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

Date: October 28, 2008

**TO:** Council Member Lisa Goodman, Community Development

Committee

**Subject:** Land Sale Public Hearing

929 – Third Avenue NE

Old Third Avenue Townhomes Project

**City Council Recommendation:** Approve the sale of City-owned real property at 929 – Third Avenue NE to Twin Cities Habitat for Humanity, Inc. for \$79,650.00 for development of the Old Third Avenue Townhomes Project contingent on the developer including additional improvements as are outlined in the attached document.

#### **Previous Directives:**

- On July 29, 2003, the MCDA Board of Commissioners approved the sale of the referenced land to Central Community Housing Trust of Minneapolis for \$79,650 for development of the Old Third Avenue Townhomes Project.
- On November 25, 2002, the MCDA Board of Commissioners granted exclusive development rights to Clare Housing for a 6-month period, which initially included this land as well as the actual site the Clare Apartments development was constructed on.
- MCDA acquired 929 Third Avenue NE on November 21, 1983 for \$40,000 during site assembly for the I-335 Highway Corridor.

**Prepared by:** Theresa Cunningham, Phone 612.673.5237

Approved by: Charles T. Lutz, Deputy CPED Director

Thomas A. Streitz, Director Housing Policy & Development

**Presenter in Committee:** Theresa Cunningham, Phone 612.673.5237

#### Financial Impact:

Action is within the Business Plan

Other financial impact: Eliminate property management costs.

#### **Community Impact**

**Neighborhood Notification:** On February 25, 2008, the St. Anthony East Neighborhood Association (SAENA) was notified of the proposed sale of the reference land to Twin Cities Habitat for Humanity, Inc. for development of the Old Third Avenue Townhomes project. SAENA sponsored numerous neighborhood meetings to discuss the project and are providing their full support of the proposed development contingent on the developer incorporating changes outlined in Exhibit A to this report.

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City Goals – A safe place to call home, One Minneapolis, connected communities, enriched environment, premier destination. In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

**Sustainability Targets** – Affordable housing units, economically vibrant neighborhood commercial districts create attractive urban neighborhoods for infill development, support efficient growth, and reduce the need for car travel to obtain necessary goods and services.

**Comprehensive Plan** – On April 14, 2008, the Planning Commission approved the sale of 929 Third Avenue NE as being consistent with the Comprehensive Plan.

**Zoning Code:** R3 - Multiple-family District. Site plan review and a conditional use permit approval will be required.

Living Wage/Business Subsidy Agreement Yes\_ No\_X\_ Job Linkage Yes\_ No\_X\_

**Supporting Information:** 

PARCELADDRESSSALE PRICE1-335 East929 Third Avenue NE\$79,650.00

#### **PURCHASER:**

Twin Cities Habitat for Humanity, Inc. 3001 4<sup>th</sup> Street SE Minneapolis, MN 55414

#### PROPOSED DEVELOPMENT:

The Old Third Avenue Townhomes project is part of a broader development initiative located at Central and 3rd Avenues NE. Aeon Homes, Inc. (formerly Central Community Housing Trust (CCHT) has been working collaboratively with the neighborhood, the City, MPHA, and Clare Housing, Inc. to develop this long vacant and blighted parcel of land into a mixed-use, mixed-income housing development to serve a variety of housing needs. The Clare Apartments - Old Third Avenue Redevelopment Project is comprised of three distinct development initiatives including: Clare Apartments - which provides services, shelter, and compassionate care to persons living with HIV and AIDS; the development of common green space and parking for use by residents of MPHA, Clare Apartments and the proposed Old Third Avenue Townhomes; and the proposed Old Third Avenue Townhomes development. Both the Clare Apartments development and the shared green space were completed by Clare Housing, Inc. and Aeon Homes in September 2005. Aeon Homes (through its predecessor, CCHT) and Twin Cities Habitat for Humanity (TCHFH) have entered into a Partnership Agreement which grants to Aeon Homes certain rights in the Old Third Avenue Townhomes development by virtue of the pre-development costs incurred by CCHT.

At the encouragement of the neighborhood, the Old 3rd Ave Townhome component of the development will provide eight units of long-term affordable home ownership housing constructed by TCHFH and located at the western edge of the development site adjacent to the common green space as is outlined in the attached site plan. Homes are sold to the selected families for the property's fair market value. Two separate mortgages are created as liens against the property. The first mortgage is provided as a 30-year fixed 0% interest loan for the amount the family can afford paying 30% of their household income. A deferred, forgivable second 30-year mortgage is created which represents the difference between the total development cost and the buyer's affordability. The townhomes will be affordable to families earning from 30-50% of the Metropolitan Median Income (MMI).

The lot is an irregular shaped area of land measuring approximately 120 feet x 209 feet or 25,130 square feet.

#### LAND DISPOSITION POLICY:

This land is a buildable lot as defined by City policy and is being sold for development of housing for families earning less than 50% of the MMI.

#### **FINANCING:**

Construction financing is being provided by TCHFH, which will work with Aeon Homes to secure any additional public and private funds to cover other soft and intermittent cost of the project. Attached is a Project Data Worksheet that provides additional details regarding the other sources of financing to complete the proposed development. The land will not be sold to TCHFH until all funds have been secured to complete the entire development.

#### **OFFERING PROCEDURES:**

The offer amount of \$79,650.00 on this land is the fair market value established at the time this land was initially approved in 2003 for sale to CCHT and is a negotiated price to complete the Clare Apartments – Old Third Avenue Townhomes Redevelopment Project in a non-impacted neighborhood of Northeast Minneapolis. The sales price of this land does not reflect the current re-use value of approximately \$175,000.

The development team (Aeon Homes and Twin Cities Habitat for Humanity) have met on numerous occasions over the past six months with the Ward 3 Council Member, Ms Diane Hofstede, and neighborhood representatives to come to a workable plan for the implementation of the proposed Old 3<sup>rd</sup> Avenue Townhomes development plan. They have negotiated a number of changes and additions to the proposed development which are outlined in the Attachment A to this report. The council member and neighborhood's support is being provided contingent on the developer including the attached revisions and additions to their development plan for the site.

#### **COMMENTS:**

TCHFH builds homes in partnership with families who demonstrate need and a willingness to work with them by helping to construct their own home. With a safe,

decent and affordable home to call their own, very low income families are then free to concentrate on parenting, employment, education and community engagement. TCHFH serves the hardest to serve families earning between 30 to 50% of the MMI.

TCHFH relies on volunteer labor and tax deductible contributions of cash, materials, professional services and land to build simple, decent homes with low-income families. Working under the principle that no profit should be gained from assisting those in need, TCHFH charges no interest on the mortgages that it issues to homebuyers. In operation since 1985, it has built more than 650 homes in the seven-county metro area.

As a condition of approving this land sale, Habitat has consented to work with the SAENA to devise an outreach plan to actively and aggressively promote the availability of these town homes 1) first to the residents of St. Anthony East, and then 2) to other northeast neighborhoods; and once Habitat has selected the top 50 annual candidates to participate in the 2009 program according to its standard rating and selection process, it will to the best of its ability match 1) St. Anthony East and, 2) northeast candidates, to these specific eight Habitat town homes.

Families that partner with TCHFH contribute 300-500 sweat equity hours and attend 11 homebuyer education classes and workshops entitled: Habitat: an Overview; Habitat, Publicity, and You; Money Management I and II; Being a Good Neighbor; Caring for the Environment; Home Maintenance; Landscaping Your Yard; Home Safety; Mortgages and Ownership; and Pre-closing Purchase Agreement Workshop. Additionally, Habitat employs a home visitor program in which volunteers work with families after the closing to help with concerns during the first year of homeownership and serve as a mentor on an ongoing basis. Also, TCHFH retains mortgage foreclosure prevention counselors on staff to help families with any difficulties that may come up after closing. To date, they have experienced an impressive 1.4% foreclosure rate.

Because of TCHFH's unique mission to provide housing and post closing services to very, very low income families, CPED feels that TCHFH's request to purchase the referenced land for \$79,650 is justifiable. Staff further concurs with the neighborhood organization's support of the proposed development and recommends the sale of this land to TCHFH for \$79,650 contingent on the developer including additional improvements as are outlined in Exhibit A to this report.

#### **Old Third Town Homes - Additional Project Terms and Renderings**

Included in the agreement regarding Old Third Townhomes are the following improvements to the design and changes that are proposed to condition city support and approval:

- 1) **Design Renderings:** See attached four pages of design renderings and one page revised site plan, which shall be made part of the approval of the project.
- 2) **Permeable Surfaces:** Permeable surfaces in the parking areas in front of the garages and additional parking for one car to the side of each garage.
- 3) **Garages:** Each garage to be one stall with storage, specific size to be detailed in the agreement.
- 4) **Tot-Lot:** A tot-lot playground constructed across from the front of the town homes, near the rain garden areas, and maintenance of it shall be addressed in an agreement between the town home association, the MPHA and Clare Housing. The tot-lot will accommodate approximately 15-30 children estimated to be the number of children who will be residents of the 8 town homes on the site.
- 5) **Tot-Lot Benches and Picnic Tables:** Benches and picnic tables shall be included in the Tot-Lot area.
- 6) **Landscaping:** The landscaping plan will be submitted for approval and include the potential for annual flowering plantings to be replaced seasonally. Additionally the proposed landscape plan shall include shrubs, trees and groundcovers.
- 7) **Windows:** The project shall include Anderson double-paned windows, low-E (hard coating), with the top sash to include a triple-divided light style, and the specifications to be included in the approval.
- 8) **South End Porch:** The south end town home shall have an additional porch, approximately 6' x 15' or larger. Other porches shall be approximately 6' x 14' and shared by two town homes.
- 9) **Ornamental Lighting:** At least four pedestrian level lights on ornamental poles, with at least one between each pair of units, to be complementary to the lighting design style installed on 3<sup>rd</sup> Avenue between Central and University Avenues.
- 10) **Roof Design:** A roof re-design, changing from a hip-roof design, to a predominately gable design, per the four upgraded design renderings cited above.
- 11) **Design Improvement Costs:** Design improvements are expected to be up to, but not limited to, an additional cost of \$100,000 for the overall project.
- 12) Material Quality: Basic qualities of the materials shall be graded as good or better.
- 13) **Exterior Utility Space:** The exterior utility space or structure shall be attractively and unobtrusively incorporated into the project.
- 14) Water Heaters: Units shall each include a tankless hot water heater.
- 15) Bike racks: Bike racks shall be appropriately integrated into the project.
- 16) **Lattice:** All lattice work shall not be wood but either a cementitious product (such as hardi-plank material) or other more maintainable product than wood.

- 17) **Trash Receptacles:** There shall be at least two decorative trash receptacles installed in the shared greenway space, and maintained by the partnership of the town home association, MPHA, and Clare Housing as part of their agreement.
- 18) **Pathways/Walkways:** Placement of the walkways shall be carefully considered to ensure that they will be the paths that are actually most efficient and likely to be used.
- 19) Interior Design: Interior design features shall be provided and cited in the agreement.
- 20) **Artists:** As much as possible, local artists will be collaborated with to help make the project better, including possible involvement in the design of the trash receptacles and entry area to the green space.
- 21) **Household Incomes:** All household incomes for all eight town home units shall meet Habitat for Humanity guidelines.
- 22) **Shared Responsibility:** There shall be a shared security and operating agreement for the shared green space between the town home association, Clare housing and the Minneapolis public housing authority.
- 23) Neighborhood Outreach and Household Selection: Habitat for Humanity shall:
  - a) Work with the St. Anthony East neighborhood organization to devise an outreach plan to actively and aggressively promote the availability of these town homes 1) first to the residents of St. Anthony East, and then 2) to other northeast neighborhoods; and
  - b) Once Habitat has selected the top 50 annual candidates to participate in the 2009 program according to its standard rating and selection process, it will to the best of its ability match 1) St. Anthony East and, 2) northeast candidates, to these specific eight Habitat town homes.

# Authorizing sale of land Third Avenue NE Disposition Parcel No I-335 East.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel I-335 East, in the St. Anthony East neighborhood, from Twin Cities Habitat for Humanity, Inc., hereinafter known as the Redeveloper, the Parcel I-335 East, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

#### LEGAL DESCRIPTION

I-335 East; 929 Third Avenue NE Lot 3, Block 1, Clare Estates. Part of which is registered land as is evidenced by Certificate Of Title No. 1153813.

Whereas, the Redeveloper has offered to pay the sum of \$79,650, for Parcel I-335 East 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 October 17, 2008, a public hearing on the proposed sale was duly held on October 28, 2008, 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:

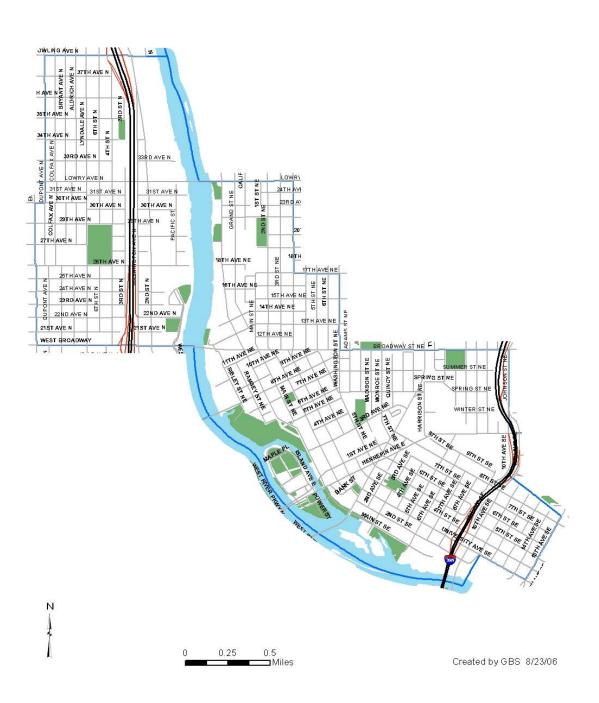
That the re-use value for uses in accordance with the Third Avenue NE plan, as amended, is hereby estimated to be the sum of \$175,000.00 for Parcel I-335 East; however in accordance public purpose considerations, combined with TCHCH's unique mission to provide housing and post closing services to low income families and the very low foreclosure rate associated with dwellings sold by TCHCH, the City is selling Parcel I-335 East for the sum of \$79,650.

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 Redeveloper's proposal as modified by the terms and conditions contained in Exhibit A to the accompanying Request for Committee Action 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.

### WARD 3



### TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: October 28, 2008

Subject: Land Sale – Public Hearing Address: 929 Third Avenue NE

Purchaser: Twin Cities Habitat for Humanity, Inc.

Disposition Parcel No.	Address	Total CPED Costs	Less Sales Price	Write Off
I-335	929 Third Avenue NE	\$40,000	(-)\$79,650	(+)\$39,650

Re-Use Value Opinion	Less Sales Price	Write-Down
\$175,000	\$79,650	\$95,350

#### Write-Down

Reason: : On July 29, 2003, the MCDA Board of Commissioners approved the sale of the referenced land to Central Community Housing Trust of Minneapolis for \$79,650 for the development of the Old Third Avenue Townhomes Project. Due to adverse market conditions, Habitat's ability to provide substantial construction financing, and its willingness to complete the proposed development using the Habitat unique model for providing housing to families earning less than 50% of the area median income, the City is willing to sell the land at the 2003 market value further allowing this project to move forward through implementation.

#### <u>Developer History with CPED:</u>

Both TCHFH and Aeon Homes, Inc. (formerly known as Central Community Housing Trust of Minneapolis) have had an extensive and successful history purchasing and developing properties from the City with the goal of providing affordable housing opportunities to low and moderate income households

#### <u>Developer Information:</u>

	Single Individual(s)
	Married Individual(s)
	Limited Liability Partnership of the State of Minnesota
	Limited Liability Company of the State of Minnesota
	Corporation of the State of Minnesota
X	Nonprofit Corporation of the State of Minnesota
	Other