



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

**Date:** June 21, 2005

**To:** Council Member Lisa Goodman, Community Development Cmte

**Prepared by:** Tara Beard, Project Coordinator, 612-673-5043

**Presenter in  
Committee:** Tara Beard, Project Coordinator, 612-673-5043

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_

**Subject:** Parcel D West Redevelopment Terms

**RECOMMENDATION:** Authorize amendment of redevelopment contract terms for portions of Parcel D West as outlined in this report.

**Previous Directives:** The MCDA acquired Parcel D as a part of the Milwaukee Depot acquisition on June 29, 1992. City Council approval of Concept Plan for Parcel D was on February 4, 2000. Land Sale approval for the Washburn Crosby Mill and Parcel D West to MHS and BDC was approved July 7, 2001.

<p><b>Financial Impact</b> (Check those that apply)</p> <p><input checked="" type="checkbox"/> No financial impact - or - Action is within current department budget. (If checked, go directly to next box)</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Capital Budget</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Operating Budget</p> <p><input type="checkbox"/> Action provides increased revenue for appropriation increase</p> <p><input type="checkbox"/> Action requires use of contingency or reserves</p> <p><input type="checkbox"/> Other financial impact (Explain):</p> <p><input type="checkbox"/> Request provided to the Budget Office when provided to the Committee Coordinator</p>
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<p><b>Community Impact:</b></p> <p><b>Ward:</b> 2</p>
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**Neighborhood Notification:** The Industry Square Project Committee and the Downtown Minneapolis Neighborhood Association were notified of this report on June 10, 2005.

**City Goals:** Meets the following City Goal: Creates an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.

**Comprehensive Plan:** Meets the following principles of the Comprehensive Plan: (4.9) Minneapolis will grow by increasing its supply of housing; and (4.15) Minneapolis will carefully identify project sites where housing redevelopment or housing revitalization are the appropriate responses to neighborhood conditions and market demand. Is consistent with the Historic Mills District Master Plan and Update.

**Zoning Code:** Permitted as a Conditional Use in C3A.

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

### **Background and Supporting Information**

Parcel D West consists of the block between Washington Ave S and 2<sup>nd</sup> St S and Portland Ave S and Park Ave S. Roughly the half of the block has been sold and redeveloped by an affiliate of Brighton Development Corporation ("BDC") into Park Ave West ("PAW") Lofts. The remaining portion of the block is under consideration in this report (See Exhibit A for a map of the project area)

In July 2001, the MCDA authorized sale of the block to BDC for development of 3 projects: PAW, Portland Condos and Washington Live/Work. The land sale price for the entire block of Parcel D West was in the amount of \$1,055,695.00, which equaled roughly \$10.00 per square foot. The purchase of the land was later separated by project, and only the PAW portion of the block has been completed. A May 2005 appraisal (see Exhibit B) has determined the value of the remaining portion of the block (53,882 sf or 51% of the block) is now \$42.50 per square foot. Staff recommends amending the land sale price to reflect its current value. This will result in a total cost for the remainder of Parcel D West of \$2,290,000.00.

### **Redevelopment Terms**

#### Building Details

The current Parcel D West proposal from Brighton includes two separate projects. The project located at the northwest corner of the block consists of two buildings ("The Nine" and "The Portland") that share an underground parking garage of 75 parking stalls. The Nine will face 2<sup>nd</sup> St S and consist of nine "New York" style condominium units on 4 ½ stories. The Portland will face Portland Ave S and will consist of 28 condominium units on 4 ½ stories. This building will also provide approximately 3500 square feet of retail space on the first floor.

The second project on the remaining portion of Parcel D West is located at 600 Washington Ave S and will be 28 live/work units on 4 stories, as well as an underground parking structure with a minimum of 58 spaces.

#### Financial Details

The land sale for the remaining portion of Parcel D West will be for the full market value of \$2,290,000.00. Following precedent of other market rate projects in the area, the cost of burying power lines will **not** be subtracted from the land sale price and doing so will be the full financial responsibility of Brighton.

#### Timeline

To ensure timely commencement and completion of the project, the following milestones and commensurate penalty fees if those milestones are missed will be included in the agreement:

- Land sale, project closing, and construction start must occur by June 1, 2006
- BDC must forfeit its 10% good faith deposit if BDC fails to meet the closing deadline, as applicable
- Construction completion must occur within 18 months of land sale closing and construction start
- BDC has the option to extend the 18 month construction completion requirement 6 additional months upon payment of a fee in the amount of \$150,000

#### Public Improvements

Other terms of the agreement will address the treatment of the streetscaping of the project. Streetscaping for the projects will be the full financial responsibility of Brighton and will be in accordance with the Historic Mills District Master Plan and Update and applicable zoning requirements. This is consistent with the terms of similar developments in the area.

Environmental remediation on the site will be funded by Metropolitan Council Grants in the amounts of \$359,785 (Washington Live/Work) and \$460,000 (The Nine and The Portland). Because the Washington Live/Work grant will expire on December 31, 2005 without the possibility of further extension (this grant has already been extended once), the City will convey, if necessary, the land for the Washington Live/Work project to BDC for a pro-rated amount. Conceptual drawings and a financing commitment for the remaining remediation costs will be the minimum level of due diligence under which this portion of Parcel D West can close. This will allow BDC to obtain the construction loans necessary to complete remediation. Conveyance of the remaining portion of Parcel D West will be subject to the more rigorous requirements of construction documents and completed financing prior to close.

### Miscellaneous

Amendment of the Parcel D West redevelopment contract is contingent on Brighton also entering into a redevelopment contract for the Park Ave East Lofts project on the terms outlined in a simultaneous report (see Exhibit C). The majority of terms outlined in this report and in Exhibit C were sent to BDC in a letter dated June 2<sup>nd</sup>, 2005 (Exhibit D) and were agreed to in a letter from BDC dated June 7, 2005 (Exhibit E).

# EXHIBIT A

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