



# Request for City Council Committee Action from the Department of

Date: April 1, 2014

To: Lisa Goodman: Chair Community Development and Regulatory Services Committee

**Subject:** Amend Redevelopment Contract

**Recommendation: Request Authorization to Amend Redevelopment Contract for East Phillips Commons LLC**

**Previous Directives:** On March 26, 2001 the MCDA Board authorized staff to proceed with analysis of the 29<sup>th</sup> Street Corridor project proposal and to negotiate terms and conditions of a redevelopment contract with Sherman Associates. On June 21, 2002 the City Council approved adoption of the Redevelopment Plan and the East Phillips Phase I Tax Increment Plan. On September 27, 2002 the City Council gave final approval of \$2,950,000 of Multifamily Housing Entitlement Revenue Bonds for the East Phillips Commons project. On May 20, 2003 the City Council approved \$117,500 of Levy Funds. On July 30, 2003 the City Council approved the issuance of the TIF Note. On September 16, 2003 the MCDA Board approved a land sale of 2931 Bloomington Avenue South to Sherman Associates. On June 29, 2007 the City Council approved an amendment to the redevelopment contract.

### Department Information

Prepared by: Dollie Crowther, Principal Coordinator	673-5263
Approved by: Thomas A. Streitz, Director Policy & Development	_____
Charles T. Lutz, Deputy Director CPED	_____
Presenter(s) in Committee: Dollie Crowther	

### Financial Impact

- No financial impact

### Community Impact

- Neighborhood Notification: In June and July 2001 this project received approval from the Powderhorn Park Neighborhood Association and the Midtown Phillips Council. In March 2001 the East Phillips Improvement Coalition approved the development. In December 2013, this project was discussed at a public hearing for a variance and was approved.
- City Goals: Foster the development and preservation of a mix of quality a housing type that are available, affordable, meet current needs, and promotes future growth.

- Sustainability Targets: The addition of these units will meet the goal of affordable housing targets.
- Comprehensive Plan: 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods. 4.9 Minneapolis will grow by increasing its supply of housing. 4.11 Minneapolis will improve the availability of housing options for its residents.

### **Supporting Information**

East Phillips Commons was constructed in 2004 and represents 34 units of affordable housing located at 2931 Bloomington Avenue South. As part of the redevelopment agreement, the developer, George Sherman, agreed to build 3 live work units to be sold with the help of East Phillips Neighborhood to residents of the community. The City provided Housing Revenue Entitlement Bonds, Levy Funds and NRP Funds to assist the project. Due to the recession, potential buyers suggested by the neighborhood were unable to secure financing and the ownership project did not move forward. A portion of the land, which was purchased from the MCDA, sat vacant. In June 2007 the developer, working with the Councilmember and the neighborhood, put together a new plan which allowed for a side by side 2 unit duplex to be built at 2931/37 Bloomington Avenue. There still remained major setbacks related to design approval from the Councilmember and neighborhood, the ability to provide much needed additional commercial parking spaces for the surrounding business owners, and the desire to allow storefronts on the units added to the setback of any construction. These units were originally part of the TIF Redevelopment Plan and were intended to generate revenue from the project.

Sherman Associates is now prepared to proceed with the construction of the 2 units. The developer is receiving no City financing for the construction of these units. They have received all the necessary land use approvals to build a 2 story duplex with 2 car garages and 3 bedrooms, 2 baths with approximately 1,968 square feet per unit. These will no longer be considered live work units. While live work is considered a lifestyle concept, it is not an approved zoning use. The desire from the neighborhood and the developer is to sell the units. The units will be listed and if not sold by construction completion, they may be rented until sold. The selling price for each unit is estimated to be \$175,000. An appraisal will be provided upon construction completion.

The redevelopment contract is in default because the units were not built within the required timeframe. The extension will allow for a 12 month construction period. Sherman Associates is prepared to proceed with construction immediately.