



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

Date: September 14, 2004

To: MCDA Board of Commissioners

Prepared by: Earl Pettiford, Phone 612-673-5231

Presenter in Committee: Earl Pettiford

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Land Sale – Public Hearing
Model Cities - Self Sufficiency Urban Indian Community Initiative

RECOMMENDATION: Approve the sale of all of the following parcels to American Indian Community Development Corporation (AICDC) for their fair market value as shown below with a deferral of approximately \$17,000 per property, not to exceed \$119,000 in land sale proceeds, as a mortgage to AICDC which will convert and be subordinated as a 2% interest loan deferred for the life of the mortgage to the end buyer based on income eligibility.

Address	Value
2122 – 16 th Ave. S.	\$34,000
1106 E. 22 nd Street	\$18,000
1110 E. 22 nd Street	\$18,000
1109 E. 21 st Street	\$17,500
1406, 1406 ½, & 1408 E. 22 nd St.	\$40,000
1801 – 14 th Ave. S./1411 E. 18 th Street	\$21,000
2101 – 13 th Ave. S., 1307 E 21st St & 1309 E 21st St	\$27,400
Total	\$175,900

Rescind the sale of 2309-15th Avenue South under Resolution No. 2001-2443M to The Lion Group, Inc.

The Director recommends that sale of the following R5 zoned parcel be rejected until the developer completes the necessary rezoning actions at which time staff will return with a new land sale report.

2309 – 15 th Ave. S.	\$24,500
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In addition, the Director recommends that the Board of Commissioners approve a 12 month extension of the exclusive development rights for the remaining five parcels which are as follows: 2119 – 14th Ave. S., 1913 Columbus Ave., 1919 Columbus Ave., 1929 Columbus Ave. 1351 E 23rd Street.

Previous Directives: The Board of Commissioners approved a one-year exclusive development rights to American Indian Community Development Corporation on 18 parcels located in Ventura Village on September 16, 2003.

On June 8, 2001, the MCDA Board of Commissioners approved the sale of 2309-15th Avenue South to the Lion Group, Inc. The developer withdrew their offer to purchase.

The MCDA acquired the following parcels:

<u>Address</u>	<u>Zoning</u>
1801 – 14 th Ave. S./1411 E. 18 th Street; acq: 3/28/00	R4
2122 – 16 th Ave. S.; acq: 5/1/96	R2B
2309 – 15 th Ave. S.; acq: 2/18/91	R5
1106 E. 22 nd Street; acq: 8/6/99	R2B
1110 E. 22 nd Street; acq: 3/28/00	R2B
1109 E. 21 st Street; : acq: 11/23/98	R2B
1406/1406 ½, &1408 E. 22 nd St.; acq: 5/24/99, 7/25/00, 9/24/97	R2B
2101 – 13 th Ave. S./1307 E 21st St & 1309 E 21st St acq: 12/18/00/ 3/21/78/ 1/15/88	R4

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): Eliminate property management costs.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 6

Neighborhood Notification: Ventura Village reviewed these proposals and recommended they be approved.

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.

Comprehensive Plan: These activities are consistent with the Comprehensive Plan as shown on the Land Use Map and in conformance with all existing Redevelopment Plans for the affected areas.

Zoning Code: The proposed development complies with the existing zoning.

Living Wage/Job Linkage: N/A

Background/Supporting Information

PARCEL	ADDRESS	SALE PRICE
TF495&660	1801 – 14 th Ave. S./1411 E. 18 th Street	\$21,000
TF309	2122 – 16 th Ave. S.	\$34,000
TF489	1106 E. 22 nd Street	\$18,000
TF486	1110 E. 22 nd Street	\$18,000
TF435	1109 E. 21 st Street	\$17,500
MC 72-11, 12 &12B	1406, 1406 ½, &1408 E. 22 nd St.	\$40,000
TF608,NH340A, MC70-4A	2101 – 13 th Ave. S./1307 E 21st St & 1309 E 21st St	\$27,400

PURCHASER

American Indian Community Development Corporation
 2020 Bloomington Ave. S.
 Minneapolis, MN 55404

PROPOSED DEVELOPMENT:

The AICDC is proposing to develop a 4 bedroom, 1 ½ bath single family home with a 2 car detached garage on each of the properties listed below.

Address	Square Feet
1801 – 14 th Ave. S./1411 E. 18 th Street (combined)	6312
2122 – 16 th Ave. S.	7257
2309 – 15 th Ave. S.	7268
1106 E. 22 nd Street	3060
1110 E. 22 nd Street	3060
1109 E. 21 st Street	3066
1406, 1406 ½, &1408 E. 22 nd Street (combined)	7603

2101 – 13 th Ave. S./1307 & 1309 E 21st St (combined)	7397
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LAND DISPOSITION POLICY:

Negotiated. These properties are buildable lots as defined by MCDA policy and are being sold for development.

FINANCING*:

Buyer Financing from Mille Lacs Band @ 2% interest	\$120,000 ea
MHFA (Urban Indian Program) gap financing	\$ 30,000 ea
Abbott-Northwestern Foundation – down payment assistance for Phillips home-buyers	\$ 5,000 ea
Empowerment Zone “Smart Commute” down payment assistance	\$ 5,000 ea
Mille Lacs Funded gap financing	\$ 40,000 ea
Total	\$200,000 ea

OFFERING PROCEDURE:

MCDA Board of Commissioners approved exclusive development rights in September 2003 on all of these lots. The sales price of these properties does reflect the full re-use value.

COMMENTS:

The Board of Commissioners approved exclusive development rights to the AICDC in September 2003. Since that time, they have been working closely with the Mille Lacs Band Community Development Department to structure a home ownership program for urban Indians which mirrors what currently exists on the reservations. Mille Lacs Band (MLB) has contracted with AICDC to supply the following:

1. Construction financing for the total project (\$1.4 million)
2. Qualify buyers
3. Final mortgage financing at 2% interest rate
4. Gap financing
5. Architectural design and guidelines for construction

Currently, MLB has selected 10 families. The income of all of the buyers is under 80% of MMI and most are below 50% of MMI. MLB has pre-qualified all of the buyers. As part of its mortgage contract, MLB will specify repayment of its share of the gap financing if the home is sold to a non-Band member and will contractually retain a right of first refusal for the buy back of the house. A second mortgage will also be initiated to guarantee affordability of the house for 15 years for the MHFA gap financing.

The total development cost of each home is approximately \$217,000. As listed above, AICDC has secured financing in the amount of \$200,000 for each home which leaves an average gap of approximately \$17,000 on each property. AICDC’s initial offered less

than the fair market value of the properties. Their purpose was to bridge a buyer financing gap of approximately \$17,000 per property. After discussing their offer with staff, AICDC modified their offer to request that the \$17,000 of the land sales price for each property be deferred. The funds deferred would be secured by a note and mortgage with a 15 year term which would be assumable by each purchaser. They proposed that this loan would be satisfied by full repayment during the 15 year term if the property either becomes non owner occupied or is sold to an owner occupant who was not income eligible. They also proposed that the loan would be forgiven when the owner occupant successfully completed the 15 year term.

The design of their program is intended to address the affordability needs of buyers, the majority of which have incomes at or below 60% of SMSA. This program design is consistent with already existing CPED programs i.e. Homeownership, Perpetual Affordability and Workforce Housing Programs. With this in mind, staff decided to be consistent with the guidelines of a 2% fixed, simple interest rate with the loans being assumable by a new income eligible buyer. This is also consistent with the already City Council approved second mortgage program.

Staff is recommending that the City Council approves deferring a portion of the total land sale proceeds from AICDC of not more than \$119,000 to be structured as a mortgage on each property. This mortgage will be assumable and subordinated by the end purchaser as an affordability loan of not more than \$17,000 with a 2% interest rate contingent upon sale to an income-eligible purchaser based on HUD/Section 8 income guidelines due and payable at the time of sale. The City loan will be subordinated to the MLB first mortgage, MLB second mortgage and MHFA affordability loan. Staff is not recommending that this loan converts to a grant at the end of 15 years. The City will receive \$56,900 in land sale proceeds at the time of the land sale with the remaining \$119,000 plus interest to be collected in the future when the loans become due.

If the property is sold to a new buyer who is income qualified then both the MHFA and the City affordability loans will be assumable by the new purchaser. In all cases, at the time of sale of the property all accrued interest on the City's loan will be due and payable to the City.

There are additional parcels that were approved for AICDC exclusive development rights. At this time, AICDC has requested an additional 12 months to complete development plans for the remaining parcels. AICDC's staff is working with CPED Multi-Family staff for several of the sites and their consultant, Lisa Kugler is working on development plans for the Columbus Avenue site. Staff is supporting AICDC's request for a 12-month extension on the exclusive development rights for the remaining sites.

FOR COMMISSIONERS USE ONLY

TOTAL ACQUISITION COSTS INCURRED BY MCDA ATTRIBUTABLE TO THE FOLLOWING PROPERTIES:

Date: September 14, 2004
 Subject: Land Sale – Public Hearing
 Model Cities - Self Sufficiency Urban Indian Community Initiative

Address:

1801 – 14 th Ave. S./1411 E. 18 th Street	R4
2122 – 16 th Ave. S.	R2B
1106 E. 22 nd Street	R2B
1110 E. 22 nd Street	R2B
1109 E. 21 st Street	R2B
1406, 1406 ½, &1408 E. 22 nd St.	R2B
2101 – 13 th Ave. S.	R4

Purchaser: American Indian Housing Community Development Corporation

Disposition Parcel No. Date Acq.	Address	Total MCDA Cost	Less Sales Price	Write-off
TF495&660	1801 – 14 th Ave. S./1411 E. 18 th Street	\$2	\$21,000	\$0
TF309	2122 – 16 th Ave. S.	\$1	\$34,000	\$0
TF489	1106 E. 22 nd Street	\$7,751	\$18,000	\$0
TF486	1110 E. 22 nd Street	\$1	\$18,000	\$0
TF435	1109 E. 21 st Street	\$7,501	\$17,500	\$0
72-11, 12 &12B	1406, 1406 ½, &1408 E. 22 nd St.	\$83,588	\$40,000	\$0
TF608,NH 340A,MC7 0-4A	2101 – 13 th Ave. S.	\$26,001	\$27,400	\$0

Reuse Value Opinion	Less Sales Price	Write-Down
\$21,000	(-) \$21,000	\$0
\$34,000	(-) \$34,000	\$0
\$18,000	\$18,000	\$0
\$18,000	\$18,000	\$0
\$17,500	\$17,500	\$0
\$40,000	\$40,000	\$0
\$27,400	\$27,400	\$0

Write-Down

Reason:

Developer History With MCDA:

CPED/MCDA has had no experience with the AICDC as a developer.

Developer Information:

- Single Individual(s)
- Family with ___ Dependents (one or more adults with dependents)
- General Partnership
- Limited Partnership
- Non-Profit Corporation of the State of Minnesota
- Other

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By _____

Authorizing Sale of Land
Model City Urban Renewal Project
Disposition Parcel No. (See Exhibit A Attached Hereto)

WHEREAS, the Minneapolis Community Development Agency, hereinafter known as the Agency, has received offers to purchase and develop Disposition Parcels (See Exhibit A Attached Hereto), in the Ventura Village neighborhood, from American Indian Community Development Corporation, hereinafter known as the Redeveloper, the Parcels (See Exhibit A Attached Hereto), being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

See Exhibit A Attached Hereto.

WHEREAS, the Redeveloper has offered to pay the sum of (See Exhibit A Attached Hereto), for Parcels (See Exhibit A Attached Hereto) to the Agency for the land, and the Redeveloper's proposals are 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 values reviewed by an appraisal expert, stating that the re-use value opinions are consistent with the accepted methods in aiding the Agency in determining re-use values for the Parcels; and

WHEREAS, pursuant to due notice thereof published in Finance and Commerce on August 27, 2004, a public hearing on the proposed sale was duly held on September 14, 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 values for uses in accordance with the Model City Urban Renewal Project plan, as amended, is hereby

estimated to be the sum of (See Exhibit A Attached Hereto) for Parcels (See Exhibit A Attached Hereto), and

BE IT FURTHER RESOLVED, that the acceptance of the offers and proposals are 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 parcels in accordance with the Redevelopment Plan and/or Program; and

BE IT FURTHER RESOLVED, that the proposals be and the same are hereby accepted, subject to the execution of contracts 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 contracts to the Redeveloper; provided, however, that this Resolution does not constitute such contracts and no such contracts 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 contracts 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,						
Niziolek							chair						
Vote: NV - Not Voting			Abs - Absent			Ovrd - Vote to Override			Sust - Vote to Sustain				

ADOPTED _____ : _____
Chairperson
APPROVED
NOT APPROVED _____ : _____
VETOED _____ : _____
Mayor

Minneapolis Community Development Agency
Crown Roller Mill, 105 Fifth Ave. S.
Minneapolis, MN 55401

EXHIBT A

1801-14th Avenue South (TF-495A)

The North 35 feet of the West 90 feet of Lot 1, Block 6, C.L. Willes' Addition to Minneapolis.

1411-18th Street South (TF-660)

All of Lot 1, except the West 90 feet thereof, Block 6, C.L. Willes' Addition To Minneapolis.

\$21,000

1106-E 22nd Street (TF-489)

Being registered property as is evidenced by Certificate of Title No. 1042866.

\$18,000

1110-E 22nd Street (TF-496)

Those parts of Lot 6 and the South 43.1 feet of Lot 5, Block 1, J.L. Johnson's Addition to Minneapolis, which lie east of a line drawn perpendicular to the south line of said Lot 6 intersecting said south line at a point distant 34 feet west from the southeast corner of said Lot 6.

Being registered land as is evidenced by Certificate of Title No. 20451.

\$18,000

1109-E 21st Street (TF-435)

Being registered land as is evidenced by Certificate of Title No. 1025041.

\$17,500

Exhibit A (continued)

1406 E 22nd Street (MC 72-11)

The Westerly 27.95 feet, except the rear 53 feet of the Easterly 7 feet of the Westerly 27.95 feet of Lot 7, Block 7, Eliot's Addition to Minneapolis.

Being registered land as is evidenced by Certificate of Title No. 1027507.

1406 1/2 E 22nd Street (MC 72-12B)

The Easterly 34.95 feet, front and rear, of the Northerly 53 feet of Lot 7, Block 7, Eliot's Addition to Minneapolis.

1408 E 22nd Street (MC 72-12)

The South 80.6 feet of that part of Lot 7, Block 7, Eliot's Addition to Minneapolis lying East of the West 27.95 feet.

Being registered land as is evidenced by Certificate of Title No. 864496. \$40,000

2101-13th Avenue South (TF-608)

North 1/2 of Lot 5, Block 6, Eliot's Addition to Minneapolis.

Being registered land as is evidenced by Certificate of Title No. 1060356.

1307 E 21st Street (NH-340A)

The North 1/2 of the West 1/2 of Lot 4, Block 6, Eliot's Addition to Minneapolis.

1309 E 21st Street (MC 70-4A)

The North 1/2 of the West 1/2 of Lot 4, Block 6, Eliot's Addition to Minneapolis.

\$27,400

2122-16th Avenue South (TF-309)

Lot 13, Block 4, Foster's Addition to Minneapolis.

Being registered property as is evidenced by Certificate of Title No. 842112.

\$34,000

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By _____

Authorizing Sale of Land
Model City Urban Renewal Project
Disposition Parcel No. MC 82-3 & 4

WHEREAS, the Minneapolis Community Development Agency, hereinafter known as the Agency, has received offers to purchase and develop Disposition Parcel MC 82-3 & 4, in the Ventura Village neighborhood, from American Indian Community Development Corporation, hereinafter known as the Redeveloper, the Parcel MC 82-3 & 4, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

The North 14.62 feet of Lot 10 and the South 16.38 feet of the West 79 feet of Lot 11; also that part of the South 19.38 feet of Lot 11 lying East of the West 79 feet thereof, all in Subdivision of Block 16 of Elliott's Addition and
The South 30 feet of Lot 10, Subdivision of Block 16, Elliott's Addition to Minneapolis.

WHEREAS, the Redeveloper has offered to pay the sum of \$24,500, for Parcel MC 82-3 & 4 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 re-use values for the Parcel; and

WHEREAS, pursuant to due notice thereof published in Finance and Commerce on August 27, 2004, a public hearing on the proposed sale was duly held on September 14, 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.

WHEREAS, the Agency on June 8, 2001, by its Resolution No. 2001-2443M, authorized the sale of Parcel MC 82-3 & 4; and

WHEREAS, The Lion Group, Inc. has withdrawn their offer to purchase; and

NOW, THEREFORE, BE IT RESOLVED, that the action taken by the Agency in its Resolution No. 2001-2443M, authorizing the sale of Parcel MC 82-3 & 4 to The Lion Group, Inc. be rescinded; and

BE IT FURTHER RESOLVED, that the re-use value for uses in accordance with the Model City Urban Renewal Project plan, as amended, is hereby estimated to be the sum of \$24,500, 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 is and the same is hereby accepted, subject to the execution of 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 contracts and no such contracts 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 contracts 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,						
Niziolek							chair						
Vote: NV - Not Voting			Abs - Absent			Ovrd - Vote to Override			Sust - Vote to Sustain				

ADOPTED _____: _____
APPROVED _____: _____
NOT APPROVED _____: _____
VETOED _____: _____

Chairperson
Mayor

Minneapolis, MN 55401

Address: 1801-14th Av S & 1411 E 18th St; 6,312 sf; zoned: R4

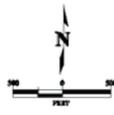
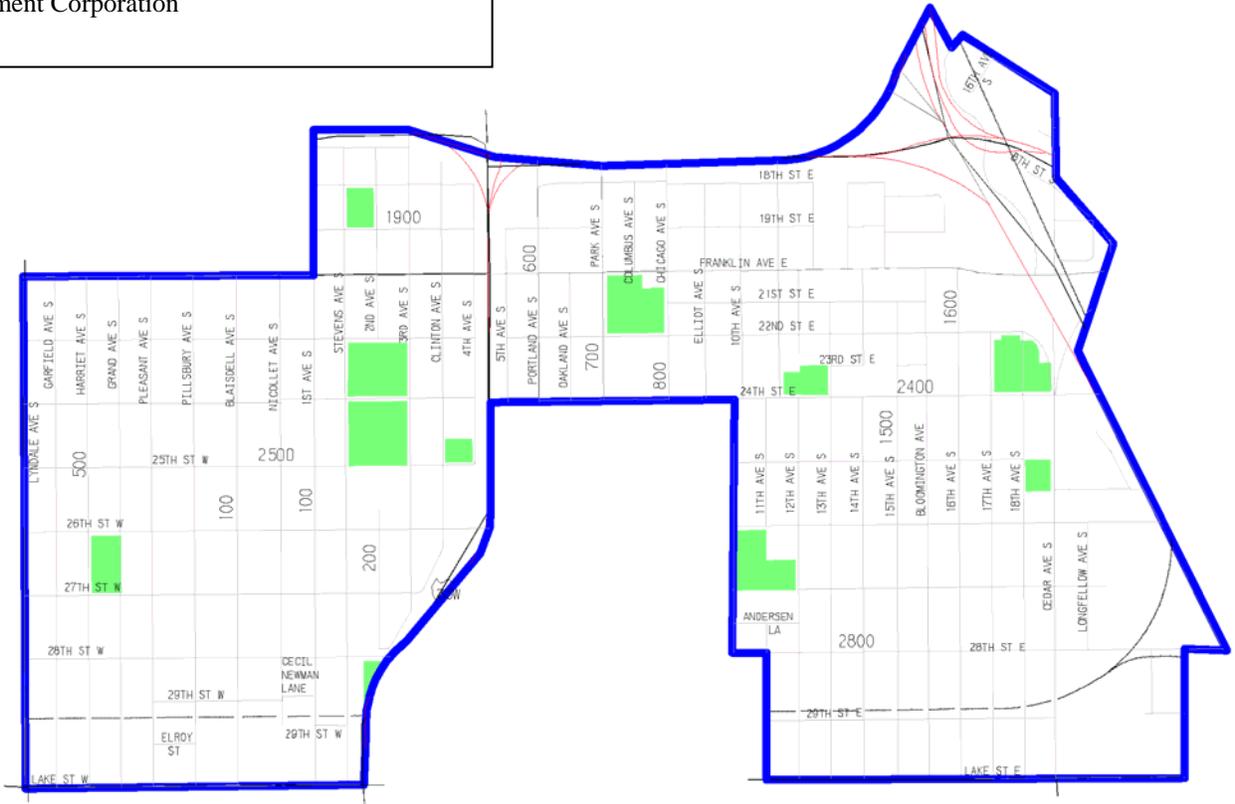
2122-16th Av S; 7,257 sf; zoned: R2B

1106 E 22nd St; 3,060 sf; zoned: R2B

1110 E 22nd St; 3,060 sf; zoned: R2B

Purchaser: American Indian Community Development Corporation

WARD 6



WARD 6

Address: 1109 E 21st St; 3,066 sf; zoned: R2B
1406, 1406 1/2 & 1408 E 22nd St; 7,603 sf; zoned: R2B
2101-13th Av S, 1307 & 1309 E 21st St; 7,397 sf; zoned: R4
Purchaser: American Indian Community Development Corporation

