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

Date June 6, 2006

To Council Member Lisa Goodman, Community Development Committee

Subject Amend the Parcel D West Redevelopment Contract

### Recommendation

### Authorize:

- 1. The execution of an amendment to the Amended and Restated Redevelopment Contract between the City of Minneapolis and Brighton Nine/Portland LLC (an affiliate of Brighton Development Corporation) for portions of Parcel D West as outlined in this report.
- 2. Amend the 2006 General Appropriation Resolution by increasing the CPED agency Fund CWM West Side Milling (CWM0-890-8933) appropriation by \$125,000.00.
- 3. Increase the 2006 Revenue Budget for the CPED agency Fund CWM West Side Milling (CWM0-890-8490) by \$272,492.00.

## **Previous Directives**

- March 31, 2006, City Council accepted and appropriated a SAFHB planning fund allocation in the amount of \$25,000.00 to allow for an archaeological survey on Parcel D West, The Portland site, located at the corner of Portland Avenue and 2<sup>nd</sup> Street South.
- July 7, 2005, City Council approved an Amended and Restated Redevelopment Contract for Parcel D West to allow development of the property.
- January 17, 2003, City Council accepted and appropriated a TBRA grant from Metropolitan Council in the amount of \$460,000.00 for soil remediation.
- July 7, 2001, City Council approved a land sale of the Washburn Crosby Mill and Parcel D West to the Minnesota Historical Society and Brighton Development Corporation.
- June 29, 1992, the MCDA acquired Parcel D as a part of the Milwaukee Depot acquisition.

Prepared or Submitted by	Carrie Flack, Sr. Project Coordinator, 673-5010	
Approved by Mike Christenson, Director of Economic Development, 673-5122		
Approved by Chuck Lutz De	enuty CPED Director 673-5196	

Presenter in Committee Carrie Flack, Sr. Project Coordinator

Financial Impact (Check those that apply)

	_ No financial impact (If checked, go directly to Background/Supporting Information).
_X	_ Action requires an appropriation increase to theX Capital Budget or Operating Budget.
_X	_ Action provides increased revenue for appropriation increase.
	_ Action requires use of contingency or reserves.
_X	Business Plan: _X_ Action is within the plan Action requires a change to plan.
	_ Other financial impact (Explain):
	Request provided to department's finance contact when provided to the Committee Coordinator.

# Community Impact (use any categories that apply)

Neighborhood Notification – Not applicable

City Goals - Maintain the physical infrastructure to ensure a healthy, vital and safe City

Comprehensive Plan – 4.9 Minneapolis will grow by increasing its supply of housing; 4.11 Minneapolis will improve the availability of housing options for its residents; 4.15 Minneapolis will carefully identify project sites where housing redevelopment and or housing revitalization are the appropriate responses to neighborhood conditions and market demand; 9.5 Minneapolis will support the development of residential dwellings of appropriate form and density. In addition, the project is consistent with the Historic Mills District Master Plan and Update.

Zoning Code –Housing permitted as a conditional use in district C3A

Other - Not applicable

## Background/Supporting Information

Parcel D West consists of the block between Washington Avenue South and 2<sup>nd</sup> Street South and between Portland Avenue South and Park Avenue South.

Parcel D West consists of three development projects: Park Avenue West Lofts, Washington Live/Work, and The Portland. The Park Avenue West Lofts project was completed in 2005. The Washington Live/Work project closed in November 2005 per the approved Redevelopment Contract and remediation has been completed on this site. The project will consist of approximately 14 live units and 14 work units with a total of 58 parking spaces below grade and is expected to begin construction in late spring 2007. The Portland will be located at the corner of Portland Avenue South and 2<sup>nd</sup> Street South and will consist of a 4 story building with 44 condo units and 80 below grade parking spaces along with 1,800 sq. ft. of retail/commercial space.

The primary purpose of amending the current Parcel D West Redevelopment Contract is to allow for an extension of time on The Portland project to June 1, 2007. The project is currently required to close on June 1, 2006. However, due to market conditions the presale of units has slowed which does not allow for financing to be secured in order to begin construction. An extension for this project was previously granted in July 2005. The developer also has revised its design concept in response to the market. The new design

eliminates "The Nine" building and increases the number of condo units in The Portland building from 22 to 44 with 1,800 sq. ft. of commercial space.

Staff is recommending several new terms in the Redevelopment Contract as part of an extension to June 1, 2007. The new terms are as follows:

- Land sale, project closing, and construction must occur by June 1, 2007. There will be no further extensions beyond this date.
- The Park Avenue East Lofts project, which is the subject of a separate redevelopment contract with a Brighton affiliate, must close by December 31, 2006. Failure to meet that closing deadline will constitute a default under the Parcel D West contract. Note: Brighton Park East LLC continues to maintain development rights on the Park Ave East Lofts site by extending the closing date for \$50,000 per every two months until closing. The contract for this property will expire on December 31, 2006.
- Brighton will pay a \$12,291 monthly holding fee for The Portland (based on 10% of the land cost) starting June 1, 2006 and continuing each month until closing (\$147, 492.00 total until June 1, 2007). Closing requirements for further clarification include project construction and financing plans reasonably acceptable to the City.
- If the City puts in any construction shoring in connection with the grant-funded soil remediation, Brighton will be required to reimburse the City for such construction costs upon closing. This is estimated to be a maximum of \$125,000.00.

All other terms from the current Redevelopment Contract will still apply. A few of those terms include:

- The 10% good faith deposit shall be forfeited if the project fails to close by June 1, 2007.
- Construction completion must occur within 18 months of the land sale closing and construction start.
- The 18 month construction completion requirement may be extended an additional 6 months upon payment of a fee in the amount of \$150,000.

In addition, the City obtained an environmental remediation grant in the amount of \$460,000 for the site. As this grant will expire on December 31, 2006 with no option for further extension, the City will manage the environmental remediation on this property. This process will begin in June 2006 and should be completed by September 2006. During remediation, an archaeological survey will be conducted on the site. The \$25,000 survey is being funded by the St. Anthony Falls Heritage Board.

Staff believes the above recommendations are appropriate and there is merit to continuing to work with Brighton as the developer on this property. Brighton is also in the process of developing the adjacent property known as the Washington Live/Work project. The underground parking for both of these projects is integrated in one facility. Furthermore, the underground parking facility is intended to include a green roof that will provide green space as a benefit to the overall development of the block. The market is viable but the absorption rate is slowing and thus it is taking longer to secure the necessary pre-sales for financing. Other projects are experiencing similar conditions. The project has advanced to a point that starting over with a new developer would not necessarily yield a development on the site any sooner. Brighton has proven to be a competent developer in this area, completing several award winning projects and seeking the best design to fit into the context of the historic riverfront district.