



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

Date: June 7, 2005

To: Council Member Lisa Goodman, Community Development Cmte

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**Presenter in
Committee:** Ann Calvert, Principal Project Coordinator

Approved by: Mike Christenson, Director, _____
Economic Policy and Development

Elizabeth Ryan, Director, _____
Housing Policy and Development

Subject: Parcel E "Liner" Development

RECOMMENDATION: Receive and file update on revised development concept

Previous Directives: On November 22, 2002, the City Council authorized execution of a purchase agreement between the City and Hennepin County Regional Rail Authority to acquire the property generally known as Parcel E as part of the implementation of the Guthrie Theater project. On May 16, 2003, the City Council authorized the MCDA on behalf of the City to solicit development proposals for the Parcel E "Liner" development. On December 15, 2003, the City Council granted exclusive development rights to David Bernard for a period of six months. On April 16, 2004, the City Council approved the terms for the sale of the "liner" parcel to the David Bernard division of the Rottlund Company, Inc.

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):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 2

Neighborhood Notification: Copies of this report have been sent to the Downtown Minneapolis Neighborhood Association (DMNA) and the Industry Square Project Committee (ISPC).

City Goals: The proposed development: 1) fosters the development and preservation of a mix of quality housing types and promotes future growth, and 2) creates an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.

Comprehensive Plan: The proposed development achieves many policies in the Comprehensive Plan, including 3.4 (developing residential uses in accordance with *Downtown 2010*), 4.9, 9.5, 9.22 (increasing housing supply of appropriate form and density), and 9.12 (design solutions for automobile parking facilities).

Zoning Code: The basic proposed uses comply (subject to approval of a CUP for the residential units and granting of a variance to allow the commercial parking requirement to be met in the adjacent public ramp).

Living Wage/Job Linkage: Not applicable.

Background/Supporting Information

The purpose of this report is to provide an update on the status of the development proposal for the Parcel E "liner" development that will wrap two sides of the parking ramp now under construction across from the Guthrie Theater complex. Last year, the City Council approved the sale of the liner parcel to the David Bernard division of the Rottlund Company for the development of a mixed-use development that will include ground level commercial space and four levels of for-sale residential above. At the time the land sale was approved, it was anticipated that the development would include 68 – 95 housing units, totaling about 125,000 square feet of residential space. Parking for the residential development was planned to be accommodated in a single level of parking underneath the development.

As the residential market has continued to evolve, the developer now feels that there will be a stronger market for smaller units and is proposing that the same 125,000 square feet of residential space be developed for 124 smaller units. In order to accommodate a correspondingly greater number of residential parking spaces, at least a partial additional level of parking is proposed below the development. The Total Development Cost and resulting real estate taxes are expected to be comparable to those included in the original proposal.

Staff has reviewed the revised proposal and feels that it meets the definition of the "Minimum Improvements" that was included in the land sale approval and thus this revision does not need any additional Council approvals to move forward. A benefit of the revised concept is that the smaller size of the proposed units will allow the units to be sold at a more affordable price point than previously has been available in the Mill Quarter. The CPED Assessor has reviewed the proposed change and determined that, since the overall size of the development is not changing, the approved land price of \$1,371,000 remains appropriate.

Therefore, staff plans to finalize a redevelopment contract with the developer for this revised concept. The developer currently expects to complete the design and planning approvals over the summer, start marketing the units in the fall and begin construction no later than April 15, 2006 (as specified in the approved term sheet).

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