

213-7

2745 Park Avenue South

\$1.00

PURCHASER

Parents In Community Action
700 Humboldt Avenue North
Minneapolis, MN 55411

PROPOSED DEVELOPMENT:

2745 Park Avenue South, Park Place NELC, was acquired from Hennepin Columbus Home Association as a former Knights of Columbus Hall before conversion to a Neighborhood Early Learning Center (NELC). The NELC is situated on a 38,346 square foot site with a building square footage of 18,952 (12,000 s.f. on first floor and 6,952 s.f. in the basement). PICA is proposing to acquire and retain the facility as a NELC.

The lot size is approximately 154' x 249' = 38,346 total square feet.

LAND DISPOSITION POLICY:

The property is not being sold for its fair reuse value.

FINANCING*:

PICA has demonstrated that it has sufficient funds to acquire the property.

OFFERING PROCEDURE:

Negotiated sale.

COMMENTS:

In 2008, the City of Minneapolis' Facilities, Space and Asset Management Committee contacted staff and requested discussions regarding the sale of 2745 Park Avenue South because the City of Minneapolis (City) would rather sell the property than continue to lease it. The Park Place NELC is the last NELC remaining under City's ownership.

On July 7, 1993, the City leased Park Place NELC to the Minneapolis YCB, which in turn leased the facility to PICA. The ownership "model" for the NELC was envisioned for what was termed Neighborhood School Readiness Centers (NSRC's). The model noted that one of the programs leasing space at the NELC would serve as property manager where property management experience was evident. At Park Place NELC, PICA leased space and accepted the role of property manager.

On August 22, 2008, the City Council approved extension of the lease between the City of Minneapolis and the Minneapolis YCB to December 31, 2008. The YCB granted a corresponding extension to PICA to perform due diligence related to potential acquisition of the property.

PICA is a 501(c)3 nonprofit organization under Internal Revenue code and similar state income tax laws. For the past 15 years, PICA has provided child and family development services to low-income families in the Phillips Community in South Minneapolis. PICA states that it wishes to purchase Park Place NELC and remains committed to serving residents of Phillips. It will continue to provide comprehensive Head Start, Early Head Start, and family development services to support families in the community. PICA notes that it has 40 years of experience in serving communities, including a track record of acquiring and maintaining facilities to house its programs.

PICA's Early Childhood Development Centers are located as follows:

- McKnight, 4225 Third Avenue South, Minneapolis
- Don M. Fraser, 700 Humboldt Avenue North, Minneapolis

- Park Place, 2745 Park Avenue South, Minneapolis
- Town Hall, 8500 Zane Avenue North, Brooklyn Park
- South Branch, 7001 Elliot Avenue South, Minneapolis
- Glendale, 96 St. Mary's Avenue SE, Minneapolis
- Northeast, 342 Thirteenth Avenue NE; Minneapolis
- Helen H. Taylor, 4901 Olson Memorial Highway, Golden Valley
- Portland Village, 1829 Portland Avenue South, Minneapolis

At the Park Place site, PICA's programs provide 25 full-time living-wage jobs, with full benefits, contributing to the overall economic health of the community. PICA plans to continue to provide job opportunities to City's residents where possible.

On October 31, 2008, the Phillips West neighborhood was sent notification of potential disposition for the 45-day review process. As of December 28, 2008, staff had not received a response from the Phillips West neighborhood.

On November 14, 2008, CPED received PICA's offer to purchase 2745 Park Avenue South on terms similar to prior sales to similar nonprofits of the other NELC's. No other offers have been received. PICA requests to pay \$1.00 and commits to continue providing existing or similar programs and services to the community for a specified period of time. MCDA constructed and sold to PICA the Donald M. Fraser facility in north Minneapolis with a 40-year restriction. The Sheridan NELC facility in northeast Minneapolis was sold with a 20-year restriction. Staff recommends placing a 20-year restriction in the sale transaction of 2745 Park Avenue South to ensure that the project continues to operate as a NELC. The City will record a regulatory agreement against the property to reflect this restriction.

In its offer documents, PICA submitted estimates for repair and replacement expenditures for the facility. The estimated expenditures total \$143,595 and are as follows:

<u>Repair/Replacement Items</u>	<u>Estimates</u>
Removal of 30-ton multizone heating/cooling systems and installation of new, more energy efficient systems.	\$ 91,764
Removal of existing boilers and replace with new, more efficient equipment.	\$ 39,410
Installation of 6-ton air conditioning unit on kitchen make up air unit.	\$ 9,921
Resealing of existing driveway/parking areas.	<u>\$ 2,500</u>
	\$143,595

Due to the age of the above-mentioned items, coupled with PICA having occupied the facility for over 15 years without major repairs and replacements, PICA is requesting that the existing repair and replacement reserve fund balance be transferred to PICA for completion of the repair and replacements. PICA states that it will be ready to make the repairs and replacement within 30 days of closing on the sale transaction.

The YCB, on behalf of the City, holds a repair and replacement and operating reserves accounts for the Park Place NELC. Each month, PICA pays the YCB \$1,000 for placement in the repair and replacement reserve account. Funds in the account are available to

reimburse the tenant for costs that the City is required to pay pursuant to the lease. According to the YCB, the repair and replacement reserve balance is \$112,631. In 2008, PICA paid a total of \$2,000 for January and February and has not paid in the remaining months in 2008. Additionally, PICA has paid into an operating reserve account, which has a balance of \$13,000.

Staff recommends authorizing PICA to use an amount up to the existing balance in the repair and replacement reserve for the repair and replacement items identified above. Any funds not used for such purposes by December 31, 2009, will be retained by the City. Before undertaking repairs and replacements at the NELC, PICA will provide staff with requested documentation showing that it has followed all city requirements for such repairs and replacements, i.e. permits and licensed and bonded contractors. The City will not provide funds to PICA beyond what is available in the repair and replacement reserve account being held by the YCB on behalf of the City.

Additionally, staff recommends that because the operating reserve is to be used for unforeseen operating costs, it would be prudent to provide PICA with the existing operating reserve funds for future operating expenditures and viability.

Authorizing sale of land Model City Disposition Parcel No 213-7.

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase Disposition Parcel 213-7 in the Phillips West Neighborhood, from Parents in Community Action, hereinafter known as PICA, the Parcel 213-7, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

Parcel 213-7; 2745 Park Avenue:

Lots 4, 5 and 6 and South 10 feet of Lot 3, Block 2, Edwin B. Smith's First Addition to Minneapolis, part of which is Registered Property as evidenced by Certificate of Title No, 1142830

Whereas, PICA has offered to pay the sum of \$1 for Parcel 213-7; the offer includes a commitment to improve the Parcel by making repairs to the existing structure and to continue using the facility to provide child and family development services to low-income families in the Phillips Community in South Minneapolis. PICA currently leases the Parcel from the City for \$0 for a Neighborhood Early Learning Center (NELC). This offer is in accordance with the Model City Plan and/or NELC Program; and

Whereas, PICA 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 accepted methods of aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on Friday, January 2, 2009, a public hearing on the proposed sale was duly held on January 13, 2009, 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;

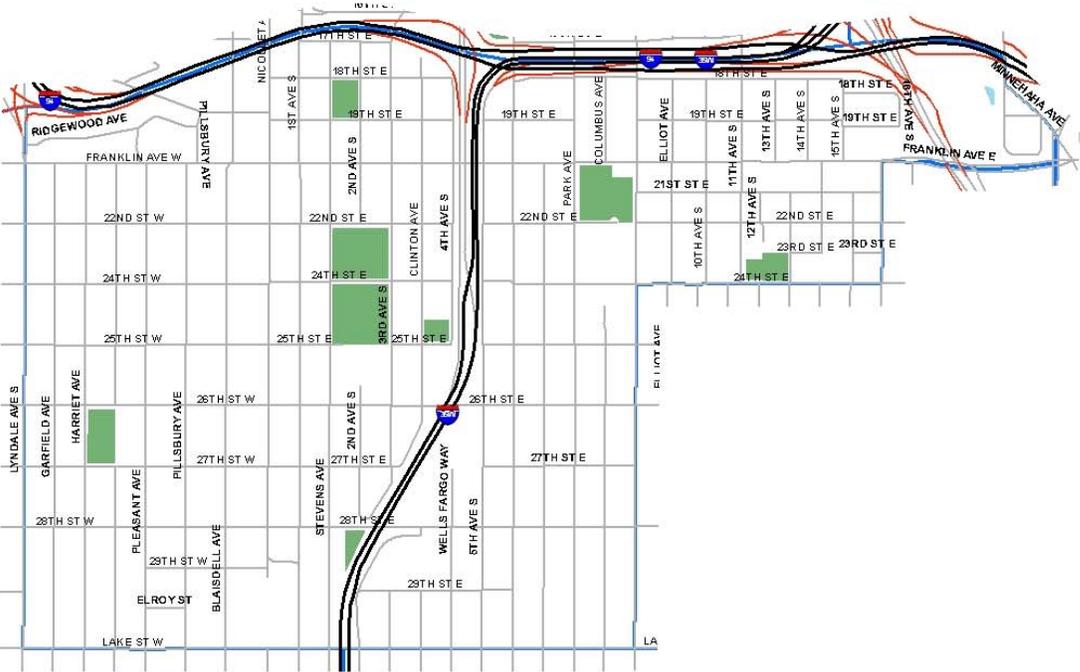
Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the re-use value for Parcel 213-7, for uses in accordance with the Model City plan, as amended, is hereby estimated to be the sum of \$1,020,000; however, in accordance with the commitment of PICA to continue to provide child and family development services to low-income families in the Phillips Community in South Minneapolis, the City is selling the Parcel for \$1.

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 PICA possesses the qualifications and financial resources necessary to acquire and improve the Parcel in accordance with the Model City Plan and/or NELC Program.

Be It Further Resolved that upon publication of this Resolution, the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver to PICA a contract for sale of land and, in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof, related documents, including without limitation, a deed, a bill of sale, assignment(s) and a regulatory agreement; 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 official of the City.

WARD 6



Created by GBS 8/23/06

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

Date: January 13, 2009
 Subject: Land Sale – Public Hearing
 Model City
 Address: 2745 Park Avenue, Minneapolis, MN
 Purchaser: Parents In Community Action

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
213-7 04/03/92	2745 Park Avenue, Minneapolis, MN	\$1,478,092	(-)1.00	\$1,478,091

Re-Use Value Opinion	Less Sales Price	Write-Down
\$1,020,000	1.00	\$1,019,999

Write-Down

Reason: Sale is to a nonprofit organization for public use other than development. The site is developed. Write downs were noted for other NELC's that were sold to nonprofit organizations for \$1, with the most recent sales being the Little Earth NELC and Sheridan NELC facilities.

Note: Minneapolis Public Schools acquired two NELC's for more than \$1.

Developer History with CPED:

Staff has experience working with PICA on various NELC projects, programs and activities. The relationship has been positive.

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