



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

Date: February 15, 2005

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Donna Wiemann, Principal Project Coordinator,
Phone 612-673-5257

**Presenter in
Committee:** Donna Wiemann

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

Subject: Project Analysis Authorization (PAA) Request for
Riverview Homes - Phases II and III

- RECOMMENDATION:** Approve a Project Analysis Authorization to allow staff to:
- 1) evaluate the Riverview Homes development proposal and TIF application for Phases II and III;
 - 2) subject to determination of project eligibility and feasibility, prepare the redevelopment and TIF plans for this project, subject to required reviews, public input, notices and hearings;
 - 3) negotiate the terms and conditions of a redevelopment contract with JADT Development Group, LLC.

Previous Directives: None.

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: Third ward.

Neighborhood Notification: The Hawthorne Area Community Council has reviewed the proposed development several times over the past few years and the most recent presentation to them occurred on January 20, 2005.

City Goals: Foster the development of a mix of quality housing types that are available, affordable, meet current needs, and promote future growth.

Comprehensive Plan: Minneapolis will increase its housing that is affordable to low and moderate income households.

Zoning Code: The proposed project will comply with the zoning code.

Living Wage/Job Linkage: Not Applicable.

Background/Supporting Information

JADT Development Group, LLC has submitted an application for public financial tax increment financing assistance for Phases II and III of the Riverview Homes project. The Riverview Homes project is an attempt to reclaim blighted, underutilized, brown field industrial sites along the Mississippi River and turn them into a high quality, lifecycle development of almost 350 homes. The total project area of Phases I through V includes approximately eight (8) acres of land. The area is bound to the west and northwest by the railroad tracks, to the east by West River Road, and to the south by 22nd Avenue North.

Development Proposal

The project is a housing development that will produce a variety of housing types and affordability levels. A description of Phases II and III are as follows:

1. Phase II – This portion of the development was formerly the Midwest Paint Building and is approximately two acres in size. The property is owned by JADT Development and the building has been demolished. The proposal is to develop 59 condo units for sale; the units are a combination of two-story town homes, loft flat and bi-level penthouses. The partnership will retain control until the units are sold and the homeowners association is in place. The total development cost is estimated to be approximately \$20,000,000 and it is estimated that the sales prices will start at \$195,000. The Project Data Worksheet provides more detailed information and it is attached to this report as Attachment #1.
2. Phase III – This portion of the development was formerly the Bellcomb Lab building and is approximately one acre in size. The building is vacant and needs to be demolished. The property is owned by JADT Development. This phase will be co developed by JADT Development Group, LLC, and MetroPlains

Development, LLC into affordable senior units. The goal is to have a significant number of the units classified as affordable. Specifically, there will be two four story buildings each 45 units. One building will be a limited equity (ownership) cooperative for seniors and the other building will be a rental building for seniors. Each building will have its own entrances, parking, amenities, and so forth. The Project Data Worksheet provides more detailed information and they are attached to this report as Attachment #2 and Attachment #3.

In another report being considered by the City Council at this time, staff is recommending that up to \$750,000 of Limited Equity Cooperative Program funds be approved for the proposed senior cooperative development in Phase III. Recently, staff did not recommend \$900,000 from the Affordable Housing Trust Fund for the development of the affordable senior rental project in Phase III, however, staff will work with the applicant to strengthen the proposal.

As noted, Phases II and III are portions of a bigger development area proposed by JADT Development. Here is an overview of the other phases of JADT's achievements and plans:

1. Phase I – This property, approximately two acres in size, has been developed into 29 luxury town homes. This was the site of the former Riverview Supper Club. At this time, 21 of the 29 units have been sold. The PAA request now being considered by the Council does not include Phase I.
2. Phase IV & V – It is envisioned that these phases will be developed into approximately 158 condominium units and a couple of town homes. This is the current site of two companies - Doyle Lock and Star Press. This is a future phase and details of unit types, size and prices are to be determined. The PAA request now being considered by the Council does not include Phases IV and V.

Proposed Financing and TIF Proposal

The estimated total development cost of Phases II and III of this project is as follows:

Phase II - (59 for sale condo units) -	\$20,535,601
Phase III – (90 units for seniors in two buildings) -	\$13,600,000

Attached are three Project Data Worksheets with information about this project, specifically Phase II, Phase III for senior rental, and Phase III for senior cooperative housing.

To date, JADT Development has secured funds for contamination clean up from Dept. of Employment and Economic Development (DEED) and the Metro Council. In addition, a funding request was submitted to Hennepin County for Environmental Response Funds and a decision will soon be made by the County.

As stated previously, JADT has submitted an Application for Public Assistance for tax increment financing for the area to be developed into Phases II and III.

The purpose of the request is to cover infrastructure costs, including site preparation, grading, utilities, demolition, sidewalks and other eligible TIF costs. There are environmental and geotechnical concerns throughout this area. There has been extensive testing on both Phases I (privately developed town house units) and Phase II. The tests have dealt with the existence of fill material, potential of combustible gases, lead, and arsenic. The tests, work plans, remediation plans, conclusions were done in conjunction with the Minnesota Pollution Control Agency VIC Program.

The estimated tax increment amount is contingent on the assessor's determination which is obtained after Council approval of the PAA. The structure of the tax increment would be a "pay-as-you-go" note and City bonds for the amount of the TIF Note will not be issued.

The Phase II and III properties are located in the North Washington Industrial Park district and the properties are contributing tax increment to the Common Project debt service. Staff has preliminarily determined that if the Phase II and III properties are removed from the district that there will remain sufficient coverage for the Common Project debt service. If the PAA is approved by the Council, staff will ask that the properties be released from the Common Project pledge.

Project Analysis Fee

If the Council approves the Project Analysis Authorization, the developer will be assessed a Project Analysis Fee based on the level of analysis required, Staff has determined an amount of \$10,000 for this fee plus any costs charged to the City associated with a request to release the parcels from the Common Project pledge. At a minimum, this cost is expected to be \$1,000.