



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: December 13, 2005
To: Council Member Lisa Goodman, Community Development Committee
Prepared by: Donna Wiemann, Principal Project Coordinator, Phone 612-673-5257
Presenter in Committee: Donna Wiemann
Approved by: Elizabeth Ryan, Director, Housing
Jack Kryst, Director, Development Finance

Subject: Project Analysis Authorization for Central Avenue Lofts

RECOMMENDATION: Authorize staff to continue analysis of the Central Avenue Lofts development proposal and TIF application; negotiate terms and conditions of a redevelopment contract with Central Avenue Lofts Limited Partnership with Sherman Associates, Inc. or an affiliated entity as the general partner; prepare a redevelopment plan/modification and tax increment financing plan/modification for Central Avenue Lofts, subject to the final determination of project eligibility, required reviews, public input, notices and hearings.

Previous Directives: In November, 2004, the City Council approved a \$133,429 allocation of 2005 low income tax credits for Central Avenue Lofts. In December, 2004, the Council approved a loan of up to \$400,000 of 2004 Affordable Housing Trust Funds. In October 2005, the Council approved a \$352,217 allocation of 2006 low income housing tax credits.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: Ward 3

Neighborhood Notification: The Holland Neighborhood Association reviewed and approved the proposed Central Avenue Lofts project in November, 2005.

City Goals: Foster the development and preservation of a mix of quality housing types that are available, affordable, meet current needs, and promote future growth.

Comprehensive Plan: Section 4.10: Minneapolis will increase its housing that is affordable to low and moderate income households.

Zoning Code: The property is currently zoned commercial and it will need to be rezoned for multi-family residential development.

Living Wage/Job Linkage: NA

Background

Sherman Associates, Inc. proposes to redevelop the site on the southwest corner of Central Avenue and 24th Avenue N.E. The project address is 2338 Central Avenue N.E. The site consists of an existing two story building that serves as a US Bank branch office, including a drive through facility for the bank, and a surface parking lot. The current building is mostly vacant and the bank desires to physically downsize. The property size is 98,010 square feet or approximately 2 ½ acres. It is zoned commercial and the property must be rezoned to accommodate the new multi-family residential proposal.

To date, the Council has approved the following resources to the project:

1. \$400,000 loan from the 2004 Affordable Housing Trust Fund approved in December, 2004.
2. A total of \$485,646 low income housing tax credit allocation.

Sherman Associates has a purchase agreement for the property with the current owner, US Bank.

Project Description

The proposed Central Avenue Lofts will be located on the southwest corner of Central Avenue and 24th Avenue N.E. The developer is Sherman Associates, Inc.

The proposed development is a mixed use, mixed income project. The project will consist of the new construction of a 66 unit rental apartment building, ground floor commercial, underground parking and seven (7) for sale townhouses. The building will be four floors over underground parking. The apartments will be a combination of one,

two and three bedroom units and will be affordable to households at 30%, 50% 60% and market rate income. The ground floor commercial will be approximately 12,000 sq feet in size. The existing property owner, U.S. Bank, desires to physically downsize and the redevelopment proposal will accommodate the bank's smaller size in the same location. Specifically, the bank will lease approximately 4,000 square feet of the ground floor space for its operations, including a drive through window. The lease term will be 40 years. The underground parking will have a total of 62 parking spaces and there will be a 45 space surface parking lot.

In addition, seven (7) owner occupied town homes will be constructed and all of them will face Jackson Street N.E. Each unit will have three bedrooms and approximately 1,700 square feet in size. The anticipated sales price of each unit will be in the low \$200,000 range. The estimated total development cost of the ownership project is \$2.0 million.

The estimated total development cost of the rental project is \$12,197,500. The estimated sources for the rental portion of the development is \$6.4 million first mortgage from U.S. Bank, \$4.4 million of syndication equity from the sale of the low income housing tax credits, \$400,000 Affordable Housing Trust Fund, funds from MHFA and Hennepin County, and \$140,000 developer's equity from the sale of the town homes.

The developer is currently requesting "pay as you go" tax increment financing. It is preliminarily estimated that the proposed project will generate approximately \$800,000 of tax increment financing contingent upon the assessor's determination. The purpose of the request is to cover the eligible tax increment expenses.

The proposed time line is as follows:

1. PAA considered by the Council on December 2005.
2. City Council CD Committee considers redevelopment contract business terms and the creation of the redevelopment project and TIF District in the second quarter of 2005.
3. Project closing and construction start on the rental portion of the project during the second quarter of 2006 and project completion in the summer of 2007.
4. Project closing and construction start on the ownership portion of the project during the summer of 2007 and project completion in the spring of 2008.

Results of Preliminary Staff Analysis

The proposed development will address an underutilized site located directly on a major transit and central commercial corridor. The inclusion of the bank back into the redeveloped project will provide a form of stability for the project and neighborhood. The redevelopment of this site has been a priority for the Holland neighborhood for many years.

The proposal creates higher density along the commercial corridor which fits with both the Central Avenue Plan as well s the Minneapolis Plan. Surround uses are a mix of commercial, retail and residential primarily two and three story buildings along Central.

In the past five years new immigrant owned businesses and restaurants have been extremely successful and a major catalyst in revitalizing the business district along Central Avenue.

Sherman Associates specializes in the design, construction and financing of housing and commercial properties in Minnesota and the adjoining four state area. The company has developed and/or rehabilitated over 4,000 multi family and single family homes and over 2 million square feet of commercial property. The company has over 23 years of development and construction experience. The architectural firm is DJR Architecture. At this time, the general contractor has not been selected.

Project Analysis Fee

If the Project Analysis Authorization is approved by the Council, the developer will be assessed a Project Analysis Fee which will be based on the level of analysis required. At this point in time, staff estimates that this fee will be \$10,000.

CPED MULTIFAMILY HOUSING DEPARTMENT
Affordable Housing Inventory Project Data Worksheet



Project Status
 Proposed: 2/1/2004
 Approved:
 Closed:
 Complete:

Impaction
 Non-Impacted
 Impacted

Occupancy
 Rental
 Ownership

Project Name: Central Avenue Lofts
 Main Address: 2338 Central Ave NE
 Project Aliases:
 Additional Addresses:
 Ward: 3 Neighborhood: Holland

Project Activity
 New Construction
 Rehabilitation
 Stabilization
 Preservation
 Year Built: _____

Development
 Apartment/Condo
 Townhome
 Coop
 Shelter
 Transitional
 Scattered Site/Other

Household
 General
 Family w/Children
 Senior
 Single
 Special Needs
 Homeless

Housing Production and Affordability

UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	0		0BR	0	0	0	0	0
1BR	15	1BR	0	6	9	0	0	0	
2BR	27	2BR	0	0	17	0	10		
3BR	24	3BR	8	0	13	0	3		
4+BR	0	4+BR	0	0	0	0	0		
TOT	66	TOT	8	6	39	0	13		

Shelter Units: _____ + Conversion Units: _____
 Section 8: 8

GENERAL INFORMATION

The Central Avenue Lofts will be located on the current US Bank site at 2338 Central Ave NE. The redevelopment project includes the demolition of the current bank building to allow for the new construction of a four-story building along Central Ave and 24th Avenue, and up to seven new townhomes along Jackson St. The four-story building will include approximately 12,000 sf of retail space on the first floor facing Central Avenue, of which 40% will be occupied by US Bank, who has signed a 40-year lease for the space. Sixty-six (66) rental units will be provided in the building, with the majority of these units being two- and three-bedroom units, in order that the new housing may accommodate families.

The redevelopment will address an underutilized site located on a major transit and central commercial corridor.

Partnership:

Developer: Sherman Associates, Inc.
 1525 S 4th St Suite 201
 Minneapolis, MN 55404-
 Phone: (612) 332-5000 ext-
 Fax: (612) 332-8119

Owner: Sherman Associates, Inc.
 1525 S 4th St Suite 201
 Minneapolis, MN 55404-
 Phone: (612) 332-5000 ext-
 Fax: (612) 332-8119

Consultant:

Contractor:

Architect: Paula Merrigan
 DJR Architecture, Inc.
 333 Washington Ave N Suite 210
 Minneapolis, MN 55401-
 Phone: (612) 362-0431 ext-
 Fax: (612) 676-2796

Property Manager: Sherman Associates, Inc.
 Phone: (612) 332-5000 ext-
 Fax: (612) 332-8119

Support Services:

CPED Coordinator: Donna Wiemann
 CPED
 105 5th Ave S Suite 200
 Minneapolis, MN 55401-
 Phone: (612) 673-5257 ext-
 Fax: (612) 673-5259
 donna.wiemann@ci.minneapolis.mn.us

CPED Legal:

CPED Support Coordinator: Connie Green
 Phone: (612) 673-5234 ext-
 Fax: (612) 673-5259

CPED Rehab:

MPLS Affirmative Action

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 Preservation
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 Senior
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4+BR	0	0	0	0	0	0	0
TOT	66	66	8	6	39	0	13

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 Section 8: 8

USES AND PERMANENT SOURCES

Project Uses:

Land:	\$1,850,000.00
Construction:	\$6,416,000.00
Construction Contingency:	\$300,000.00
Construction Interest:	\$250,000.00
Relocation:	\$0.00
Developer Fee:	\$1,200,000.00
Legal Fees:	\$150,000.00
Architect Fees:	\$250,000.00
Other Costs:	\$497,500.00
Reserves:	\$284,000.00
Non-Housing:	\$1,000,000.00
TDC:	\$12,197,500.00
TDC/Unit:	\$169,659.00

Project Permanent Sources:

Source / Program	Amount	%	Term	Committed
1 CPED AHTF	\$400,000.00			1/1/2005
2 US Bank	\$6,600,000.00			
3 Syndication Proceeds	\$4,400,000.00			
4 Hennepin County AHIF	\$300,000.00			
5 MHFA	\$357,500.00			10/27/2005
6 Developer Equity Sales Proceeds (Townhomes)	\$140,000.00			10/27/2005
50 CPED LIHTC - \$133,429 (2005)				2/1/2005
51 CPED LIHTC - \$352,217 (2006)				9/27/2005
TDC:	\$12,197,500.00			

Financing Notes:

The project cost information and the project financing information do not include the for-sale townhomes.