



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

Date: May 18, 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 Program

RECOMMENDATION: Approve the sale of 2310 Queen Avenue North to The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC) for \$17,900 and the sale of 1730 Newton Avenue North to Northside Residents Redevelopment Council (NRRC) for \$18,500.

Previous Directives: MCDA acquired 2310 Queen Avenue North on November 29, 1999 and 1730 Newton Avenue North on April 22, 1996.

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: On October 13, 2003, The Northside Residents Redevelopment Council (NRRC) Residential and Commercial Task Force reviewed all proposals and recommended the sale of 1730 Queen Avenue North to Northside

Residents Redevelopment Council. The Task Force tabled the proposal for 2310 Queen Avenue North due to a tie vote between Wisdom Builders and NRRC and the request from the Task Force and residents to tour a Wisdom Builders' home before the next meeting in November. CPED returned Wisdom Builders' proposals due to concerns regarding its financing. On November 10, 2003, the Task Force reviewed the proposal for 2310 Queen Avenue North and voted to approve the sale of 2310 Queen Avenue to NRRC. Surrounding property owners were notified of the proposals and invited to the meetings to review and vote on the proposals as a measure to alleviate a conflict of interest in reviewing the proposals and recommending a developer for the sale of the properties.

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: The redevelopment consistent with the Comprehensive Plan as shown on the Land Use Map and in conformance with the Willard Homewood Urban Renewal Plan relating to this community.

Zoning Code: R1A (1730 Newton & 2310 Queen Avenues North)

Living Wage/Job Linkage: Not applicable.

Other: The city's Community Planning staff found these single family development proposals to be acceptable for 1730 Newton and 2310 Queen Avenues North.

Background/Supporting Information

In April 1996, MCDA acquired from the U.S. Department of Housing and Urban Development 1730 Newton Avenue North as a vacant, boarded and condemned single family structure and later demolished it due to unreasonably high rehabilitation estimates. In November 1999, the vacant and boarded single family structure at 2310 Queen Avenue North was offered to MCDA as a donation and was acquired for \$1.00. The structure was later demolished due to unreasonably high rehabilitation estimates.

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALES PRICE</u>
WH 53-1	1730 Newton Avenue North	\$18,500
WH 127-5	2310 Queen Avenue North	\$17,900

PURCHASER: Northside Residents Redevelopment Council (NRRC)
1313 Plymouth Avenue North
Minneapolis, MN 55411
OR
The Greater Metropolitan Housing Corporation
of the Twin Cities (GMHC)
15 South Fifth Street, Suite 710
Minneapolis, MN 55402

OR
Drum Major Building, Incorporated
2315 Portland Avenue North
Minneapolis, MN 55404

**PROPOSED DEVELOPMENT:
1730 Newton Avenue North—**

The lot size for 1730 Newton Avenue North is 50' x 125' = 6,250 total square feet.

Northside Residents Redevelopment Council (NRRC)

Construction of a 2 ½ story single family home with 3 bedrooms, 2 ½ bathrooms, living room, dining room, kitchen with center island, mud room and unfinished full basement and half story areas, which can be finished by the homebuyer at a later date. Additionally, the home will have approximately 1,850 sq. ft. of finished living space and a detached 2 car garage. Total development cost is estimated at \$249,000, with developer's estimated value after construction of \$249,000.

NRRC expects to market and sell the home at market rate. No NRP funds will be used for the project.

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

Construction of a 2 story single family home with 3 bedrooms, 2 1/2 baths, living room, dining room, kitchen with center island, unfinished full basement, approximately 1,651 sq. ft. of finished living space and a detached 2 car garage. Total development costs are estimated at \$192,300, with developer's estimated value after construction of \$205,000.

GMHC expects to market and sell the home to persons with incomes at or below 115% of median income.

Drum Major Building, Inc.

Construction of a 2 story single family home with 3 bedrooms, 2 ½ baths, living room, dining room, kitchen, family room, laundry room, unfinished full basement, approximately 1,904 sq. ft. of finished living space and a detached two car garage. Total development cost is estimated at \$187,584, with developer's estimated value after construction of \$200,000.

Drum Major Building, Inc. expects to market and sell the home at market rate.

2310 Queen Avenue North---

The lot size at 2310 Queen Avenue North is 43' x 128' = 5,504 total square feet.

Northside Residents Redevelopment Council (NRRC)

Construction of a 2 story single family home with 3 bedrooms, 2 ½ baths, living room, dining room, kitchen, unfinished full basement, approximately 1,550 sq. ft. of finished living space and a detached two car garage. Total development cost is estimated at \$224,930, with appraised value of \$215,000.

NRRC expects to partner with the City of Lakes Community Land Trust to develop this project. NRRC will utilize the Land Trust model and sell the home to a buyer at or below 80% of median income. There will be perpetual affordability applied to this home. No NRP funds will be used for the project.

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

Construction of a 2 story single family home with 3 bedrooms, 2 ½ baths, living room, dining room, kitchen with center island, unfinished full basement, approximately 1,651 sq. ft. of finished living space and a detached two car garage. Total development cost is estimated at \$191,700, with developer's estimated value after construction of \$205,000.

GMHC expects to market and sell the home to persons with incomes at or below 115% or median income.

Drum Major Building, Inc.

Construction of a 2 story single family home with 3 bedrooms, 2 ½ baths, living room, dining room, kitchen, family room, laundry room, unfinished full basement, with approximately 1,904 sq. ft. of finished living space and a detached two car garage. Total development cost is estimated at \$186,984, with developer's value after construction at \$200,000.

Drum Major Building, Inc. expects to market and sell this home at market rate.

The lot size at 1730 Newton Avenue is 50' x 125' = 6,250 total square feet.

The lot size at 2310 Queen Avenue is 43' x 128' =5,504 total square feet.

LAND DISPOSITION POLICY:

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

FINANCING:

The developers have demonstrated sufficient financing for the proposed new development projects. NRRC has secured pre-approved private financing commitments and is working with City of Lakes Land Community Trust to secure gap funding. GMHC has secured pre-approved private financing commitments and receives MCDA/CPED funds for development of its projects. Drum Major Building has secured pre-approved private financing commitments. All private financing commitments are subject to final application and underwriting requirements.

OFFERING PROCEDURE:

Public Advertisement. The sales prices of these properties do reflect the full re-use values.

COMMENTS:

Four developers submitted proposals by the due date of October 6, 2003, in response to a public advertisement for single family development projects: Northside Residents Redevelopment Council (NRRC), The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC), Drum Major Building, Inc., and Wisdom Builders. Wisdom Builders' proposals were returned because of staff's concerns regarding its construction financing. In October, staff reviewed all proposals and forwarded them to NRRC for the neighborhood's 45-day review process.

NRRC and GMHC have years of experience working with CPED on rehabilitation and new construction housing projects. Drum Major Building, Inc. has very limited experience working with MCDA/CPED on housing projects.

NRRC is the recognized neighborhood organization for the Near North and Willard Hay neighborhoods in north Minneapolis. Regarding single family new construction projects in its neighborhoods, NRRC reviews proposals and provides a recommendation to CPED regarding the sale of CPED vacant lots.

The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC) and MCDA/CPED are partners in the Century Homes Program. 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 proposals, budget projections indicate estimated profits as follows:

1730 Newton Avenue North

Total Development Cost	\$192,300
Estimated Sales Price	\$205,000
Total Profit	+\$ 12,700
½ Profit	+\$ 6,350

2310 Queen Avenue North

Total Development Cost	\$191,700
Estimated Sales Price	\$205,000
Total Profit	+\$ 13,300
½ Profit	+\$ 6,650

Drum Major Building, Inc. is a sole proprietorship, with Robert Bailey as its President. Robert Bailey as a private individual was approved to purchase two lots in south Minneapolis for construction of a single family home with an adjacent carriage house. Construction of the single family home is under way. Recently, MCDA/CPED approved the sale of a north Minneapolis vacant lot to Drum Major Building, Inc. Robert Bailey was also a representative and officer of Craftsmen Homes Builders, LLC, which was developing two single family homes in north Minneapolis that were toured by members of the Jordan Area Community Council and CPED's staff. The lots on which the two homes were being developed were not MCDA/CPED lots. CPED staff found these

developments to be of sound construction. In October 2003, MCDA/CPED approved the sale of three vacant lots in north Minneapolis to Craftsmen Home Builders, but construction is not under way. CPED staff met with Craftsmen Homes Builders to discuss the land sales and construction time frame.

Northside Residents Redevelopment Council (NRRC) Residential and Commercial Task Force recommended the sale of these properties to NRRC. CPED staff is concurring with NRRC's recommendation regarding the sale of 1730 Newton Avenue North to NRRC because NRRC is proposing the construction of a single family home with highest developer's estimated value after construction and a large size house plan with an unfinished half story and basement that can be finished by the homebuyers for added living space. Additionally, NRRC will sell the home at market rate and no subsidy is needed for the project.

CPED staff does not concur with NRRC regarding the sale of 2310 Queen Avenue North to NRRC. Although perpetual affordability is a nice aspect of NRRC's proposed project, the amount of subsidy that is needed to sufficiently fund the project is not. According to NRRC's most recently submitted project budget, the difference between the Total Development Cost of \$224,930 and Appraised Value of \$215,000 is -\$9,930. With an Adjusted Sales Price of \$175,000, this brings the total difference or funding gap to -\$49,930. NRRC shows -\$9,930 as a Value Gap and -\$40,000 as an Affordability Gap. NRRC is expecting the City of Lakes Community Land Trust to provide the \$49,930 funding gap needed for the project. CPED staff recommends the sale of 2310 Queen Avenue North to The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC). GMHC is proposing to build a two story home with basically the same amenities and comparable size as the home that NRRC proposed to construct on this lot. GMHC has funds readily available for the project and has no funding gap. Additionally, CPED will share equally in the above-mentioned profits from the sale of the home.

In summary, CPED staff is recommending the sale of the sale of 2310 Queen Avenue to GMHC and 1730 Newton Avenue North to NRRC.

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By _____

Authorizing Sale of Land
Willard-Homewood Urban Renewal Project
Disposition Parcel No's. WH 53-1 & 127-5

WHEREAS, the Minneapolis Community Development Agency, hereinafter known as the Agency, has received an offer to purchase and develop Disposition Parcels WH 53-1 & 127-5, in the Willard-Homewood neighborhood, from Northside Residents Redevelopment Council (NRRC), hereinafter known as the Redeveloper, the Parcels WH 53-1 & 127-5, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

1730 Newton Avenue North (WH 53-1)

Lot 16, Block 5, Woodbridge's 2nd Addition to Minneapolis.

2310 Queen Avenue North (WH 127-5)

Lot 13, Block 1, Wyant and Kuchli's Addition to Minneapolis.

WHEREAS, the Redeveloper has offered to pay the sum of \$18,500 for Parcel WH 53-1 and \$17,900 for Parcel WH 127-5 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 May 7, 2004, a public hearing on the proposed sale was duly held on May 18, 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 \$18,500 for Parcel WH 53-1 and \$17,900 for Parcel WH 127-5, 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 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 contracts 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 _____.

Mayor

WARD 5

WARD 5

WARD 5

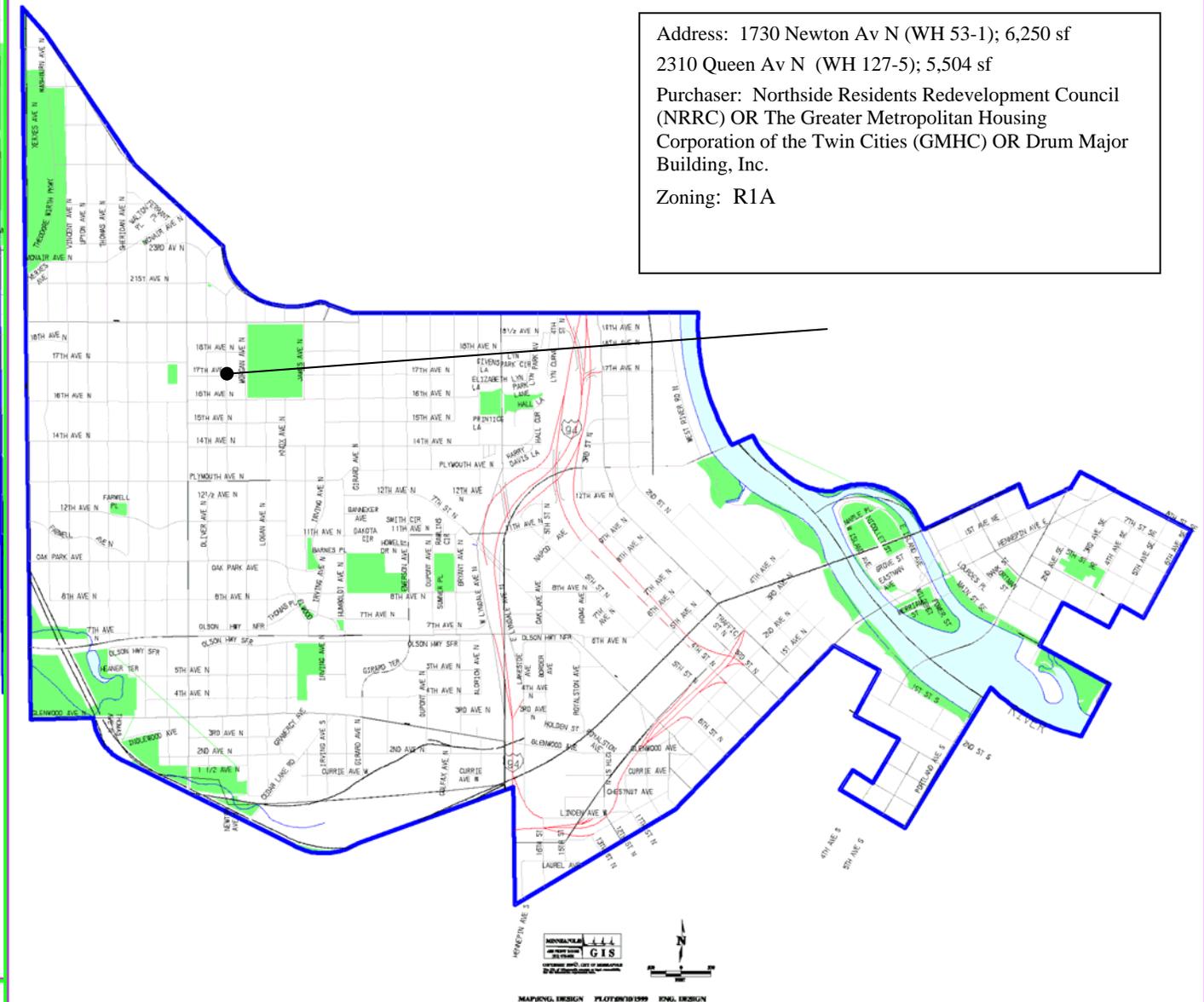
WARD 5

Address: 1730 Newton Av N (WH 53-1); 6,250 sf

2310 Queen Av N (WH 127-5); 5,504 sf

Purchaser: Northside Residents Redevelopment Council (NRRC) OR The Greater Metropolitan Housing Corporation of the Twin Cities (GMHC) OR Drum Major Building, Inc.

Zoning: R1A



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NOT APPROVED _____.

_____ **Mayor**

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

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

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

