



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

Date: June 6, 2006
To: Council Member Lisa Goodman, Community Development Committee
Subject: Capital Acquisition Revolving Fund
Recommendation: Receive and file.

Previous Directives: On February 13, 2004, the City Council approved program guidelines for the Higher Density Corridor Initiative Acquisition Program. On December 19, 2005, the City Council directed CPED to return to the Council with guidelines for a Capital Acquisition Revolving Fund in the amount of \$1,000,000.

Prepared by: Cynthia Lee, Kevin Dockry, Tom Daniel, Kristin Guild **Phone:** 673-5266

Approved by:

Chuck Lutz, Deputy Director CPED _____
Elizabeth Ryan, Directory of Housing Policy & Development _____
Mike Christenson, Director of Economic Development _____

Permanent Review Committee (PRC) Approval Not Applicable

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Presenter in Committee: Cynthia Lee and Tom Daniel

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.
- 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: Currently seeking neighborhood comment.

- Major transit corridors – redevelopment at higher residential and commercial densities along these major transit corridors results in:
 - Lower household transportation costs
 - Reduced traffic congestion
 - Increased transit use – utilizing the infrastructure, justifying the capital investment
- Commercial activity is appropriate and desirable – Commercial corridors and nodes are the neighborhood retail districts that serve the surrounding neighborhoods and provide a reason for non-residents to visit. Redevelopment for both commercial (retail, office and entertainment) and residential use supports the continuance and vitality of a commercial corridor as an urban amenity which in turn creates a positive image for the surrounding neighborhoods.

Through the Capital Acquisition Revolving Fund, properties would either be acquired directly by the City, with the money from their sale returning to the fund, or used as loan financing for private sector property acquisition and site assembly (see Exhibit 1 for Due Diligence requirements), with the loan repayment proceeds and interest returning to the fund.

Primary objectives:

Acquisition of property or financing of property acquisition for redevelopment of sites located on commercial and transit corridors and at commercial nodes (designated in *The Minneapolis Plan*) for mixed commercial and residential use. Funds will be used to assemble or aid in assembly of larger sites for new mixed-use and mixed-income rental and ownership multifamily housing and commercial in areas where mixed use is appropriate. At least 20% of the housing units must be affordable at <50% MMI (city affordable housing policy).

Eligible properties and projects:

- Located on a commercial corridor or at a commercial node designated in The Minneapolis Plan.
- Located on a major transit corridor.
- Redevelopment for mixed commercial and residential use.

Eligible costs:

Acquisition, relocation, demolition, property holding management costs, gap financing for private acquisition and assembly (see Exhibit 1 for Due Diligence requirements).

Process:

CPED will have an open nomination process to solicit suggestions for specific sites and projects from neighborhood organizations, developers, City staff and other interested parties (note: this process will not be a formal RFP process). As necessary, the Corridor Finance Review Team and CPED staff will evaluate and make recommendations regarding the proposals based on the following criteria. Any direct CPED acquisition and disposition will be undertaken pursuant to CPED policies and procedures. Program income from CARF land sales will be available on a revolving fund basis, however, these funds will diminish over time. Consistent with the CPED Disposition Policy, properties will be sold for Fair Reuse Value as opposed to actual CPED cost. In addition, CARF resources will be used for property management, transaction and demolition costs related to the acquisition properties.

Priority will be given to projects meeting the following criteria:

- Consistent with the goals and objectives articulated in *The Minneapolis Plan* and any adopted Small Area Plan, Station Area Plan, Station Area Implementation Plan or other adopted land use policy document for the area.
- Neighborhood support
- Financial feasibility and readiness
- Integration with broader revitalization efforts (e.g. Center for Neighborhood's Corridor Housing Initiative)
- Leverage/matching funds for acquisition (e.g. NRP, private, foundation, other government sources)
- Density appropriate to the location

- Affordable housing (<50% MMI) and mix of incomes appropriate to the location
- Removal of derelict property
- Highly visible, catalytic projects
- Appropriate location for mixed-use or commercial development (e.g. areas with demonstrable market demand for additional commercial use, not experiencing high vacancies)
- Demonstrated need for public intervention
- Minimal displacement

EXHIBIT 1

DUE DILIGENCE REQUIREMENTS

Contracting:

1. Deferred or Forgivable Loan with Promissory Note and Mortgage; and Performance Guarantee (or letter of credit) in an amount sufficient to ensure developer performance.

Due Diligence:

1. Independent Fee Appraisal;
2. Title Commitment/Insurance;
3. Phase I Environmental Assessment (Phase II if required);
4. Geotechnical/soils information;
5. Survey;
6. Review of public utility services;
7. Budget and sources for all acquisition funds;
8. City General Contracting Requirements (Affirmative Action, SUBP, insurance, etc.);
9. CPED Application for Public Financial Assistance (with attachments and \$1,000 fee):
 - a. Note: may supplement attachments with MHFA Form 402.
10. Qualifications of Developer – MHFA Form 203A or HUD Form 2530 (with attachments);
11. Market Study;
12. Preliminary site plans, elevations;
13. Developer audited financial statements (past 2 years);
14. Neighborhood letter;
15. Status of Zoning, Regulatory Approvals;
16. Timeline for submitting applications for various public funding sources (note: only existing, available, non-extraordinary program resources should be considered).
17. Demonstration of competitiveness for various public funding resources.
18. Detailed description of public improvements, infrastructure (timeline and budget).

Performance Benchmarks

Date

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|--------------------------------|-------|
| 1. Land Acquisition | _____ |
| 2. RAP | _____ |
| 3. Zoning/Regulatory approvals | _____ |
| 4. Construction Plans | _____ |
| 5. Bidding | _____ |
| 6. Construction Start | _____ |
| 7. Construction Completion | _____ |