

City of Minneapolis Request for Committee Action

To: Community Development & Regulatory Services
Date: 5/3/2016
Referral: N/A
From: Community Planning & Economic Development
Lead Staff: Roxanne Young Kimball
Presented by: Roxanne Young Kimball
File Type: Resolution
Subcategory: Land Sale

Subject:

Land Sale: 2548 12th Ave. S. to Charles Browning.

Description:

Passage of a Resolution approving the sale of the property at 2548 12th Ave. S., TF-876, to Charles Browning for \$30,000, subject to conditions, and if Charles Browning fails to close, approving the sale of the property at 2548 12th Ave. S., TF-876, to Wilson Molina for \$30,000, subject to conditions.

Previous Actions:

On December 11, 2015, the City Council approved the Vacant Housing Recycling Program that defines the program guidelines for disposition of vacant buildings and lots for housing development.

Ward/Address:

Ward 9
2548 12th Ave. S.

Background/Analysis:

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
TF-876	2548 12th Ave. S.	\$30,000

PURCHASER

Charles Browning
145 Hawthorne Road
Hopkins, MN 55343

ALTERNATE PURCHASER

Wilson Molina
1515 E Lake St, Suite 203
Minneapolis, MN 55407

PROPOSED DEVELOPMENT:

The property was constructed in 1923 and is a 3,098 square foot, three-bedroom, one-bath single family home that will be rehabilitated to meet the Vacant Housing Recycling Program's (VHRP) rehabilitation standards.

The lot size is 45' x 128' = approximately 5,735 total square feet.

Purchaser proposes to rehabilitate 2548 12th Ave. S. as a four-bedroom, two-bath single family home and sell for homeownership.

Alternate Purchaser proposes to rehabilitate 2548 12th Ave. S. as a four-bedroom, three-bath single family home and sell for homeownership.

LAND DISPOSITION POLICY:

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

FINANCING:

Purchaser: Cash, documented with financial statement dated within 30 days of application.

Alternate Purchaser: Cash, documented with financial statement dated within 30 days of application.

COMMENTS:

On October 23, 2015, the City acquired this single family home from the State of Minnesota as tax-forfeited land for \$30,000.

This property was publicly advertised on the City's website and through e-mail notification to a list of over 600 developers and homebuyers. The City is selling this property in its as-is condition. An informational meeting was held in December 2015 to inform potential developers and homebuyers about the City's disposition process and VHRP information is posted on the City's website. An open house was held to allow potential purchasers to inspect the property and a two-week application period was provided after the open house.

There were four offers received for the property. The offers were evaluated based on program criteria stated in the VHRP manual, including: financial capacity, experience, responsibility, scope of work, subsidy request (if any), and occupancy intentions.

Staff recommends Charles Browning as the Purchaser. Charles Browning intends to invest \$151,300 to rehabilitate the property. Should Charles Browning fail to close, staff recommends Wilson Molina as the Alternate Purchaser. Wilson Molina intends to invest \$99,400 to rehabilitate the property. Construction management staff has reviewed the scope of work and construction estimate of both proposals and confirmed they meet the Vacant Housing Recycling Program's rehabilitation standards.

The remaining two applicants were Daniel Fernandez and Julie Larson. Both applicants are not recommended by staff for one or more of the following reasons: extent of rehab was less significant than recommended purchaser, insufficient financing demonstrated, scope of work is not sufficient to meet Vacant Housing Recycling Program minimum rehabilitation standards, and a less experienced development team.

Julie Larson intended to owner occupy the property as her primary homestead. Although the VHRP provides preference to purchaser occupants in its evaluation criteria, staff had significant concerns about the scope of work and financial capacity presented by Ms. Larson.

Scope of work: Ms. Larson intends to invest \$56,250 to rehabilitate the property with a portion of the work achieved through sweat equity. 2548 12th Ave. S. is a fire damaged property and also is one of the largest homes in the VHRP. In the professional opinion of CPED Construction Management staff, there are significant items that are absent from Ms. Larson's scope of work.

Financial capacity: Ms. Larson's proposed total development cost, including the acquisition and rehabilitation, is \$91,000, yet she only demonstrated an ability to pay for \$56,040 of cost with available cash. Ms. Larson identified several sources that could be applied for; however there was no pre-approval letter demonstrating Ms. Larson's eligibility for the programs or financing availability for this project. As a result the additional sources identified by Ms. Larson were excluded from staff's review of the application.

Notification was provided to the Midtown Phillips neighborhood.

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 Write-off (see attached table): \$2,629
- 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. 2548 12th Ave. S. Land Sale_Resolution
2. 2548 12th Ave. S. Land Sale_Ward Map
3. 2548 12th Ave. S. Land Sale_Cost Sheet
4. 2548 12th Ave. S. Land Sale_Example Charles Browning Property
5. 2548 12th Ave. S. Land Sale_Example Wilson Molina Property