



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

Date: January 30, 2007

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Land Sale Public Hearing
Near Northside Urban Renewal

Recommendation: Approve the sale of 2500, 2506 and 2510 Plymouth Avenue North to Dan-Bar Homes, Ltd. for \$53,000.

Previous Directives: CPED acquired 2500 Plymouth Avenue North on February 17, 1981, 2506 Plymouth Avenue North on April 28, 1998, and 2510 Plymouth Avenue North on May 31, 1996. On December 23, 2004, the Minneapolis City Council granted exclusive development rights for 2500, 2506 and 2510 Plymouth Avenue North to Mississippi Pathway Development Company, LLC for up to twelve months.

Prepared by: Edith Johnson, Senior Project Coordinator, Phone 612-673-5262
 Approved by: Chuck Lutz, Deputy CPED Director _____
 Elizabeth Ryan, Director Housing Policy & Development _____
 Presenter in Committee: Edith Johnson, Senior Project Coordinator

Financial Impact

- Other financial impact: Eliminate property management costs.

Community Impact

- Neighborhood Notification: Northside Residents Redevelopment Council (NRRC) reviewed this proposal and recommended it be approved.
- City Goals: A SAFE PLACE TO CALL HOME. 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: Non Applicable.
- Comprehensive Plan: On May 8, 2006, the Planning Commission approved the sale of these Parcels as being consistent with the Comprehensive Plan.
- Zoning Code: R1A (each parcel)
- Other: On April 14, 1006, the Planning Staff completed a land sale review of these Parcels and deemed them buildable lots.
- Living Wage / Business Subsidy Agreement Yes___ No X

- Job Linkage

Yes___ No X

Supporting Information

<u>PARCELS</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
WH 72-16, 17, & 18	2500, 2506 & 2510 Plymouth Avenue North	\$53,000

PURCHASER

Dan-Bar Homes, Ltd.
2708 Crestwood Circle
Minnetonka, MN 55305

PROPOSED DEVELOPMENT:

Dan-Bar Homes, Ltd. proposes to combine and rezone 2500, 2506 and 2510 Plymouth Avenue North for construction of 8 town houses. Three of the town house units will have about 1,200 square feet of finished living space, another three will have about 1,300 square feet, one will have about 1,500 square feet and another one will have about 2,000 square feet.

Each town house unit will have three floors: a main level dedicated to work space with a street frontage/store front appearance, a half bath/utility area and a one or two stall tuck under garage; a second level with a kitchen, dining and living room areas that overlook the first level; and a third private level with two bedrooms and one full bathroom. An outdoor terrace is included in the design and is located at the rear of the town house.

Dan-Bar Homes, Ltd. estimates the sales prices of the town houses at \$239,000 to \$259,000 for the units with 1,200 and 1,300 square feet, \$283,900 for the unit with 1,500 square feet and \$359,000 for the unit with 2,000 square feet. All units will be marketed and sold to owner-occupants. Dan-Bar Homes, Ltd. estimates the project's after construction value at \$2,100,000. The project will be known as Art Lofts at 2500 Plymouth and will be a market rate housing development.

The combined lot size of these properties is 117' x 117', or 13,689 total square feet.

LAND DISPOSITION POLICY:

These properties are buildable lots as defined by City policy and are being sold for assemblage and development.

FINANCING*:

Dan-Bar Homes, Ltd. has demonstrated sufficient financing for the proposed project.

*Subject to application and underwriting requirements.

OFFERING PROCEDURE:

Direct Sale. The sales prices of these properties do reflect the full re-use values. The properties are being sold in conformance with CPED's Real Estate Disposition Procedures.

COMMENTS:

2500 Plymouth Avenue North was purchased as vacant land, and 2506 and 2510 Plymouth Avenue North were purchased as dilapidated structures, which were later demolished due to unreasonably high estimates for rehabilitation.

In 2004, NRRC met with the Minneapolis Community Development Agency ("MCDA") staff to discuss its overall plan for Plymouth Avenue North. During the meeting, NRRC informed

staff that it had an interest in purchasing 2500, 2506 and 2510 Plymouth Avenue North for construction of owner-occupied housing units that would compliment its proposed Plymouth Avenue Karamu West multifamily housing project. NRRC also informed staff that it would work with Mississippi Pathway, a development subsidiary of NRRC, on the town house project. Mississippi Pathway later submitted to staff correspondence stating its interest in exclusive development rights on the three subject properties.

In December 2004, the MCDA Board of Commissioners granted Mississippi Pathway's request for exclusive development rights for up to 12 months. During the 12-month period, Mississippi Pathway was to formulate and begin implementation of a redevelopment plan on the three properties. In December, 2005, Mississippi Pathway submitted to staff its proposed housing development plans for the three properties. Staff reviewed the submissions and in January 2006 forwarded the appropriate materials to NRRC for the required 45-day review process.

At its March 2006 meeting, NRRC's Residential and Commercial Task Force (RCTF) reviewed and supported Mississippi Pathway's proposal, with the understanding that combining and rezoning of the properties will be necessary for construction of the town houses. To alleviate a conflict of interest in purchasing the properties, NRRC flyered the neighborhood and invited residents to attend and comment on Mississippi Pathway's proposal that was on the March agenda.

Even though Mississippi Pathway formulated a redevelopment plan for the three properties, it was not able to begin implementation of the plan in a timely manner. Considering time was of the essence for the project, NRRC and Dan-Bar Homes met with CPED to discuss the proposed project. CPED was informed that Dan-Bar Homes rather than Mississippi Pathway would request to purchase and develop the proposed project. The main reason for the change was that Dan-Bar Homes could more easily secure the required financing and insurance for the project. After discussions and review of the situation, staff decided that Dan-Bar Homes could move forward with the proposed project, subject to the submission of required documentation for the land sales and approval of a report to the CPED director for a direct sale as outlined in CPED's Real Estate Disposition Procedures.

Dan-Bar Homes, Ltd. secured the required financing and insurance for the proposed town house project and provided staff with the required documentation for moving forward the project. Dan-Bar Homes, Ltd. will be purchaser of the properties and is prepared to close and commence development shortly thereafter, if the land sale is approved. The proposed project is basically the same as proposed by Mississippi Pathway in its request for exclusive development rights.

The Offering Procedure section of this report notes the land sales as Direct Sales. In accordance with the real property disposition policy, the following conditions exist that will allow for direct sales:

- (1) The property has not been approved for sale to another purchaser or part of an existing or proposed development project, and
- (2) No other purchaser has submitted to CPED a valid and credible offer to purchase and develop the subject property.

CPED's director recently approved staff to pursue with Dan-Bar Homes, Ltd. negotiations regarding the sale of the subject properties. Additionally, Dan-Bar Homes' request to combine and rezone the properties was also approved and documents executed to allow for such actions.

CPED's appraiser recently reviewed current market conditions and set the fair reuse values for 2500, 2506 and 2510 Plymouth Avenues North at \$18,600, \$17,200 and \$17,200, respectively. Dan-Bar Homes is willing to pay the fair reuse values as set by the appraiser and develop the proposed project, contingent on review and approval by the city's regulatory staff.

CPED staff recommends the sale of the subject properties to Dan-Bar Homes, Ltd., for construction of the proposed town house project for sale to owner occupants.

Proposed Resolution
of the
City of Minneapolis

**Authorizing sale of land Willard Homewood
Disposition Parcels Nos. WH 72-16, 17, and 18**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcels WH 72-16, 17, and 18, in the Willard Hay neighborhood, from Dan-Bar Homes, Ltd., hereinafter known as the Redeveloper, the Parcels WH 72-16, 17, and 18, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

WH 72-16, 17, and 18; 2500, 2506 and 2510 Plymouth Avenue North
Lots 12, 13 and 14, Block 4, W.H. Lauderdale's Addition to Minneapolis

Whereas, the Redeveloper has offered to pay the sum of \$53,000, for Parcels WH 72-16, 17, and 18 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 Parcels; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on January 19, 2007, a public hearing on the proposed sale was duly held on January 30, 2007, 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:

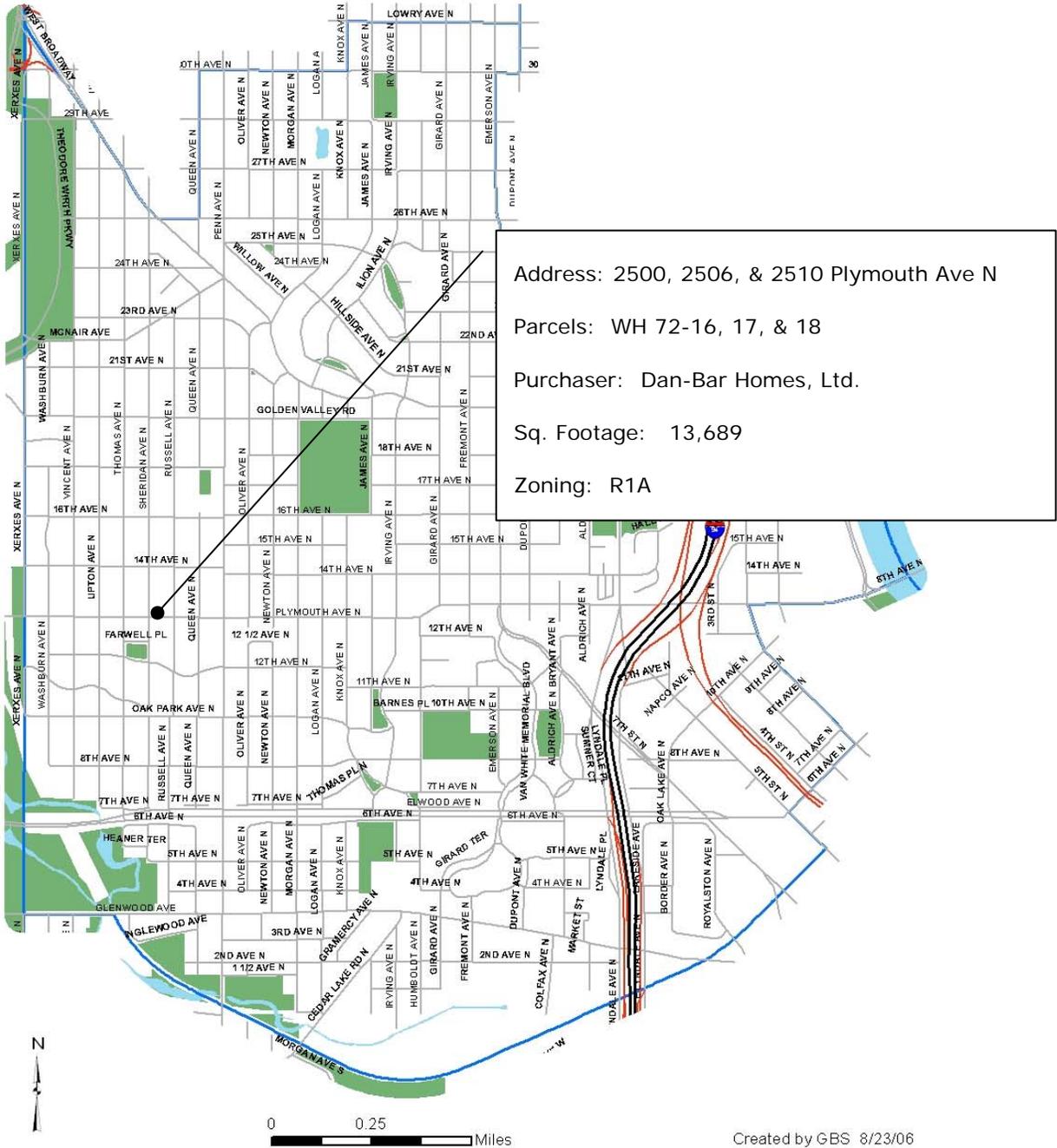
That the re-use value for uses in accordance with the Willard Homewood plan, as amended, is hereby estimated to be the sum of \$53,000 for Parcels WH 72-16, 17, and 18.

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 Parcels in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same 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.

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

Date: January 30, 2007
 Subject: Land Sale – Public Hearing
 Willard Homewood
 Address: 2500, 2506 and 2510 Plymouth Avenue North
 Purchaser: Dan-Bar Homes, Ltd.

Disposition Parcels Nos. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
WH 72-16, 17 & 18 05/31/96, 04/28/98 & 02/17/81	2500, 2506 & 2510 Plymouth Ave N	\$39,688	(-)\$53,000	(+)\$13,312

Re-Use Value Opinion	Less Sales Price	Write-Down
\$53,000	\$53,000	\$0

Write-Down:
 Reason: Not Applicable.

Developer History with CPED:
 The offer documents by Dan-Bar Homes, Ltd., as well as records reviewed by staff, show housing development experience. Minneapolis housing project involvements include a single family at 2515 Dupont Avenue North, condominiums at 221 West 28th Street and Franklin and Pleasant Avenues South, and 42nd Street Studios at 42nd and Hiawatha Avenue South.

Dan-Bar Homes, Ltd. was organized in 1995 in the State of Minnesota, and Daniel A. Bartus is the company's president. Dan Bartus reported receiving two Reggie Awards for best builder based on quality, design and price. Additionally, he stated involvement in building housing units in Plymouth, Maple Grove and Minnetonka.

Daniel A. Bartus, Inc., which is owned by Daniel A. Bartus, is the marketing division of Dan-Bar Homes, Ltd., and is licensed through Edina Realty. Daniel A. Bartus, Inc. will market the proposed town houses.

Developer Information:

- 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
- Nonprofit Corporation of the State of Minnesota
- Other