



## **Request for City Council Committee Action**

**from the Department of Community Planning and Economic Development - CPED**

**Date:** January 20, 2014

**To:** Council Member Lisa Goodman, Chair, Community Development Committee

**Referral to:** Council Member John Quincy, Chair, Ways and Means Committee

**Subject: Purchase of Hennepin County Tax-Forfeited Property for the Humboldt Greenway Single Family Residential Housing Development Project**

### **Recommendation:**

- 1) Authorize the execution of the Option to Purchase Agreement and related Purchase Agreements with Hennepin County, as administrator of state of Minnesota tax-forfeited lands, to purchase forty-seven tax-forfeited vacant lots for the Humboldt Greenway Housing Development Project.
- 2) Amend the 2015 General Appropriation Resolution by increasing the Community Planning and Economic Development Agency Fund 01SDA – Development Account (01SDA-8900230) appropriation by \$23,500 from the available fund balance.

### **Previous Directives:**

- The City Council authorized staff to consent to the voluntary foreclosure by Builders Mortgage Company and to acquire the 49 vacant lots in the Humboldt Greenway 5th Addition on April 2, 2010. The remaining lots were tax-forfeited.
- The City Council authorized staff to (1) negotiate and execute the Sixth Amendment to Redevelopment Contract between City of Minneapolis and Humboldt Greenway Development LLC and to expend up to \$240,000 of funds from SHP to reacquire 98 parcels in the Humboldt Greenway; and (2) to negotiate and execute Third Amendment to Land Conveyance Agreement between the City and Hennepin County on May 16, 2008.
- The Redevelopment Contract By and Between the Minneapolis Community Development Agency and Humboldt Greenway Development, LLC was executed on February 13, 2001, amended June 4, 2001, August 3, 2001, November 9, 2004, December 30, 2004 and March 23, 2006.
- The Land Conveyance Agreement by and between the Minneapolis Community Development Agency and Hennepin County was executed on February 1, 2001. This agreement was amended on March 21, 2003, and on October 28, 2004.
- The Board of Commissioners approved the sale of land in Phase I of the project area on July 15, 2000, and on July 2, 2004, in Phase II of the project area to CountryHome Builders, Inc./Humboldt Greenway Development, LLC.
- The Humboldt Greenway Redevelopment Plan was adopted by the MCDA Board of Commissioners which authorized acquisition of property in the Humboldt Greenway Redevelopment Project on December 18, 1998.

Prepared by: Cherie Shoquist, Principal Project Coordinator	
Approved by: Charles T. Lutz, Deputy Director, Community Planning and Economic Development	_____
Craig Taylor, Executive Director, Community Planning and Economic Development	_____
Presenter in Committee: Cherie Shoquist, <a href="mailto:cherie.shoquist@minneapolismn.gov">cherie.shoquist@minneapolismn.gov</a> , 612.673.5078	
Funding Source and Appropriation Language Reviewed by Development Finance	X

### Financial Impact

X Action requires an appropriation increase to the Operating Budget

Dept Name: Community Planning and Economic Development - 8900230  
Fund Name: 01SDA (Development Account)  
Amount: \$23,500

An appropriation of \$23,500 from Development Account fund (01SDA) will be made available for this purpose and once the land sales proceeds are returned, the proceeds will be return to SDA.

### Community Impact

Neighborhood Notification: (Ward 4) The Lind-Bohanon and Shingle Creek Neighborhood Associations as well as the active Humboldt Greenway homeowners associations have been notified plans to move forward with the Humboldt Greenway Housing Development Project.

### City Goals:

Living well: Minneapolis is safe and livable and has an active and connected way of life.

- All neighborhoods are safe, healthy and uniquely inviting.
- High-quality, affordable housing choices exist for all ages, incomes and circumstances.
- Neighborhoods have amenities to meet daily needs and live a healthy life.
- One Minneapolis: Disparities are eliminated so all Minneapolis residents can participate and prosper.
- All people have access to quality essentials, such as housing, education, food, child care and transportation.

### Project History

Following an extensive planning and community engagement process in the 1990s, Hennepin County through its Community Works program completed the \$28 million Humboldt Avenue Greenway / Shingle Creek Regional Pond and Wetland project which included a significant greenway amenity, enhancements to Shingle Creek, and several new residential redevelopment sites as described in the Humboldt Greenway Redevelopment Plan and Tax Increment Financing Plan, both in 1999. A Land Conveyance Agreement was executed with Hennepin County on February 1, 2001 for the purchase of 955,935 sq. ft. of land for approximately \$2,052,250 (\$2.15 per square foot). In February 1999, the MCDA Board of Commissioners approved the selection of CountryHome Builders/Humboldt Greenway Development, LLC, as developer for the project area. The developer was to pay the land and public improvement costs in installments as the developer sold units to homeowners under a note and a mortgage that are tied to a redevelopment agreement.

The first phase of 94 units and a senior apartment complex was completed. Due to the poor residential sales market and economic recession, sales activity stopped in 2008 and the developer was declared to be in default of the redevelopment agreement due in part to the non-payment of property taxes. In 2008, the City Council confirmed the commitment to the original

development plan by authorizing staff to pursue an amendment to the redevelopment agreement so the City could reacquire clear title to the vacant properties, hold them for a period of time, then go through a public process to find a new builder or developer to pick up from where the current developer left off.

The second and final phase was platted as the Humboldt Greenway 5<sup>th</sup> Addition and is located on the 4900 and 5000 blocks of Humboldt Lane North and Girard Avenue North, as well as parcels along 50th Avenue North from Dupont to Humboldt Avenues North. This phase includes 49 City-owned vacant lots and now 47 Hennepin County tax forfeit vacant lots.

The properties to be acquired are is part of the Humboldt Greenway Tax Increment Financing (TIF) District. In 2001, the City issued its general obligation tax increment bonds to finance public improvements within the district. The bonds were advance refunded in 2010 and currently there is \$3,810,000 outstanding. The bonds are payable from Tax Increment generated from the district, along with a “general obligation” pledge of the City’s taxing authority. As new housing is developed, additional Tax Increment is being generated which can be used to pay debt service on the bonds. The housing market in the district has been depressed. This acquisition could provide an impetus to provide better security for paying the debt.

**Supporting Information**

In a cooperative effort to put the Humboldt Greenway properties back into productive, taxable use and redevelop the properties as single family residential housing, the Option to Purchase and Purchase Agreements will allow the City to re-engage in the public process to identify potential developers for the redevelopment of high quality market rate single family homes on the remaining vacant lots in the Humboldt Greenway Development Project, including the 49 City-owned vacant lots and the 47 Hennepin County tax forfeit vacant lots.

The purchase price for each parcel is the appraised market value of one dollar per square foot (\$1.00/s.f.) with an option fee of \$500 per property to be credited towards the purchase price. The properties are listed below.

**Humboldt Greenway 5<sup>th</sup> Addition**

<u>(A)</u> <u>Property ID</u>	<u>(B)</u> <u>Address</u>	<u>(C)</u> <u>Street</u>	<u>(D)</u> <u>Block</u>	<u>(E)</u> <u>Lot</u>	<u>(F)</u> <u>Lot</u> <u>Size/</u> <u>Purchase</u> <u>Price</u> <u>(SF)</u>	<u>(G)</u> <u>Earnest</u> <u>Money</u>
12-118-21-23-0257	1400	50 <sup>th</sup> Avenue No.	13	1	4693	\$500
12-118-21-23-0259	1404	50 <sup>th</sup> Avenue No.	13	3	5038	\$500
12-118-21-23-0264	5016	Humboldt Lane No.	13	8	4715	\$500
12-118-21-23-0265	5020	Humboldt Lane No.	13	9	4807	\$500
12-118-21-23-0266	5024	Humboldt Lane No.	13	10	5012	\$500
12-118-21-23-0334	1401	50 <sup>th</sup> Avenue No.	8	1	4671	\$500
12-118-21-23-0335	1403	50 <sup>th</sup> Avenue No.	8	2	4650	\$500
12-118-21-23-0268	5032	Humboldt Lane No.	13	12	6201	\$500

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12-118-21-23-0269	5036	Humboldt Lane No.	13	13	7296	\$500
12-118-21-23-0270	5040	Humboldt Lane No.	13	14	8859	\$500
12-118-21-23-0271	5044	Humboldt Lane No.	13	15	10525	\$500
12-118-21-23-0278	1214	50th Avenue No.	15	1	5296	\$500
12-118-21-23-0279	1212	50th Avenue No.	15	2	4847	\$500
12-118-21-23-0280	1210	50th Avenue No.	15	3	4760	\$500
12-118-21-23-0281	1208	50th Avenue No.	15	4	4759	\$500
12-118-21-23-0282	1204	50th Avenue No.	15	5	4846	\$500
12-118-21-23-0283	1200	50th Avenue No.	15	6	5293	\$500
12-118-21-23-0284	1114	50th Avenue No.	16	1	5125	\$500
12-118-21-23-0285	1112	50th Avenue No.	16	2	4844	\$500
12-118-21-23-0286	1110	50th Avenue No.	16	3	4756	\$500
12-118-21-23-0287	1108	50th Avenue No.	16	4	4756	\$500
12-118-21-23-0288	1104	50th Avenue No.	16	5	4843	\$500
12-118-21-23-0289	1100	50th Avenue No.	16	6	5123	\$500
12-118-21-23-0290	1115	50th Avenue No.	17	1	5145	\$500
12-118-21-23-0291	1113	50th Avenue No.	17	2	4850	\$500
12-118-21-23-0292	1111	50th Avenue No.	17	3	4762	\$500
12-118-21-23-0293	1109	50th Avenue No.	17	4	4762	\$500
12-118-21-23-0294	1105	50th Avenue No.	17	5	4848	\$500
12-118-21-23-0295	1101	50th Avenue No.	17	6	5141	\$500
12-118-21-23-0296	1215	50th Avenue No.	18	1	5318	\$500
12-118-21-23-0297	1213	50th Avenue No.	18	2	4855	\$500
12-118-21-23-0298	1211	50th Avenue No.	18	3	4767	\$500
12-118-21-23-0299	1209	50th Avenue No.	18	4	4767	\$500
12-118-21-23-0300	1205	50th Avenue No.	18	5	4853	\$500
12-118-21-23-0301	1201	50th Avenue No.	18	6	5314	\$500
12-118-21-23-0337	4952	Humboldt Lane No.	8	4	5710	\$500
12-118-21-23-0338	4948	Humboldt Lane No.	8	5	5451	\$500
12-118-21-23-0339	4944	Humboldt Lane No.	8	6	5302	\$500
12-118-21-23-0340	4940	Humboldt Lane No.	8	7	5051	\$500
12-118-21-23-0341	4936	Humboldt Lane No.	8	8	5193	\$500
12-118-21-23-0342	4932	Humboldt Lane No.	8	9	5356	\$500

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12-118-21-23-0343	4928	Humboldt Lane No.	8	10	5543	\$500
12-118-21-23-0344	4924	Humboldt Lane No.	8	11	5754	\$500
12-118-21-23-0345	4920	Humboldt Lane No.	8	12	6317	\$500
12-118-21-23-0346	4916	Humboldt Avenue No.	8	13	7900	\$500
12-118-21-23-0347	4912	Humboldt Avenue No.	8	14	8849	\$500
12-118-21-23-0355	1423	51st Avenue No.	Outlot A		4655	\$500
<b><i>SUBTOTALS - GROSS</i></b>			<b><i>47</i></b>		<b><i>256178</i></b>	<b><i>\$23,500</i></b>