



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

Date: August 24, 2004

To: Council Member Lisa Goodman, Community Development Committee

Prepared by Tiffany Glasper, Project Coordinator III, Phone 612-673-5221
Presenter in Committee: Tiffany Glasper, Project Coordinator III

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

Subject: Land Sale – Public Hearing
McKinley – Vacant Housing Recycling Program

RECOMMENDATION: Deny the sale of 3601 Lyndale Avenue North to Mohammad K. Thabet d/b/a AA Contracting, Inc. for \$22,000.

Previous Directives: MCDA acquired 3601 Lyndale Avenue North on April 21, 1995.

On April 2, 2004, the MCDA Board of Commissioners denied the sale of 3601 Lyndale Avenue North to Mohammad K. Thabet d/b/a AA Contracting, Inc and further directed staff to work with the developer on improving his plans. Mr. Thabet has revised his plans per staff's recommendations.

On July 27, 2004, the MCDA Board of Commissioners directed staff to conduct research into the maintenance history of the developer's rental properties and report the findings of that research.

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): Sale of this parcel will eliminate future property management expenses.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward: 3

Neighborhood Notification: McKinley Community's Housing Issue Group reviewed the proposal presented by AA Contracting on June 10, 2004 and recommended it 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: 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." Also this area is designated for low density housing in accordance with the Land Use Policy Map.

Zoning Code: Complies. 3601 Lyndale Avenue North is zoned R1A.

Living Wage/Job Linkage: NA

Other: None

BACKGROUND/SUPPORTING INFORMATION:

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
MCKLY 10 – 16, 17B	3601 Lyndale Avenue North	\$22,000

PURCHASER
Mohammad K.Thabet
d/b/a AA Contracting, Inc.
12425 53rd Street North
Stillwater, MN 55082

MCDA acquired 3601 Lyndale Avenue North from a private party on April 21, 1995. The parcel contained a vacant and blighted structure. The lot size is 60' X 124' = 7,440 sq. ft.

PROPOSED DEVELOPMENT:

Mohammad K. Thabet d/b/a AA Contracting, Inc. is proposing construction of a two-story single family stucco home with a detached, two-car garage. The home will contain four bedrooms, three bathrooms and a total of approximately 2,250 sq. ft. of finished living space. The developer estimates the value upon completion at \$222,000 and it will be sold to an owner-occupant.

LAND DISPOSITION POLICY:

This lot is buildable as defined by CPED's policy.

FINANCING:

AA Contracting, Inc. has demonstrated sufficient financing for the proposed new construction project.

OFFERING PROCEDURE:

Public advertisement. The sale price reflects the appraised reuse value for this parcel.

COMMENTS:

On July 27, 2004, the MCDA Operating Committee heard a land sale board report presentation recommending approval of the proposal received by Mohammad Thabet. At that meeting committee members reported findings related to rental properties owned by Mr. Thabet and requested that staff conduct further research and report the results of that research.

Staff has conducted the requested research and have found that according to the City's Property Database, Mr. Thabet owns six rental properties in the City of Minneapolis, located at 1417 East Lake Street, 3045 Clinton Avenue South, 3204 3rd Avenue South, 2215 29th Avenue North, 2406 Lowry Avenue North and 2118 West Broadway.

All of these properties have been subject to a number of housing violations while in Mr. Thabet's ownership. For ease in reviewing this data, staff categorized the violations into nuisance/aesthetic and health/safety, and also tracked if these violations were assessed by the City.

At 1417 East Lake Street, there are 50 reported violations. Of these, sixteen were nuisance/aesthetic (primarily graffiti related), 31 were health/safety and ten were assessed by the City.

At 3045 Clinton Avenue South, there are 42 reported violations. Of these, eleven were nuisance/aesthetic, 31 were health/safety and one was assessed by the City.

At 3204 3rd Avenue South, there are 30 reported violations. Of these, 21 were nuisance/aesthetic, nine were health/safety and seven were assessed by the City. Mr. Thabet has stated that this property was sold more than two years ago. However, City and County records indicate Mr. Thabet as the current owner.

At 2215 29th Avenue North, there are 135 reported violations. Of these, 23 were nuisance/aesthetic, 112 were health/safety and none were assessed by the City.

At 2406 Lowry Avenue North, there were 12 reported violations. Of these, four were nuisance/aesthetic, eight were health/safety and two were assessed by the City.

At 2118 West Broadway, there were 12 reported violations. Of these, four were nuisance/aesthetic, eight were health/safety and two were assessed by the City.

Staff also visited these properties and took photos of the front and rear elevations. Copies of these photos are attached to this report.

Staff contacted the City Inspections Department directly and inquired about any complaints or problems with Mr. Thabet, his properties or his work. The City Inspections Department indicated that Mr. Thabet was consistently responsive to their requests. Although it has been alleged that Mr. Thabet performed rehabilitation construction work on a structure in north Minneapolis without pulling the proper permits, staff was unable to confirm this allegation.

3601 Lyndale Avenue North has been in the MCDA/CPED inventory since approximately April 1995 and has been available to the public via our web site since August 2000.

CPED staff received a development proposal from Mohammad K. Thabet d/b/a AA Contracting, Inc. for the redevelopment of 3601 Lyndale Avenue North. There were no competing proposals.

Mohammad K. Thabet d/b/a AA Contracting, Inc. has successfully completed several major rehab projects through CPED's HOW Program and also has rehab experience through other local entities such as Project for Pride in Living and Powderhorn Residents Group. Mohammad K. Thabet d/b/a AA Contracting, Inc. is currently working on some new construction projects with Project for Pride in Living. Staff toured these new construction projects on May 4, 2004 and found them to be of sound construction. CPED has not worked with Mohammad K. Thabet d/b/a AA Contracting, Inc. on any new construction projects.

Mohammad K. Thabet d/b/a AA Contracting, Inc. attended the June 10, 2004 meeting of McKinley Community's Housing Issue Group to present his proposal. Members present expressed concern about the marketability of the location, but ultimately agreed that the presence of a quality home was more desirable than a vacant lot. The McKinley Community's Housing Issue Group recommended approval of the proposal submitted by Mohammad K. Thabet d/b/a AA Contracting, Inc.

In April 2004, staff reviewed a similar proposal from Mohammad Thabet d/b/a AA Contracting for redevelopment on this parcel. Staff did not recommend approval at that time due to significant problems with the house plans. Staff was instructed by the Operating Committee to work with the developer in improving the plans. Staff has since done that and a revised proposal was submitted by the developer.

Staff conducted a formal, professional review of the proposal and supports the neighborhood's recommendation. Mohammad K. Thabet d/b/a AA Contracting, Inc. has made significant changes and improvements to his plans since his last submittal. Additionally, the ultimate intent of this sale is owner-occupancy. Coupled with that is the fact that there is no evidence that Mr. Thabet is not following appropriate procedures in terms of permits and other requirements.

However, staff has recent information regarding market conditions in this area that lead us to believe that Mr. Thabet will be challenged in selling at this location. Therefore, there is a high likelihood that the completed project will be a rental property at least for some period of time.

Considering Mr. Thabet's history as an owner of rental properties, staff is not comfortable with this potential scenario.

Staff does not recommend the sale of 3601 Lyndale Avenue North to Mohammad Thabet/AA Contracting.