



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

Date: October 24, 2006

To: Council Member Lisa Goodman, Community Development Committee

Subject: Extension of Exclusive Development Rights to the Northeast Community Development Corporation (NECDC) for the Beltrami MnDOT site (Buchanan Street between Winter and Spring Streets NE)

Recommendation: Approve a one-year extension of exclusive development rights to NECDC for the Beltrami MnDOT site.

Previous Directives: On April 29, 2005, the City Council approved a recommendation to 1) grant exclusive development rights to this site to NECDC for 18 months to allow NECDC to finalize a multifamily redevelopment concept and select a developer partner; and 2) authorized CPED staff to negotiate the terms of a direct sale to the selected development partner.

Prepared by: Jerry LePage, Senior Project Coordinator

Approved by: Elizabeth Ryan, Director Housing Policy & Development _____

Presenters in Committee: Jerry LePage

Financial Impact

- No financial impact

Community Impact

- Neighborhood Notification: Over the past several years, NECDC has been working with the Beltrami Neighborhood Council (BNC) on a development concept for the site, based on the assumption that the City would eventually be able to purchase it from MnDOT.
- City Goals: 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.
- Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.
- Zoning Code: Not applicable.

Supporting Information

The Minnesota Department of Transportation (MNDOT) currently owns a parcel of vacant land (approximately 2.25 acres) adjacent to I-35W, along Buchanan Street between Winter and Spring Streets, in Northeast Minneapolis (see attached map, **Exhibit 1**). MNDOT acquired this property as part of the construction of I-35W. As a result of this acquisition, there are legal restrictions on how MNDOT can sell the land. MNDOT's preferred option has been to sell the land directly to the City of Minneapolis and in accordance with Minnesota Statutes Section 161.44, the City has exercised a formal right of first refusal.

Several previous attempts to redevelop this site in the early 1990s failed, resulting in neighborhood, staff and developer frustration. Given this history, the City decided to pursue a new model for initiating redevelopment of this site. The City would engage NECDC to work with the Beltrami Neighborhood Council (BNC) to conduct a community visioning process for the site and design a process to select a developer. CPED Planning and Development staff has worked with NECDC and BNC to develop appropriate site development/land use guidelines, which include greater density. BNC and NECDC would then jointly recommend a developer to CPED. Pending CPED review and approval of developer capacity and quality of the proposal, CPED staff would pursue a direct pass-through sale to the developer. The resulting development proposal will be consistent with City's Affordable Housing Policy.

In June 2003, the City informed MNDOT of its interest in acquiring the property to initiate a pass through sale to develop multifamily housing on the site. In January 2004, the City formally notified MNDOT that the City would like to purchase this property if both parties could agree on a price. MNDOT has agreed in principle to sell the land to the City.

Subsequently, contaminated soils were discovered on the site and MNDOT is now proceeding with further environmental investigation and remediation. This work is expected to occur over the winter months, resulting in the need to extend NECDC's development rights.

When MNDOT was evaluating the sale of the site, its staff also notified CPED that Burlington Northern Santa Fe Railroad (BNSF) also had fee title to a sliver of the site. MNDOT has a highway easement over the Burlington Northern land that will not be removed unless CPED can obtain fee title to the land. CPED staff has contacted BNSF to request a sale. BNSF has confirmed its fee interest in the land and its willingness to sell the land on the same terms that the City negotiates with MndOT for its property.

The City has received a letter from John Vaughn, Executive Director of NECDC, requesting an extension of its development rights (**Exhibit 2**). The Beltrami Neighborhood has also provided a letter in support of this extension (**Exhibit 3**).

CPED will work with NECDC and BNC to create a competitive RFP or RFQ process to select a developer who will ultimately partner with NECDC. Once selection is complete, CPED staff will negotiate and process the sale to the designated development partnership. Final sale of the property would be subject to CPED staff review and evaluation, neighborhood review, Planning Commission review, a public hearing, City Council approval and the negotiation and full execution of a Redevelopment Contract. Once the development partner and the land sale are approved by the City Council, CPED staff will then complete a pass-through land sale transaction with the developer.

In conjunction with NECDC and BNC's efforts, CPED staff will continue to work with MNDOT and BNSF on the pre-acquisition due diligence. MNDOT is currently conducting Phase II soil investigations to determine the extent of the contamination and if any cleanup is necessary prior to the transfer of the site. MNDOT expects this investigation to be completed in early 2007.