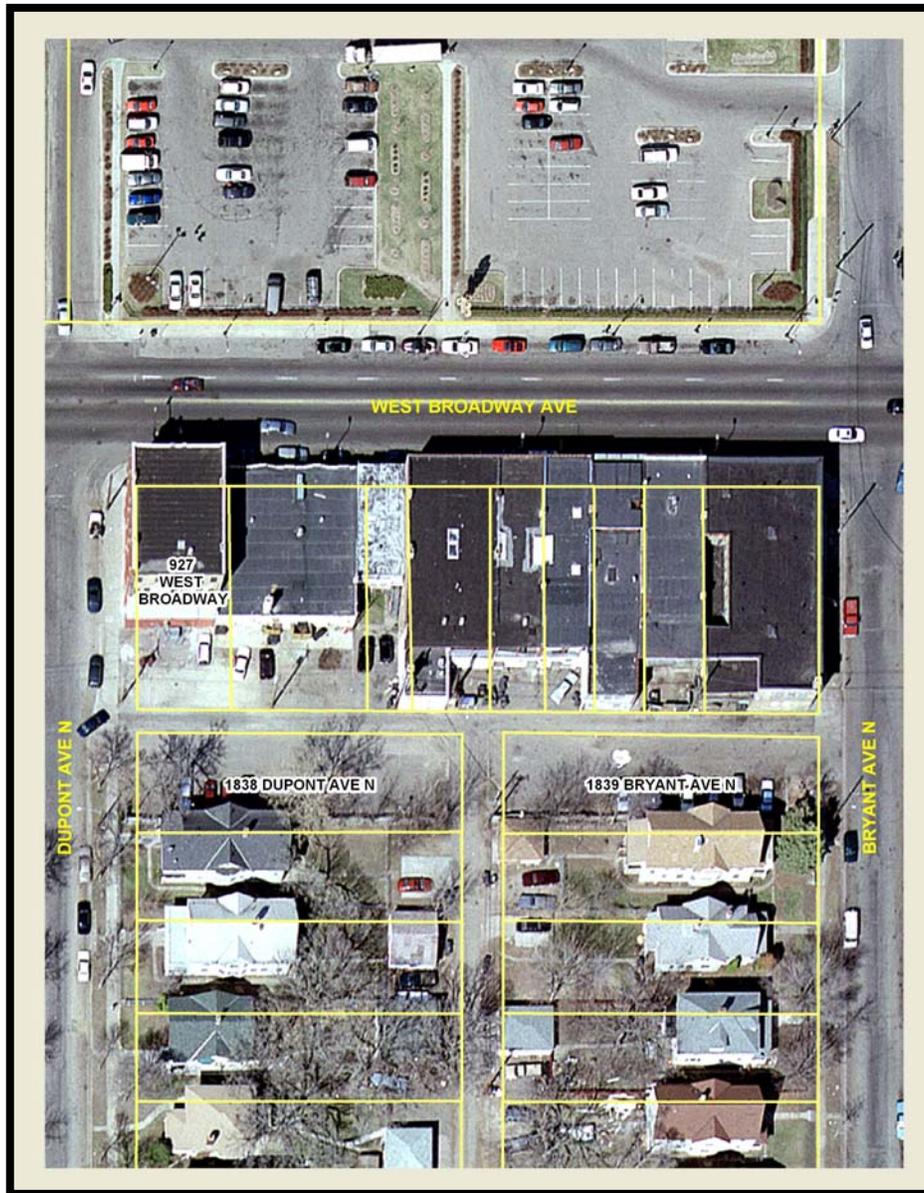
Bobbie Fern, the developer/owner of 927 West Broadway, submitted an offer to purchase 1838 Dupont Avenue North for its fair re-use value of \$32,000. Staff has worked with Mr. Fern for the past 14 months to come to an agreement on terms to sell the parcel. In addition to the redevelopment of 927 West Broadway, Mr. Fern will improve the physical condition and security of the parking lot, and relieve the City of the extraordinary expense of maintenance and operations of a parking lot that it never intended to operate.

Staff has worked extensively with the local community groups, Northside Residents Redevelopment Council, West Broadway Area Coalition and West Broadway Business Association, during the past year. The planned reuse for the 927 building is a matter of concern for these organizations. They are generally not supportive of another County office on West Broadway and they do not want to lose parking that is currently available at 1838 Dupont. However, safety is important to all concerned, and staff is continuing to work on a mutually beneficial compromise that will improve the area so that the residential, retail, and commercial environments continue to improve. Staff will report the results of these discussions with the community groups at the committee meetings.

## Property Description

### Acquisition

In 1982 the Minneapolis Housing and Redevelopment Authority (MHRA), predecessor to the Minneapolis Community Development Agency (MCDA), working with the West Broadway Business Association (WBBA), assembled and constructed two parking lots



located behind the 900 block of West Broadway at 1839 Bryant and 1838 Dupont avenues North (see map image). On each parcel the MCDA transformed a residential lot into a 15-stall surface parking lot to serve the area's business community. The agreement between the MCDA and the WBBA required that the WBBA assume all maintenance and operations for the two lots including all property tax liabilities.

The WBBA controlled and maintained these lots from 1982 until 1998. The WBBA had not kept current on property tax payments for the lots and after discussions between the

MCDA and the WBBA, the WBBA indicated that it would not have the means to bring payments current; therefore, the lots' control and maintenance responsibilities reverted back to the MCDA.

The MCDA placed each lot on the market in 2000 and set a fair re-use value for each lot of approximately \$32,000. MCDA transferred title to the property to the City of Minneapolis (City) in 2004. In 2005, the fair re-use value was confirmed as \$32,000 for each lot.

### **Physical Characteristics**

The City owned property at 1838 Dupont (16-029-24-41-0030) has rectangular dimensions of 46' X 155' for approximately 7,130 total square feet. The site is currently a bituminous parking lot with a total of 15 stalls, a curb-cut access on Dupont and a concrete curb of less than 1 foot in height along the remaining perimeter. There is a wood screening fence along the south property line. There is little landscaping on the property.

### **Offer to Purchase**

#### **Fair Re-use Value Offer**

On October 4, 2005, City staff received an offer to purchase 1838 Dupont for the fair re-use value of \$32,000 from Bobbie Fern. Mr. Fern has proposed using the parking to support tenants in his property at 927 West Broadway.

His property is a three-story brick building that currently has two retail/service uses (income tax service and tattoo shop) on the ground floor and no tenant in the second or third floor. Mr. Fern is in the process of finalizing a lease with Hennepin County Juvenile Probations and a Minneapolis Police Department Safety Center to occupy the first, second and third floors of the building. Mr. Fern will relocate the current retail/service tenants if he is unable to create suitable space in the building's basement.

The lease with Hennepin County requires that Mr. Fern complete a substantial renovation of the building and secure parking for their use. The expected total development costs for the project including the parking lot acquisition and renovation is \$1.5 million. The project financing structure includes private equity, traditional bank financing, and a Minneapolis Empowerment Zone loan.

## Financing

<b>Sources</b>		<b>% TDC</b>
Franklin Bank Loan	\$495,000.00	31%
Empowerment Zone Loan	\$250,000.00	16%
Owner's Equity	\$375,000.00	24%
Tenant Improvements – Hennepin County	\$470,000.00	30%
<b>TOTAL</b>	<b>\$1,590,000.00</b>	<b>100%</b>

## Uses

Acquisition and Construction	\$1,500,000.00
Fees & Soft Costs	\$80,000.00
Demolition	\$10,000.00
<b>TOTAL</b>	<b>\$1,590,000.00</b>

In Mr. Fern's offer to purchase, he stated he would allow community parking during off hours. Currently the lots are open for public parking from 6 a.m. to 10 p.m. Monday through Sunday. After Mr. Fern's acquisition of the lot, public parking will be available from 6 a.m. to 8 a.m. and 5 p.m. to 10 p.m. Monday through Friday and 6 a.m. to 10 p.m. Saturday and Sunday.

## Sources and Uses of development

### Condition of sale

Mr. Fern has agreed to the following conditions precedent prior to the sale of 1838 Dupont for \$32,000:

- Completing the entire project (927 West Broadway and 1838 Dupont avenues) within 12 months after closing, barring any unavoidable delays;
- Securing all financing sources to complete improvements to both 927 West Broadway and 1838 Dupont avenues North;
- Submitting to the City a good faith deposit of \$3,200;
- Submitting construction plans and sworn construction statements of the parking lot and building redevelopment projects;
- Incorporating West Broadway design standards into the parking lot redevelopment plan;
- Submitting a copy of the executed lease with Hennepin County Juvenile Probations; and
- Committing to a Minneapolis Police Department Safety Center.

## **Conditions at the Site**

### **Current Conditions**

The MCDA/City has not maintained this property to the expected community standards since it resumed control in 1998. A number of issues have complicated management of the site, including illegal activity, limited resources, and an environment that encourages activity detrimental to the area's quality of life.

Maintenance of 1838 Dupont has strained MCDA/City resources since regaining control. The two lots behind the 900 block of West Broadway are unique in the City's inventory. Most City owned parking lot operations offset costs through revenue generation; however, these lots do not generate any revenue. Even though the MCDA assisted the WBBA with the parking lot creation, it was never the MCDA's expectation to control and maintain the lot.

To compound this lack of a revenue stream, the current environment, has led to extraordinary maintenance costs which are 60 percent more expensive than other similar sized parcels in the inventory. The parking lots have been an attraction for illegal activity, including an open air drug dealing, a location for stolen car disposal, and in some cases assaults and other Type I criminal activity.

Due to the environment and illegal activity, parking demand for the lots has been low. During a survey of the lots over a two-week period in July 2005, the maximum observed parking demand was 10 vehicles spread across the two lots. The average number of vehicles was about 5 and the minimum observation was 1. Three vehicles were the most common observed demand. Staff conducted the survey during normal Hennepin County Juvenile Probations office hours with one weekend observation included for comparison.

### **Addressing Current Conditions**

#### **Improving the environment**

Through the sale of the 1838 Dupont to Mr. Fern, the current conditions will be addressed and corrected. First, Mr. Fern will have an economic incentive to preserve his investment. This incentive coupled with the active use of the building will lead to an increase in regular monitoring of all activities in the area. Second, Mr. Fern's redevelopment plan for 927 West Broadway increases fenestration on the south, or parking lot, side of the building which can improve natural surveillance of the property. Third, Hennepin County Juvenile Probations and the Minneapolis Police Department Safety Center will provide for an increased law enforcement presence. Fourth, the redevelopment plan will include improvements to the lots that will increase lighting, security, access, and improve landscaping. These improvements will reinforce a sense of ownership and territorial control of the property discouraging negative activity.

### Preserving Community Parking

City staff is working with the businesses in the commercial district and will begin to address community parking concerns. To offset the loss of the commercial parking at 1838 Dupont, staff has included a requirement to create parking preserved for community uses in the 1101 West Broadway Request for Proposals. These spaces will be one block to the west of 1838 Dupont. In addition to the creation of supply, staff will begin to work with the business community to create strategies to improve the use of the current supply of parking in the district, estimated at 1,300 off-street stalls. Finally, staff will work with the business and community groups to determine a disposition process of the lot at 1839 Bryant to address their desire to perpetually preserve it for commercial use.

### Addressing Public Safety

The tenants of Mr. Fern's renovated building will be Hennepin County Juvenile Probations office and a Minneapolis Police Department Safety Center. The office will have a staff of 17 probation officers, 15 of which have caseloads in the 55411 zip code. Hennepin County reports that criminal activity adjacent to and surrounding their locations go down after they move into an area. CODEFOR statistics have shown such an effect for another facility located at 26<sup>th</sup> and Irving avenues North.

The Police Safety Center will be the main base for the West Broadway Security Collaborative. This collaborative will organize and coordinate private and public security initiatives in the area. This center will also be the technological center for expected security cameras and communications equipment. The Police Chief will also have office space in this facility. Staff, working with the MPD, district businesses, and community members, is in the process of creating an action plan to begin to ensure that communication and cooperation occurs between the MPD and the neighborhoods.

### Community Review

#### *Previous Versions of the Proposal*

The terms currently agreed to between City staff and Mr. Fern are significantly different from those that were first presented to the community in June 2005. At that time, in addition to acquiring 1838 Dupont Avenue North, Mr. Fern proposed leasing 1839 Bryant Avenue North for Hennepin County Probations office parking. The Minneapolis Police Department Safety Center was also not envisioned as a tenant in the building at that time.

**NRRC:** In July 2005, NRRC's Residential Commercial Task Force and full Board voted not to support the proposal. The main concerns were the addition of a Hennepin County Juvenile Probations office on West Broadway, and with the proposal's passage, one hundred percent of the 900 West Broadway block's off-street parking would be reserved for one tenant in one building. On October 10, 2005, the Residential Commercial Task Force reviewed a revised proposal. The Task Force continued not to support the occupancy of Hennepin County in the building and expressed the desire to have all parking preserved for unrestricted commercial use.

**WBBA:** On July 14, 2005, the WBBA voted not to support the proposal. The group's main concern was that the proposed sale was outside a comprehensive planning and design process. In a letter to City staff, the WBBA indicated that once the City sells the lot, it will be difficult to include the parcel in a comprehensive business district parking plan.

**WBAC:** The WBAC expressed support for the WBBA position that the City take no action until a study occurs and that alternatives be considered. The group's main concern was that one owner would control the entire parking supply of the block. The WBAC was sympathetic to the work that has been done to redevelop the building.

*Current Version of the Proposal*

**NRRC:** On February 13, 2006, staff met with the Residential Commercial Task Force to discuss the current version of the proposal. At this meeting, the Task Force requested that the Police Department provide a written plan on how it will address the crime problems on the block. Task Force members specifically identified the need to address criminal activity on the 1800 block of Bryant. Members also requested that a representative from the Safety Center or Police Department attend the monthly NRRC Crime and Safety meeting so that the two organizations can work more closely on addressing crime problems in the area.

The full NRRC Board is expected to vote on the current version of the proposal on February 21, 2006. The result of this vote and the requested conditions will be reported at the committee meetings.

**WBBA:** Staff sent a request to support the updated terms for this proposal on February 14, 2006. Staff will report any actions from this group at the committee meetings.

**WBAC:** Staff sent a request to support the updated terms for this proposal on February 14, 2006. Staff will report any actions from this group at the committee meetings.

**Authorizing sale of land  
West Broadway  
Disposition Parcel No WB 218-7**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel WB 218-7, in the Near North neighborhood, from Bobbie Fern, hereinafter known as the Redeveloper, the Parcel WB 218-7, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

WB 218-7; 1838 Dupont Av N

Lot 20, Block 29, Gale's Subdivisions in Sherburne and Beebes Addition to Minneapolis.

Whereas, the Redeveloper has offered to pay the sum of \$32,000, for Parcel WB 218-7 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 West Broadway plan, as amended, is hereby estimated to be the sum of \$32,000 for Parcel WB 218-7.

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 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. 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.