

Request for Committee Action

To: Community Development & Regulatory Services
Date: 9/15/2015
From: Community Planning & Economic Development
Prepared by: Cherie Shoquist, Principal Project Coordinator, X5078
Presented by: Cherie Shoquist
File type: Resolution
Subcategory: Land Sale

Subject:

Land Sale: 95 Parcels in Humboldt Greenway Fifth Addition to Greater Metropolitan Housing Corporation

Description:

Adopting of attached Resolution approving the sale of 95 properties on the attached Parcel List in the Humboldt Greenway Fifth Addition to Greater Metropolitan Housing Corporation for \$363,240.

Previous Actions:

- The City entered into an Option to Purchase with Hennepin County on March 1, 2015, for 47 State-owned tax forfeited properties in Humboldt Greenway Fifth Addition.
- The City Council authorized the execution of an Option to Purchase Agreement and related Purchase Agreements with Hennepin County, as administrator of State of Minnesota tax-forfeited lands, to purchase 47 tax-forfeited vacant lots for the Humboldt Greenway Housing Development Project on January 30, 2015.
- The City acquired Outlot B in the Humboldt Greenway Fifth Addition from Hennepin County Tax Forfeited Land on February 8, 2013.
- 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 Fifth Addition on April 2, 2010. The City acquired 47 of the lots on December 22, 2011 from Humboldt Greenway Development LLC. 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 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.

Ward/Neighborhood/Address:

Ward 4
 Lind-Bohanon and Shingle Creek
 Humboldt Greenway Fifth Addition (see attached Humboldt Greenway Fifth Addition Land Sale Parcels)

Background/Analysis:

PARCELS

See attached Humboldt Greenway Fifth Addition Land Sale Parcels

SALE PRICE

\$363,240

PURCHASER

Greater Metropolitan Housing Corporation
 15 South Fifth Street, Suite 710
 Minneapolis, MN 55402

PROPOSED DEVELOPMENT:

Greater Metropolitan Housing Corporation, with its General Contractor and development partner MyHomeSource, propose to develop 63 units (52 single family homes and 11 townhomes) on the remaining 95 vacant lots in three phases in the Humboldt Greenway as described in the attached Term Sheet.

The development will be partially replatted to provide a mix of single family homes and townhomes to better meet the current housing market. The development plan that was approved fifteen years ago envisioned twenty four townhome units facing Girard Ave. N. and twenty one row houses facing 49th Ave. N. and 51st Ave. N. The new development plan proposes 11 townhome units facing Girard Ave. N. and 4 single family homes along 49th Ave. N. and 51st Ave. N. that will face Humboldt Ave. N. and Girard Ave. N. Outlot A will become a public art space and Outlot B will be added to the single family home replat. See the attached Schematics and Development Phase Map.

Change in Development Plan from 2000 - 2015

Development	Single Family Homes	Townhomes	Row Homes	Outlots	TOTAL
2000	48	24	21	2	95
2015	52	11	0	0	63

In the new development plan, the homes and townhomes will be marketed for homeownership. The base estimated market value of the homes will be approximately \$300,000 and the estimated market value of the townhomes will be approximately \$250,000. The Phased Construction Timeline table is listed below. Also refer to the attached Development Phase Map, City and County Owned Lot Map and Parcels List to identify the parcels in each phase of the proposed development.

Phased Construction Timeline

Phase	Single Family Homes	Town Homes	Acquisition	Completion
1	15	8	10/25/15	60% Complete by 8/1/16
2	13	3	9/1/16	80% Complete by 8/1/17
3	24	-	9/1/17	100% Complete by 9/1/18
	52	11		

The proposed single family homes feature three bedrooms, two and one-half bathrooms, and a detached two-car garage, and 1,800 square feet. Features include landscaping, ledger stone and LP Smart Siding, Anderson Dual Pane windows, nine-foot first floor ceilings, wood flooring, wall-to-wall carpeting and tile flooring, a fireplace, granite kitchen countertops and stainless steel appliances, marble vanity tops and tiled flooring in the full baths, and energy efficient systems and utilities. Similarly, the townhomes will provide multiple two to four-bedroom and two to three-bath floorplan options of approximately 1,600 square feet. The townhomes will also include the latest luxuries and modern finishes. Buyers will be able to choose a base selection or an upgrade which would further increase the value of the home. The developer will work with the existing homeowners associations to add the new units to the Single Family or Townhome Association for a continued sense of community.

All home designs must be substantially consistent with the plans presented by the Developer in its Proposal. The CPED Director may, in his discretion, approve plans that deviate from the developer's proposed plans, if the CPED Director determines that such plans are generally consistent with the quality and character of the plans as submitted in the proposal and the development objectives of the City.

The developer proposes to have a public art installation made on Outlot A and arrange for the ownership and maintenance of such to become the responsibility of the Humboldt Greenway Homeowner's Association. The developer plans to reach out to local artists to develop a concept for this space to be installed in Phase II.

The purchase price is \$1.00 per square foot. The purchase price for Outlots A and B shall be based on the developable square feet. The developer will be responsible at their own expense for the replatting necessary for the completion of the project. If the developer fails to meet the phased benchmarks for acquisition of the lots, they will pay the City a monthly property holding fee of \$100 per lot, for all remaining applicable lots. Standard closing conditions and standard redevelopment contract terms apply.

In the effort to put the Humboldt Greenway properties back into productive, taxable use and redevelop the properties as residential housing, staff released a Request for Proposals to identify potential developers for the redevelopment of high quality market rate single family homes and townhomes on the remaining 95 vacant lots in the Humboldt Greenway Development Project. An informational meeting was held to provide additional resources related to the Request for Proposals and was attended by over 20 interested developers, builders and realtors. Developers were given six weeks to respond.

CPED received one additional proposal from MSP Enterprises, LLC to construct three single family homes featuring three to four-bedrooms and two to three-bathrooms floorplan options, and 1,248-1,650 square feet. The estimated market value of the homes ranged from \$199,000 to \$249,000. MSP Enterprises, LLC includes TimberCraft Enterprises, Inc. as the general

contractor to build the homes and DRG (Downtown Resource Group) a real estate broker to market the homes.

Priority was given to fully financed market rate housing proposals of the highest value and highest quality design. The Humboldt Greenway Development Project's goals are to build a high quality housing market, preserve housing design styles and increase the sense of community and connectedness. The new development will build on and complement the character of the neighborhood and maintain the traditional fabric and feel of the neighborhood.

The City is the owner of 48 parcels in the Humboldt Greenway Fifth Addition. The City has entered into an Option Agreement with Hennepin County as administrator of State of Minnesota tax forfeited land to purchase the 47 State-owned parcels. The City will obtain deeds from Hennepin County and pass thru title at a simultaneous closing with the developer. The City will convey tax title to the tax forfeited parcels.

The lot size and square feet are depicted on the attached Humboldt Greenway Fifth Addition Land Sale Parcels List.

LAND DISPOSITION POLICY:

The sale of these parcels is in compliance with the City's Disposition Policy. The sale price of these parcels reflects the full re-use value.

FINANCING*:

The developer has submitted a letter of confirmation from their lending institution evidencing the necessary financing to acquire and construct the proposed development of the Humboldt Greenway Fifth Addition.

*Subject to application and underwriting requirements.

COMMENTS:

The MSP Enterprises, LLC proposal to build three single family homes priced from \$199,000 to \$249,000 did not successfully compete with the other proposal based on the priorities for highest value and highest quality design.

The Greater Metropolitan Housing Corporation and MyHomeSource proposal is consistent with the City's priority for fully financed market rate housing proposals of the highest value and highest quality design. The proposed development meet City goals to build a high quality and high value housing market, preserve housing design styles and increase the sense of community and connectedness in the Humboldt Greenway Fifth Addition.

Financial Review:

No additional appropriation required, amount included in current budget.

- Elimination of future property management costs estimated at \$3,600 per year.
- Proposed Net Sale Proceeds (see attached table): \$17,187
- Proposed Re-Use Value Write-Down (see attached table): \$0

Future budget impact anticipated.

Approved by the Permanent Review Committee.

Meets Small and Underutilized Business Program goals.

Attachments:

1. Humboldt Greenway Fifth Addition Land Sale_Cost Sheet
2. Humboldt Greenway Fifth Addition Land Sale_Resolution
3. Humboldt Greenway Fifth Addition Land Sale_Schematics
4. Humboldt Greenway Fifth Addition Land Sale_Development Phase Map
5. Humboldt Greenway Fifth Addition Land Sale_City and County Owned Lot Map
6. Humboldt Greenway Fifth Addition Land Sale_Parcels
7. Humboldt Greenway Fifth Addition Land Sale_Redevelopment Option Agreement
Term Sheet

TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: September 15, 2015
 Subject: Land Sale – Public Hearing
 Humboldt Greenway
 Address: Humboldt Greenway Fifth Addition
 Purchaser: Greater Metropolitan Housing Corporation

	A	B	C	D	E	F	G
Address	Purchase Price*	Acquisition/ Demolition/ Other Costs	Total CPED Cost to Assemble	Re-Use Value Opinion	Sale Price	CPED Cost Write-Off or Sale Proceeds (if > 0)	Re-Use Value Write Down (if < 0)
			(A+B)			(E-C)	(E-D)
48 City-owned	\$93,939	\$0	\$93,939	\$111,126	\$111,126	\$17,187	\$0
47 County-owned	\$256,178		\$256,178	\$256,178	\$256,178	\$0	\$0
Total	\$350,117	\$0	\$350,117	\$367,304	\$367,304	\$17,187	\$0

*The purchase price is subject to change as an adjustment to the sale price of Outlots A and B will be made to account for undevelopable land.

Write-Down

Not applicable as the sales price is equal to the re-use value.

Developer History with CPED:

The City has successfully worked in partnership with GMHC related to development of ownership housing for many years. GMHC has completed over 1,900 single family homes in the Twin Cities Metro area, including 728 new construction homes in Minneapolis. Most recently, GMHC successfully rehabilitated many homes in Minneapolis neighborhoods heavily impacted by the foreclosure crisis and made these homes available to homeowners under the Neighborhood Stabilization Program and the Strategic Acquisition Fund. GMHC completed nine Green Homes North homes and has two under construction. This spring, GMHC sold an unsubsidized newly constructed home in the Willard Hay neighborhood for \$350,000. GMHC is currently developing 23 one-level townhomes in the suburban Twin Cities Metro area that will be priced at \$250,000 - \$350,000.

MyHomeSource will be the General Contractor and development partner. Started in 2008, MyHomeSource is a single family residential real estate development company, and a subsidiary of Alatus LLC – a Minneapolis based real estate developer with expertise in residential high-rise development, office redevelopment, parking management, and single family home development. To date, MyHomeSource has constructed or rehabilitated over 500 homes in the Twin Cities Metro area. Alatus has participated in the development of properties in downtown Minneapolis. Projects completed include the 39–story Carlyle Condominiums and the 27-story Grant Park luxury condominiums. Current projects under development include Mayo Clinic Square and Latitude 45 Apartments.

Developer Information:

Nonprofit Corporation of the State of Minnesota