



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

Date: August 23, 2011

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

Subject: Land Sale Public Hearing
Neighborhood Stabilization Program (NSP)

Recommendation:

- 1 - Approve the sale of 2129 Emerson Avenue North to UHW R:R IV, LLC—a single & wholly owned subsidiary of Urban Homeworks, Inc. for \$1.00, plus reimbursement of City acquisition, holding and title costs not to exceed \$15,000.
- 2 - Approve executing a right of entry with UHW R:R IV, LLC to begin environmental remediation prior to closing.

Previous Directives: CPED acquired 2129 Emerson Avenue North on July 29, 2011.

Prepared by: Earl S. Pettiford, Senior Project Coordinator, Phone 612-673-5231
 Approved by: Charles T. Lutz, Deputy CPED Director _____
 Thomas A. Streitz, Director Housing Policy & Development _____
 Presenters in Committee: Earl S. Pettiford, Senior Project Coordinator

Financial Impact

- Other financial impact: Eliminate property management costs.

Community Impact

- Neighborhood Notification: Jordan Area Community Council reviewed this proposal and recommended it be approved.
- City Goals: A SAFE PLACE TO CALL HOME People and businesses thrive in a safe and secure city.
- Sustainability Targets: A Vital Community—Affordable housing.
- Comprehensive Plan: On August 15, 2011, the Planning Commission approved the sale of this parcel as being consistent with the Comprehensive Plan.
- Zoning Code: R2B. Rezoning request to R3 is necessary to re-establish this as a legal four-unit building.
- Living Wage/Business Subsidy Agreement Yes_____ No x
- Job Linkage Yes_____ No x
- Other: On July 20, 2011, the Planning Staff completed a land sale review of this proposed development and deemed it consistent with future land use plans.

Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
2N009	2129 Emerson Avenue North	\$1.00

PURCHASER

UHW R:R IV, LLC – a single & wholly owned subsidiary of Urban Homeworks, Inc. (UHW)
2015 Emerson Avenue North
Minneapolis, MN 55411

PROPOSED DEVELOPMENT:

The developer proposes to renovate this four-unit building, each unit having three bedrooms and one bath. When completed, the developer plans to lease the units to households with income at or below 50% of the area median income for a minimum of 15 years, in accordance with the funding requirements.

The lot size is 59' x 157' = 9,263 total square feet.

LAND DISPOSITION POLICY:

This property is being sold for development under the Neighborhood Stabilization Program and will be improved by rehabilitation as defined by City policy.

FINANCING*:

The City of Minneapolis is supporting the rehabilitation of this project using Neighborhood Stabilization Program (NSP) funds. The developer has included this property as part of a larger 16-unit Rental Reclaim project. The developer has been approved for \$560,000 from MHFA, \$160,000 from Hennepin County and \$960,000 of NSPII funding from the City of Minneapolis. The NSP investment in this project will be \$240,000.

*Subject to application and underwriting requirements.

OFFERING PROCEDURE:

Direct Sales. The sales price of this property does not reflect the full re-use value.

COMMENTS:

This property forfeited to the State of Minnesota for unpaid taxes in June 2010. The City identified this property as a potential rehabilitation project under the NSP Program and the City Council approved the acquisition of this property on September 3, 2010. UHW analyzed the property and determined that the property is financially feasible to rehabilitate under the NSP program. When rehabilitation is complete, the property will be rented to households with income at or below 50% of the area medium income. The period of affordability, required by the financing is a minimum of 15 years. The building has been vacant since September 4, 2008 and has lost its grandparenting to operate as a four-unit building. The developer is working with the CPED-Zoning staff on rezoning this site to R3 to re-establish this as a legal four-unit building. The developer has submitted a pre-application for the rezoning which was reviewed by the Development Services team on June 22, 2011. The Development Services team indicated during the review that staff would support the rezoning. Urban Homeworks is preparing the rezoning application.

Urban Homeworks has requested that the City allow them to access the structure, prior to closing, to enable them to perform the environmental remediation activities necessary. Due to the accelerated time line for expenditure of NSP 2 funding, staff supports this request.

The property is being sold in its as-is condition and the City will clear title. Developer will reimburse City's acquisition, holding and title costs not to exceed \$15,000.

**Authorizing sale of land Neighborhood Stabilization Program Disposition Parcel
No 2N009.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel 2N009 in the Jordan Neighborhood, from UHW R:R IV, LLC - a single and wholly owned subsidiary of Urban Homeworks, Inc., hereinafter known as the Redeveloper, the Parcel(s) 2N009, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

2N009: 2129 Emerson Avenue North

Lot 1 and that part of Lot 2 lying North of the South 37.38 feet thereof,
Block 33, Highland Park Addition to the City of Minneapolis.

Whereas, the Redeveloper has offered to pay the sum of \$1, for Parcel 2N009; the offer includes a development plan and commitment to improve by rehabilitating the existing structure. This offer is in accordance with the Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with accepted methods of aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in Finance and Commerce on Friday, August 12, 2011, a public hearing on the proposed sale was duly held on August 23, 2011, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

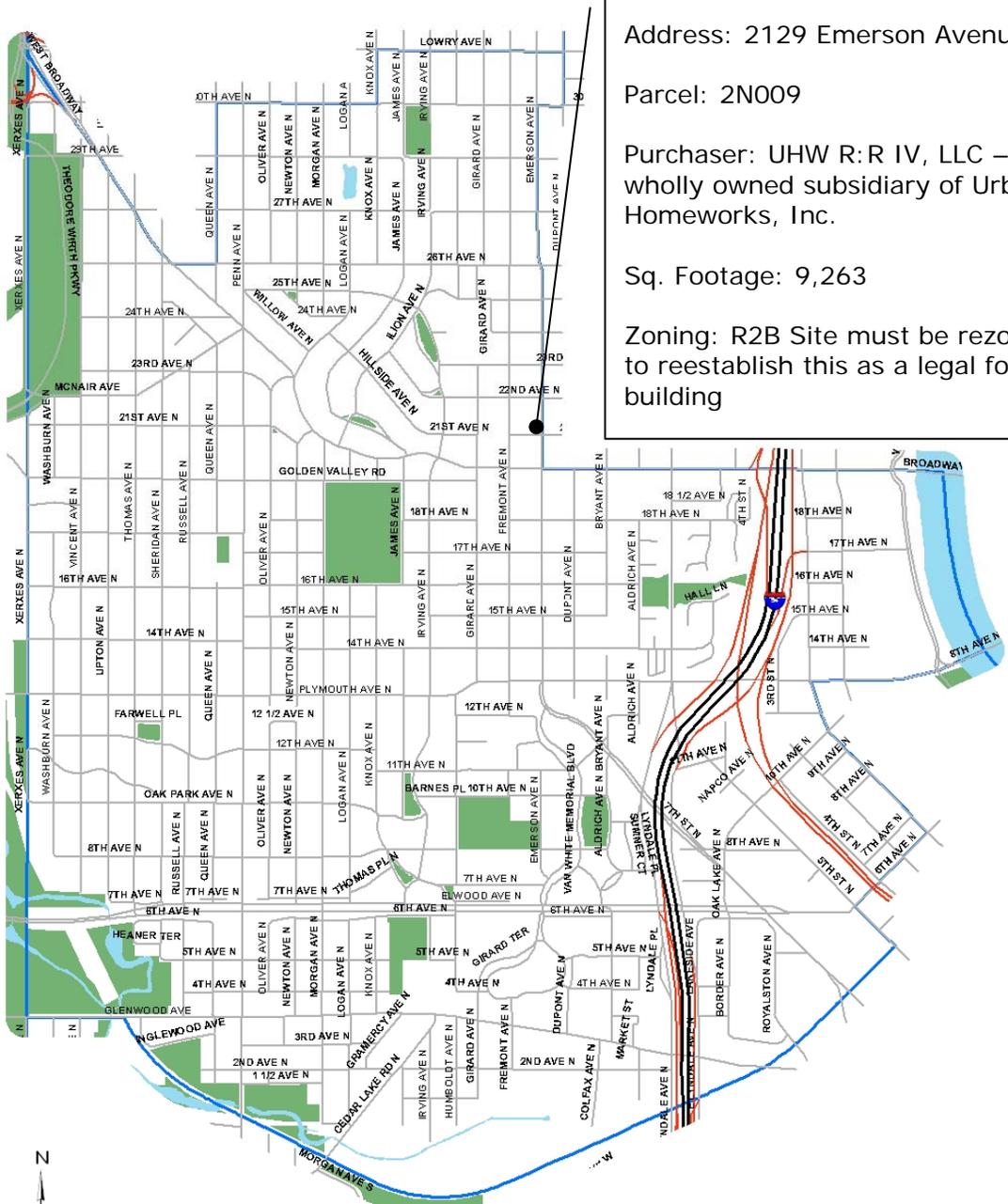
That the re-use value, for uses in accordance with the Vacant Housing plan, as amended, is hereby estimated to be the sum of \$49,250, however, in accordance with public purpose consideration including extraordinary rehabilitative expenses, the City is selling Parcel 2N009 for the sum of \$1.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the Parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate official of the City.

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Address: 2129 Emerson Avenue North

Parcel: 2N009

Purchaser: UHW R:R IV, LLC – a single & wholly owned subsidiary of Urban Homeworks, Inc.

Sq. Footage: 9,263

Zoning: R2B Site must be rezoned to R3 to reestablish this as a legal four unit building

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

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Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
2N009 7/29/11	2129 Emerson Avenue North	\$2,573.82*	(-)\$1 plus reimbursement of \$2,572.82 additional costs incurred by the City*	(+/-)\$0

*CPED will incur additional holding and title costs, which will be reimbursed by the developer not to exceed \$15,000

Re-Use Value Opinion	Less Sales Price	Write-Down
\$49,250	\$1	\$49,249

Write-Down

Reason: Urban Homeworks, Inc. identified this property for rehabilitation under the Neighborhood Stabilization Program to create long term affordable housing for households whose income is at or below 50% AMI. To assist with filling the development gap, they requested that the City of Minneapolis purchase the property and pass it through to them using our authority to acquire properties for \$1. State Statute provides that only the municipality can purchase properties directly from the State outside of the auction process. The property is being sold in its as-is condition and the City will clear title. The buyer will reimburse the City's acquisition, holding and title costs not to exceed \$15,000.

Developer History with CPED:

Urban Homeworks, Inc. has worked with the City of Minneapolis for many years and successfully developed and sold properties to owner occupants as well as developed and operated rental units.

Developer Information:

- Single Individual(s)
- Married Individual(s)
- Limited Liability Partnership of the State of Minnesota
- Limited Liability Company of the State of Minnesota
- Corporation of the State of Minnesota
- Nonprofit Corporation of the State of Minnesota
- Other