

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

Date: October 23, 2007
To: Council Member Lisa Goodman, Community Development Committee

Subject: Request for extension of development rights to co-developers: Olson Development Consultants, Inc. and Mississippi Pathways Development Company, LLC for redevelopment of the 1800 Plymouth Avenue Redevelopment Site until December 31, 2008.

Recommendation: Authorize extension of development rights for the 1800 Plymouth Avenue North Redevelopment Site to co-developers: Olson Development Consultants, Inc. and Mississippi Pathways Development Company, LLC until December 31, 2008.

Previous Directives:

- On January 30, 2007, the City Council authorized the submission of an application to the Hennepin County Environmental Response Fund and approved a resolution authorizing appropriate City staff to execute agreements to implement environmental clean-up activity on the 1800 Plymouth Avenue Redevelopment Site.
- On October 10, 2006, the City Council approved up to \$180,000 in Affordable Ownership Housing Program funds to assist with construction and/or affordability gap assistance to the Plymouth Avenue Townhome Project proposed by Mississippi Pathways Development Company, LLC and Olson Development Consulting, Inc. as general partner or an affiliate of the Borrowers established for the purpose of holding or owning real estate subject to the City loan.
- On July 25, 2006, the City Council authorized staff to negotiate a redevelopment agreement for City owned real property at 1800 Plymouth Avenue North with Olson Development Consultants, Inc. and Mississippi Pathways Development Company, LLC as co-developers.

Prepared by: Theresa Cunningham, Senior Project Coordinator (612.673.5237)
Approved by: Charles T. Lutz, Deputy Director CPED _____
Elizabeth Ryan, Director of Housing Policy & Development _____
Presenters in Committee:
Kevin Walker, Manager of ~~Housing~~-Multifamily Housing Development
(612.673.5236)

Reviews

Permanent Review Committee (PRC): Approval ___ Date _____
Policy Review Group (PRG): Approval ___ Date _____

Financial Impact

- ___ No financial impact
- ___ Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____
- ___ Action provides increased revenue for appropriation increase
- ___ Action requires use of contingency or reserves
- ___ Action is within the Business Plan
- ___ Action requires a change to the Business Plan
- X Other financial impact – Development Fund revenues

_____ Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

- **Neighborhood Notification:** Not applicable.
- **City Goals:** Enriched environment. Cleanup of contaminated land supports sustainability goals and some projects include green elements.
- **Sustainability Targets:** Affordable Housing Units: new/positive conversion and rehabilitation; Air Quality; and Brownfield Site Remediation.
- **Comprehensive Plan:** The projects generally comply with the land reclamation and providing healthy environment elements of the Minneapolis Plan.
- **Zoning Code:** The proposed project is in compliance or will comply.
- **Living Wage/Business Subsidy:** Environmental assistance is exempt from Living Wage/Business Subsidy and generally exempt from job linkage although there may be case by case exceptions.
- **Other:** None

Supporting Information

Olson Development Consultants, Inc. and Mississippi Pathways Development Company, LLC are the co-development team selected in response to a Request for Proposals (RFP) released on March 2, 2006 by CPED staff for the 1800 Plymouth Avenue development site, which includes seven vacant parcels of land (1800, 1806, 1810, 1810-1/2, 1812, and 1822 Plymouth Avenue North and 1306 Morgan Avenue North). On July 25, 2006, the City Council authorized CPED staff to negotiate a redevelopment agreement with the co-developers for the site. The proposed project will create 18 units of mixed-income ownership housing in an impacted area of North Minneapolis (see Project Data Worksheet). The subject site has been vacant for approximately 30-years.

CPED staff was authorized to establish productive negotiations and complete terms for the proposed development within 8 to 12 months of final approval, which expired July, 2007. Final terms have not been devised due to the developer's inability to garner full financial support for the proposed development. Total development cost is estimated at \$4,074,926 which includes approximately \$175,000 in environmental remediation cost for soil excavation, recompaction costs, and the installation of a vapor barrier. To date, the development team has secured approximately \$330,000 of the estimated cost to develop the site -- \$150,000 in Hennepin County's Environmental Response Funds of \$150,000 were approved on January 23, 2007. In addition, on October 10, 2006, and \$180,000 in Affordable Ownership Housing Program funds. of \$180,000 were awarded to provide either development or buyers' affordability gap assistance.

Throughout this year, CPED staff has seen continuing interest and efforts on the part of the developers to move forward on this site. The developers have requested an extension of their development rights. As a next step, the development team is requesting early access to the site to begin the environmental clean-up which they believe will act as a catalyst for securing other sources of financing, build neighborhood awareness and consensus for the development, and hopefully spur unit sales. If the extension is granted, CPED staff would be granting the developers a Right of Entry to the site to begin the initial soil excavation and recompaction work from November 1 through December 1. As with standard practice, the developer will be required to comply with related due diligence requirements, including securing related insurance coverages and providing a restoration letter of credit. Once funds have been secured for the entire development, the vapor barrier will be installed at the start of construction.

In exchange for this extension, the developer will be required to provide a non-refundable extension fee of \$1,500/year for each of the seven (7) parcels of land, totaling \$14,875 for

the 17-month extension period. The extension fee will cover the City's holding and maintenance costs during the period of the extension.

Hennepin County has advised City staff that the City will be under no financial obligation or liability for the cleanup grant if the intended project does not go forward. In effect, the City will receive a clean site for future development whether or not the development team is able to deliver the proposed development, ~~at no risk or cost~~ without additional risk or cost to the City.

On this basis, CPED staff supports the developer's request for an extension and encourages the City Council to authorize staff to continue working with the developer by extending their development rights to the site through December 31, 2008 and negotiating the necessary documents and agreements, as appropriate.