



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

Date: May 16, 2006

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Paul Ostrow, Ways & Mean/Budget Cmte

Subject: Sale of City-owned Real Property
Grain Belt Housing Project Phase I
1221 Marshall St. NE, 130 13th Ave., & 132-34 13th Ave. NE

Recommendation

(1) Authorize appropriate staff to execute land sale documents for the sale of City owned real property at 1221 Marshall Street NE, 130 13th Avenue NE, and 132-34 13th Avenue NE to Sheridan Development Company, LLC for the fair re-use value of \$2,000,000, subject to conditions detailed in the report. (2) Increase the 2006 Revenue Budget for the Community Planning & Economic Development Agency Fund CGH – Grain Belt Housing Project (CGH0-890-8490) by \$2,000,000.

Previous Directives

- 1) In August 2000, the MCDA Board and City Council approved an amendment to the Grain Belt Development Objectives, a modification to the Grain Belt Redevelopment Plan, and an authorization to issue a housing RFP.
- 2) In February 2001, the MCDA Board selected the Sheridan Development Company (SDC) as the developer of the Grain Belt Housing Project over three other development proposals, and awarded it six-month development rights.
- 3) In July 2001, the Board approved a one-year extension of the development rights, and approved additional extensions in July 2002 and in February 2003.
- 4) On June 2003, the Board approved the finance plan and redevelopment contract terms for Phase I of Grain Belt.
- 5) On September 26, 2003, the Council adopted the Grain Belt TIF Plan and related Plan modifications.
- 6) On November 5, 2004, the Council approved an amendment to the redevelopment contract business terms for Phase I of the Grain Belt Housing Project.

7) On December 23, 2005, the Council approved an amendment to the redevelopment contract to extend certain performance deadlines.

Prepared by: Jerry LePage, Senior Project Coordinator, Phone (612) 673-5240

Approved by: Chuck Lutz, Deputy CPED Director _____
Elizabeth Ryan, Housing Policy and Dev. Director _____

Permanent Review Committee (PRC) Approval _____ Not Applicable X

Policy Review Group (PRG) Approval _____ Not Applicable X

Presenter in Committee: Jerry LePage, Senior Project Coordinator, (612) 673-5240

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information).

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.

Business Plan: Action is within the plan. Action requires a change to plan.

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Ward - 3

Neighborhood Notification – Staff notified the Sheridan Neighborhood Organization (SNO) of the offer on March 15, 2006. SNO has supported the proposed Phase I development and supports this sale of the Phase I land.

City Goals – Consistent with goal to “Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth”.

Comprehensive Plan - The proposal is consistent with the designation of the Grain Belt site as a Major Housing Site in The Minneapolis Plan. It will increase housing that is affordable to low and moderate income households (Section 4.10), and improve the availability of housing options to all Minneapolis citizens. On May 11, 2006, the Planning Commission's Committee of the Whole reviewed

the proposed Grain Belt land sale and determined that it was consistent with the City's Comprehensive Plan.

Zoning Code – The property is currently zoned I1, R3, and R5. A re-zoning to C1 (Neighborhood Commercial District) and R5 (Multi-family District) was approved by the Planning Commission on April 10, 2006, and will be considered by the City Council on May 12, 2006.

Background/Supporting Information

<u>PARCELS</u>	<u>ADDRESSES</u>	<u>SALE PRICE</u>
GB - 2&3B	1221 Marshall St. NE	\$2,000,000
GB - 11	130 13 th Avenue NE	
GB - 13	132-34 13 th Avenue NE	

PURCHASER

Sheridan Development Company, LLC
1221 West Lake St., Suite 209
Minneapolis, MN 55408

PROPOSED DEVELOPMENT

The Sheridan Development Company, LLC, is the proposed and approved developer of Phase I of the Grain Belt Housing Project, which includes 152 ownership apartments and approximately 7,000 square feet of new retail/office space. The site plan and elevations for the Phase I development are attached as **Exhibit 1**.

The Sheridan Development Company (SDC), which was granted development rights in February 2001, is composed of Ross Fefercorn of RMF Group and his partners Peter Pflaum (Plum Investment Company), Barry Berg and John Wanninger (Berg & Wanninger), and David Newman (Bancor Group, Inc). In July 2003, the City Council approved the redevelopment contract business terms with SDC for Phase I (with some revisions in December 2004), and the City executed a redevelopment contract with SDC on March 31, 2005. Based on a revised development timetable approved by the City Council last December, SDC is now required to close on the purchase of the Phase I site and begin construction activities by July 1, 2006.

Upon the signing of the redevelopment contract in March 2005, SDC immediately began to work with the State Historic Preservation Office (SHPO) regarding the review of its Phase I development plans. SHPO review and concurrence with these plans is a requirement of the Programmatic Agreement (executed with SHPO in July 2000 for the Grain Belt area) and is considered a prerequisite to starting the City planning and regulatory processes and involving the Minneapolis Heritage Preservation Commission (HPC) and the Planning Commission.

Last fall, SHPO made its determination that the Phase I proposal had no adverse effect on surrounding historic properties and provided its concurrence with the development plans. On March 14, 2006, the HPC reviewed the Phase I plans and approved the issuance of its Certificate of Appropriateness, subject to certain conditions, including review of final construction plans.

On April 10, 2005, the City Planning Commission took action on the land use application for Phase I, which includes a re-zoning, conditional use permit, site plan review, preliminary plan, and a number of variances. On May 12, 2005, the re-zoning request was approved by the City Council. The land sale proposed in this report is the last City Council action required to allow the Phase I development to proceed.

The majority of the Phase I site is part of the larger Grain Belt Brewery complex, which was acquired by the City in 1989. The two remaining privately-owned residential properties on the Phase I site (130 and 132-34 13th Avenue NE) were acquired last summer, and the structures on them were demolished, along the vacant City-owned Caswell Warehouse, last December. These acquisition, relocation, and demolition activities were funded with a \$775,000 Liveable Communities grant from the Metropolitan Council. The entire Phase I site is now cleared and ready for development, pursuant to the City's obligations under its Redevelopment Contract with SDC.

LAND DISPOSITION POLICY

The Grain Belt Phase I site consists of 132,133 square feet (3.03 acres). It is therefore a buildable property as defined by City policy and is being sold for development.

FINANCING

The sources and uses for the Grain Belt Phase I housing project are shown on the attached Project Data Worksheet, **Exhibit 2**.

Based on the Phase I finance plan approved by the City Council in June 2003, the City will be providing up to \$2,000,000 in public assistance to fund certain eligible Phase I public improvement costs (i.e. streets, public utilities, and public plaza), using land proceeds paid to the City as a "take-out source" to reimburse the developer for the cost of these improvements. The recycling of proceeds from the sale of Phase I land is a financing mechanism that will allow the City to conserve the tax increment capacity generated by Phase I so that it will be available to potentially fund the anticipated heavier public investment needed in Phase II (the riverfront parcel) and any possible later phases.

OFFERING PROCEDURE

Request for Proposals (RFP). The sales price of \$2,000,000 does reflect the full reuse value.

COMMENTS:

1. The Grain Belt Phase I site that is proposed for sale to the Sheridan Development Company, LLC (SDC) does not include the land that is associated with the historic Grain Belt Office Building (1215 Marshall Street). SDC had exclusive development rights to the Office Building but did not submit a development proposal acceptable to the City prior to the expiration of its rights on March 31, 2006. Therefore, the CPED Economic Development Division staff will be issuing an RFP for the Office Building sometime this summer. SDC is free to re-submit a proposal for the Office Building as part of this competitive RFP process.
2. The Grain Belt project was approved prior to the extension of the Affordable Housing Policy to ownership projects, and therefore the policy does not apply to this project. Nevertheless, SDC has contractually obligated itself to have 5% of its total units affordable at or below 60% of metropolitan median income (MMI) and 10% between 60%-80% of MMI. The price points for Phase I will average around \$250,000.
3. Under its redevelopment contract with the City, SDC has development rights to the Grain Belt Phase II riverfront site, which expire on July 1, 2007. Exercise of these rights by SDC is dependant upon its satisfactory performance on Phase I and its submittal of a Phase II development proposal acceptable to the City by that date.

**Authorizing sale of land
Grain Belt Housing Project
Disposition Parcel Nos. GB-2&3B, GB-11 & GB-13**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcels GB-2&3B, GB-11 & GB-13, in the Sheridan neighborhood, from Sheridan Development Company, LLC, hereinafter known as the Redeveloper, the Parcels GB-2&3B, GB-11 & GB-13, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

Lots 1, 3, 4, and 5, Block 1, Grain Belt Brewery Lofts Addition to the City of Minneapolis

Whereas, the Redeveloper has offered to pay the sum of \$2,000,000, for Parcels GB-2&3B, GB-11 & GB-13 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 Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on May 5, 2006, a public hearing on the proposed sale was duly held on May 16, 2006, 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 Grain Belt Brewery plan, as amended, is hereby estimated to be the sum of \$2,000,000 for Parcels GB-2&3B, GB-11 & GB-13.

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 parcel 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.