

Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: May 4, 2010

To: Council Member Lisa Goodman, Chair, Community Development Committee
Council Member Betsy Hodges, Chair, Ways & Means/Budget Committee

Subject: Third amendment to the Humboldt Greenway Land Conveyance Agreement.

Recommendation: Authorize staff to execute the third amendment to the Humboldt Greenway Land Conveyance Agreement between City of Minneapolis and Hennepin County.

Previous Directives:

- The City Council on April 2, 2010 authorized staff to (1) negotiate and execute a purchase agreement between City of Minneapolis and Builders Mortgage Company, LLC to acquire the 49 vacant parcels in the Humboldt Greenway 5th Addition described in Attachments A-1 and A-2; (2) consent to the voluntary foreclosure by Builders Mortgage Company, LLC of the vacant properties and improved lots; and (3) negotiate the terms for a third amendment to the Humboldt Greenway Land Conveyance Agreement.
- 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.
- Land acquisition from Hennepin County was approved by the MCDA Executive Director on June 26, 2000, and January 29, 2001.

Prepared by: Matt Goldstein, Senior Project Coordinator, 612-673-5075

Approved by: Charles T. Lutz, CPED Deputy Director _____
Thomas Streitz, Director of Housing Policy & Development _____
Wes Butler, Manager, CPED Multifamily Housing _____

Presenters in Committee: Matt Goldstein

Reviews

Permanent Review Committee (PRC): Approval ____ Date _____

Policy Review Group (PRG):

Approval ___ Date _____

Financial Impact

No financial impact (one component of the agreement amendment contemplates the City being reimbursed for outstanding costs)

Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Action is within the Business Plan

Action requires a change to the Business Plan

Other financial impact:

Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

Neighborhood Notification (Ward 4)- The Lind-Bohanon and Shingle Creek Neighborhood Associations as well as the two active Humboldt Greenway homeowners associations have been notified in writing of staff’s preliminary discussions with Builders Mortgage Company, LLC , the tentative plan to reacquire Humboldt Greenway properties, and the need to renegotiate the Land Conveyance Agreement with Hennepin County. The neighborhood and homeowner associations were notified previously in 2008 as part of the May 2008 Council directive. Hennepin County staff has also been notified.

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

Affordability Targets – Because the original PUD was approved before the adoption of the City’s Unified Housing Policy in 2004, affordable housing targets did not apply.

Comprehensive Plan – 4.9: Minneapolis will grow by increasing its supply of housing; 4.11: Minneapolis will improve the availability of housing options for its residents.

Zoning Code – In compliance with Humboldt Greenway PUD and applicable zoning regulations.

Project History

Following an extensive planning and community engagement process in the 1990s, Hennepin County completed the \$28 million Humboldt Avenue Greenway / Shingle Creek Regional Pond and Wetland project. A developer was chosen to redevelop remnant parcels and adjacent properties as the 202 unit Humboldt Greenway over two phases. The first phase of 94 units and a senior apartment complex has been built out. The partially built out, 108 unit second phase has properties in three categories: Built and sold to private buyers, tax forfeit lots controlled by Hennepin County (acting on behalf of the State Department of Revenue), and the Builders Mortgage properties that are controlled by the developer’s lender.

Table 1: Phase II Lot Status Summary	
Lots built and sold	2

Hennepin County tax forfeit lots	46
Builders Mortgage lots & model homes	60
<i>Phase II lot total</i>	108

On April 2, 2010, the City Council authorized staff to negotiate and execute an agreement with Builders Mortgage for the City to reacquire the remaining vacant parcels that have not been forfeited. Staff is working to finalize this agreement.

Also on April 2, 2010, the City Council authorized staff to negotiate an amendment to the Land Conveyance Agreement between the City and Hennepin County. The purpose of this Request for Council Action is to follow up on this previous directive by seeking authorization to execute the draft amendment that was negotiated under the April 2, 2010 Council action.

County Land Conveyance Agreement

The Land Conveyance Agreement was originally executed with Hennepin County in 2001 for the purchase of 955,935 sq. ft. of land for approximately \$2,052,250 (\$2.15 per square foot). This agreement was subsequently amended in 2003 and in 2004 in part to defer the repayment of this land cost and to pass on the costs of some completed public improvements to coincide with the City's redevelopment agreement with the developer. The developer was to pay the land and public improvement costs in incremental installments as units were sold to homeowners under a note and a mortgage that were tied to the redevelopment agreement. Our agreement states that Hennepin County only gets paid if payments are made by the developer.

The Land Conveyance Agreement needs to be renegotiated to reflect the developer's default, the City's acquisition of the remaining vacant land from the developer's lender, and the tax-forfeiture of 46 parcels. If the Humboldt Greenway development project had developed and sold as planned, the maximum remaining amount the County would have received under the terms of the Land Conveyance Agreement would have been \$911,402.84 for the property and \$149,732.71 for the public improvement costs. This amount includes the outstanding land and public improvement costs that will not be collected for the existing, unsold inventory homes due to the City consenting to the foreclosure and the properties already tax forfeited to the County. Hennepin County Taxpayer Services (who is acting on behalf of the State Department of Revenue) now controls 46 of the developed, vacant parcels that are subject to the Land Conveyance Agreement due to non-payment of back taxes, so the City no longer has the ability to facilitate the reimbursement of these costs to the County through a redevelopment agreement.

The proposed Third Amendment to Land Conveyance Agreement continues the incremental reimbursement to Hennepin County of outstanding project costs as lots are sold. The City's upfront acquisition cost of the Builders Mortgage lots and the County's outstanding land acquisition and public improvement costs will be combined together and paid back proportionately and incrementally as lots are sold. Any additional revenue from lot sales will be used to reimburse the City for holding costs incurred while

waiting for the market to improve. The County Board is tentatively scheduled to discuss the draft agreement on May 18, 2010 and May 25, 2010.