



**Request for MCDA Board of Commissioner Action
From the Department of Community Planning & Economic Development**

Date: June 22, 2004

To: MCDA Board of Commissioners

Prepared by Edith Johnson, Project Coordinator, Phone 612-673-5262

Presenter in Committee: Edith Johnson, Project Coordinator

Approved by Chuck Lutz, Deputy CPED Director _____
Lee Pao Xiong, Director, Housing _____

Subject: Land Sale-Public Hearing
Willard Homewood Urban Renewal Project

RECOMMENDATION: Approve the sale of 1341 Sheridan Avenue North to The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC) for \$26,750.00 with payment deferred with a note and mortgage until the property is sold.

Previous Directives: MCDA acquired 1341 Sheridan Avenue North on April 8, 1998.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): Eliminates property management costs.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward: 5

Neighborhood Notification: Northside Residents Redevelopment Council's Residential and Commercial Task Force (RCTF) on May 10, 2004, reviewed proposals from Greater Metropolitan Housing Corporation (GMHC), Benoz Enterprise and DPK Properties and recommended the sale of the property to GMHC for construction of a single family home for sale to an owner occupant. Neighborhood residents present at

the meeting also voted in favor of GMHC's proposal. The RCTF recommended that cedar brackets on GMHC's house be painted to match the trim color.

City Goals: "Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs and promotes future growth," and "Promote public, community and private partnerships to address disparities and to support strong, healthy families and communities."

Comprehensive Plan: Chapter 4, Section 4.9, states "Minneapolis will grow by increasing its supply of housing" and Section 4.11 states "Minneapolis will improve the availability of housing options for its residents."

Zoning Code: R1A

Living Wage/Job Linkage: Not applicable.

Other: The city's Community Planning staff reviewed the proposed house and site plans for the property. Staff believed the property was appropriate for all proposed plans and would be supported by the city's comprehensive plan. The same plans were submitted to the city's Zoning Department staff for preliminary variance review.

Background/Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALES PRICE</u>
WH-72-26	1341 Sheridan Avenue North	\$26,750

In April 1998, MCDA acquired from private parties the vacant single family home at 1341 Sheridan Avenue North. The agency's intent was to renovate the property under the Home Ownership Works (HOW) Program based on a cursory inspection of the property and when renovated, sell it to a first time homebuyer. However, a property investigation after acquisition showed that the property was not feasible for renovation within the guidelines of the HOW Program, which has our most generous subsidy cap. The property was demolished in September 1998.

PURCHASER: The Greater Metropolitan Housing Corporation
of the Twin Cities (GMHC)
15 South Fifth Street, Suite 710
Minneapolis, MN 55402

OR

Benoz Enterprise, Inc.
17715-48th Place North
Plymouth, MN 55446

OR

DPK Properties, LLC
1359 Park Road
Chanhassen, MN 55317

PROPOSED DEVELOPMENT(S):

1341 Sheridan Avenue North

The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC)

GMHC proposes construction of a 1 ½ story single family home with a detached two-car garage. The home will contain 3 bedrooms, 2 baths, living room, dining room, kitchen with built-in table and benches, and full unfinished basement. There will be approximately 1,775 sq. ft. of finished living space.

GMHC estimates the sale price of the home upon completion at \$220,000 and expects to market and sell the home to owner occupants with income at or below 115% of area median income.

Benoz Enterprise, Inc.

Benoz Enterprise, Inc. proposes construction of a 2-story single family home with a detached two-car garage. The home will contain 3 bedrooms, 2 ½ baths, living room, dining room, kitchen with center island and eating area and full unfinished basement. There will also be an upstairs laundry room for the washer and dryer. There will be approximately 1,950 square feet of finished living space.

Benoz Enterprise, Inc., submitted to CPED documentation showing the homebuyer as Neal Burton, who has pre-approved conventional mortgage financing for the purchase of this single family home. Additionally, Benoz Enterprise, Inc., submitted to CPED a Purchase Agreement signed by Neal Burton and Benoz Enterprise, Inc. The Purchase Agreement showed the seller and buyer agreeing to the home sale price of \$229,900.

DPK Properties, LLC

DPK Properties, LLC, propose to construct a 2-story single family home with a detached two-car garage. The home will contain 6 bedrooms, 2 bathrooms, living room, dining room, kitchen and full unfinished basement. There will be approximately 2,016 square feet of finished living space.

DPK Properties estimate the sale price of the home upon completion at \$269,000 and expect to market and sell the home to owner occupants.

The lot size at 1341 Sheridan Avenue North is 42' x 129' = 5,418 total square feet.

LAND DISPOSITION POLICY:

This is buildable lot as defined by MCDA policy and is being sold for development.

FINANCING:

The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC), Benoz Enterprise, Inc. and DPK Properties, LLC, have demonstrated sufficient financing for the above proposed development projects.

GMHC has requested that payment of the purchase price be deferred via a note and mortgage until the sale of the property to the buyer. GMHC anticipates a sale closing shortly after construction completion.

OFFERING PROCEDURE:

Public Advertisement. The sale price reflects the appraised re-use value for the property.

COMMENTS:

MCDA/CPED received proposals from the following developers in response to its advertisements in Minneapolis Star Tribune and Finance and Commerce newspapers: The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC), Benoz Enterprise, Inc. and DPK Properties, LLC. Proposals were due on April 12, 2004. Staff reviewed all proposals and on April 23, 2004, forwarded the proposals to Northside Residents Redevelopment Council (NRRC) for the 45-day review process.

The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC) and MCDA/CPED are partners in the Century Homes Program. GMHC has purchased and developed MCDA/CPED properties. Pursuant to our partnership agreement, GMHC and MCDA/CPED agreed to split equally any profits or deficits realized from the sale of properties. According to the above development proposal, budget projections indicate an estimated profit as follows:

1341 Sheridan Avenue North

Total Development Cost	\$203,465.00
Estimated Sales Price	\$220,000.00
Total Profit (Deficit)	\$ 16,535.00
½ Profit (Deficit)	\$ 8,267.50

Benoz Enterprise's proposal documents show that the company has experience with new construction projects at the following locations: 3529 Aldrich Avenue North, 3724 Oakland Avenue South, 3851 Bryant Avenue North, 4615 Clinton Avenue South, 5841-28th Avenue South, 3817-26th Avenue South and 2018 Russell Avenue North. Additionally, Benoz Enterprise, Inc. noted that it purchased from MCDA/CPED, the property at 2923-14th Avenue South. On conferring with other CPED staff, I did not get information or the impression that CPED experienced concerns regarding Benoz Enterprise, Inc.

Although Benoz Enterprise, Inc. submitted to CPED a higher sale price proposal with an identified homebuyer, CPED staff recommended to sell the property to GMHC is based on the fact that after the neighborhood meeting, Benoz Enterprise's representative and presenter stated that he wanted to construct the single family home on another MCDA/CPED vacant lot. Benoz Enterprise's reason for wanting a different lot was based on the neighborhood's recommendation and an area resident's comment about placing the new, nice home near other homes that were not well maintained on the 1300 block of Sheridan Avenue North. The identified homebuyer attended the neighborhood meeting and seemed to accept Benoz Enterprise's decision to continue to review our lot list and advertisements for a better location for construction of the home. In a recent conversation with Benoz Enterprise, Inc. Benoz Enterprise, Inc. informed

CPED staff that it would build a house at 1341 Sheridan Avenue North only if it had an identified homebuyer for that location.

DPK Properties' proposal documents show that the company used Dream Home Development, LLC, letterhead for its submissions even though the Offer to Purchase document showed the purchaser as DPK Properties, LLC. The Offer also shows the general contractor/builder as Dream Home Development, LLC. Both companies show the same street address.

Regarding Dream Home Development as general contractor/builder, documentation shows that the company has constructed approximately 70 single family and 6 multifamily properties in the Minneapolis and St. Paul metropolitan areas since 2002. None of these developments were on MCDA/CPED properties.

CPED Single Family Housing and Construction Management staff met with the DPK Properties to discuss its house plan and provide recommendations for modifications, with the stated understanding that any and all modifications were not to be construed or interpreted as getting acceptance from CPED and/or land sale approval from the MCDA Board of Commissioners. CPED staff recommended the deletion of the smallest (98 sq. ft.) upstairs bedroom and addition of a master bedroom and bathroom. Staff also recommended that if DPK Properties, LLC, believed that a 6th bedroom was needed, the homebuyer could finish a bedroom, or possibly 2 bedrooms, in the basement area where two egress windows were shown. DPK Properties, LLC, stated it was willing to modify its house plan, and did, and later submitted a modified plan for another MCDA/CPED property. DPK Properties, LLC, also introduced CPED staff to a representative from the firm it hired to assist with house plans, designs and other land sale matters.

CPED staff requested that GMHC place additional windows on the north elevation of its house plan and that Benoz Enterprise, Inc. place additional windows on the east elevation of its house plan. Both developers agreed to place two additional windows on the specified elevations of the house plans.

CPED staff concurs with Northside Residents Redevelopment Council's Residential and Commercial Task Force recommendation to sell this property to The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC).

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By _____

Authorizing Sale of Land
Willard-Homewood Urban Renewal Project
Disposition Parcel No. WH 72-26

WHEREAS, the Minneapolis Community Development Agency, hereinafter known as the Agency, has received an offer to purchase and develop Disposition Parcel WH 72-26, in the Willard-Homewood neighborhood, from The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC), hereinafter known as the Redeveloper, the Parcel WH 72-26, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

Lot 4, Block 4, W.H. Lauderdale's Addition to Minneapolis.

WHEREAS, the Redeveloper has offered to pay the sum of \$26,750, for Parcel WH 72-26 to the Agency 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 Agency a statement of financial responsibility and qualifications; and

WHEREAS, the Agency 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 Agency in determining a re-use value for the Parcel; and

WHEREAS, pursuant to due notice thereof published in *Finance and Commerce* on June 11, 2004, a public hearing on the proposed sale was duly held on June 22, 2004, following 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, that the re-use value for uses in accordance with the Willard-Homewood Urban Renewal Project plan, as amended, is hereby estimated to be the sum of \$26,750 for Parcel WH 72-26, and

BE IT FURTHER RESOLVED, that the acceptance of the offer and proposal is hereby determined to be in accordance with the Agency's approved disposition program 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; and

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 Executive Director or other appropriate official of the Agency 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 Executive Director or other appropriate official of the Agency; and

BE IT ALSO FURTHER RESOLVED, that the Chairman and Secretary, or any other two Commissioners of the Agency, are 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 Agency 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 Chairman and Secretary, or any other two Commissioners of the Agency.

RECORD OF COMMISSIONER VOTE													
Commissioner	Aye	Nay	NV	Abs	Ovrd	Sust	Commissioner	Aye	Nay	NV	Abs	Ovrd	Sust
Benson							Ostrow						
Colvin Roy							Samuels						
Johnson							Schiff						
Johnson Lee							Zerby						
Lane							Zimmermann						
Lilligren							Goodman, chair						
Niziolek													
Vote: NV - Not Voting			Abs - Absent			Ovrd - Vote to Override			Sust - Vote to Sustain				

ADOPTED _____: _____
Chairperson

APPROVED
NOT APPROVED _____: _____
VETOED _____
Mayor

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WHEREAS, the Redeveloper has submitted to the Agency a statement of financial responsibility and qualifications; and

WHEREAS, the Agency 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 Agency in determining a re-use value for the Parcel; and

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