



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

Date: June 8, 2004

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Edie Oliveto-Oates, Phone 612-673-5229

Presenter in Committee: Edie Oliveto-Oates

Approved by: Chuck Lutz, Deputy CPED Director _____
Lee Pao Xiong, Director, Housing _____

Subject: Process changes in the MCDA Real Property Disposition Policy

RECOMMENDATION: Receive and File.

Previous Directives: The current change is not related to any previous actions.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- 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): This action is intended to decrease overall holding costs and has the potential of providing additional revenue on parcels where the purchaser elects to have the City continue to hold the properties beyond 30 days.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward: City Wide

Neighborhood Notification: N/A

City Goals: Strengthen City government management.

Comprehensive Plan:

Zoning Code: N/A

Living Wage/Job Linkage: N/A

In an effort to operate more efficiently within the existing policies of the City and the MCDA, staff has been working on putting in place practices that will expedite the implementation of our activities and accomplish the goal of significantly reducing our existing inventory. These practices are intended to improve efficiency and cost effectiveness of our development activities. The following is an outline of our suggested Acquisition and Disposition procedures.

ACQUISITION STRATEGY

1. Criteria

- **Removal of blight where the private sector has historically failed or will not act because it is not economically feasible**
- **Generate tax revenue**
- **Increase home ownership opportunities/ensure affordability i.e. HOW/Home Program**
- **Site assemblage**
- **Corridor Housing Program**
- **Cost effective approach**

2. Sources

- **Blighted parcels—249 list, private parties, bank repossessions, etc.**
- **Tax forfeited parcels (as negotiated)**
- **HUD parcels**
- **Appraiser, Project Coordinators, Neighborhood or Council Members identified parcel**
- **Pass thru sales**
Hennepin County (i.e. Humboldt Greenway)
Railroad (i.e. Parcel F)
MnDOT (i.e. Beltrami)
Public Works

3. Due Diligence

- **Acquisition team**
 1. **Comprised: Appraiser, Engineer staff, Relocation staff, Construction Management staff, & Project Coordinator staff**
 2. **Tasks: The responsibility of checking the soil, the structure and the plot (survey issues). During this process, the team will work closely with other departments in the City including, but not limited to Public Works and Inspections.**
 3. **Formed: Immediately**
- **Establish reuse (purpose)**
- **Cost/benefit analysis**

4. Process (Upon making the decision that this is a good candidate)

Acquisition (up to 60 days):

- **Notify neighborhood immediately**
- **Fair market value established**

- Title commitment ordered
- Negotiate purchase and send purchase agreement to owner
- Relocation, if applicable
- Closing takes place

Pre-disposition (up to 45 days):

- Survey ordered
- Clear title, if applicable
- Demolish, if applicable

DISPOSITION STRATEGY—Non-buildable Lots (sideyards)

1. Identify re-use options
 - Work with the Planning Department to determine if any of the undersized parcels can be built on
 - Order surveys if applicable
 - CPED appraiser to view lots to determine reuse possibilities
2. Identify adjacent owners
 - Staff to identify adjoining property owners
3. Establish re-use value
 - CPED appraiser to view property and establish fair reuse values.

An analysis will be done on each under-sized parcel to determine potential reuse such as a lot of record that may meet acceptable variance criteria for new construction or assemblage possibilities that create plottage. If a parcel is deemed to be side yard, an analysis will be done to determine contributory value to adjacent property owners—if adjoining properties are conforming to their respective zoning classifications and the assemblage of our side yard does not create value to said properties, the side yard will be offered to adjoining property owners at minimal cost. If however, the adjacent properties are non-conforming and/or the assemblage of our side yard parcel creates measurable value to said property, then the side yard will be priced accordingly. FOR EXAMPLE: If a 4-plex gains from assemblage the ability to have on-site parking, the offering price will reflect the additional incremental value gained by the adjoining property.

DISPOSITION STRATEGY—Buildable Lots

1. Marketing
 - Advertise in the Star Tribune on the 1st and 3rd Sunday of every month in section 717
 - Advertise in the Finance and Commerce on the 2nd and 4th Tuesday of every month
 - CPED web site ongoing
 - Direct mail list to Top 25 Mpls/St. Paul Builders and builders we have worked with in the past
 - Marketing packets available at all times in the CPED Single Family Section
 - Organize an open house for developers to become familiar with our programs
 - We are proposing a summit with developers to talk about how we could work together and educate them on existing CPED programs (2nd Quarter)
2. Expedite closing process—the following procedural changes will be made to the redevelopment contract (attorney will redraft boiler redevelopment contract upon approval):
 1. Board approval to include closing within 30 days

Presently we have it at 60 days with the developer having to get their variances approved and get their finalized drawings to us before closing. With this expedited approach, we are eliminating the submission of the drawings at the time of closing. This way they can close while allowing them time to finalize their plans. The variance issue can be addressed early on with the Zoning Department. The Project Coordinator can request a preliminary approval from Zoning during the same time we are getting opinion from the Community Planner.

2. Recommend the approval of an alternate buyer (in the case of multiple offers)

This helps us eliminate the need to remarket the parcel should the approved buyer not close. This saves another three (3) months.

3. Provide termination deed in contract

This will be signed when the redevelopment contract is signed. This will be held until the contract is signed. This way, should they not close within the allotted time frame and we chose to act on the default, we already have a document in place.

4. Holding costs to be charged if closing is delayed and delay is caused by developer.

This amount will be paid at closing or deducted from the good faith deposit.

Staff does not believe that any of these changes are policy changes and therefore do not require Council or Board action.

Recommendation: Receive and File.