

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

Date: March 25, 2008

To: Council Member Lisa Goodman, Community Development Committee

**Subject: Consent to the Assignment and Assumption of the Parcel D West
Redevelopment Contract for Portland Condos and Washington
Live/Work and approve an Amended and Restated Redevelopment
Contract for the Village Green Mills District Development**

Recommendation:

1. Consent to the assignment and assumption of the Redevelopment Contract between the City of Minneapolis and Brighton Nine/Portland LLC (an affiliate of Brighton Development Corporation) to Village Green Companies (or an affiliate) for the redevelopment of the Washington Live/Work site and Portland Condos site as outlined in this report.
2. Authorize the execution of an Amended and Restated Redevelopment Contract between the City of Minneapolis and Village Green Companies (or an affiliate) consistent with the terms and conditions outlined in this report.

Previous Directives:

- November 17, 2006 City Council authorized staff to execute a Second Amendment to the Amended and Restated Redevelopment Contract between the City and Brighton Nine/Portland LLC for portions of Parcel D West that would allow for the Washington Live/Work project to consist of commercial and office uses and would allow for an extension of the closing date of the Portland Condos project subject to the payment of extension fees.
- August 18, 2006, City Council authorized CPED staff to award a pollution remediation contract to the lowest responsible bidder for pollution remediation on the Portland Condos site not to exceed \$460,000 and to execute the necessary agreements; funding was provided in 2003 by the Metropolitan Council's TBRA program.
- June 16, 2006, City Council approved the execution of an amendment to the Amended and Restated Redevelopment Contract for portions of Parcel D West; amended the 2006 General Appropriation Resolution by increasing Fund CWM by \$125,000 for shoring costs associated with the soil remediation to be reimbursed by Brighton upon closing; and increased the 2006 Revenue Budget for Fund CWM by \$272,492 (\$125,000 for shoring costs to be reimbursed and \$147,492 for a holding fee to extend the property closing to June 1, 2007).
- March 31, 2006, City Council accepted and appropriated a SAFHB planning fund allocation in the amount of \$25,000.00 to allow for an archaeological survey on Parcel D West, The Portland site, located at the corner of Portland Avenue and 2nd Street South.

- July 7, 2005, City Council approved an Amended and Restated Redevelopment Contract for Parcel D West to allow development of the property.
- January 17, 2003, City Council accepted and appropriated a TBRA grant from Metropolitan Council in the amount of \$460,000.00 for soil remediation on the ultimate Portland Condos site.
- July 7, 2001, City Council approved a land sale of the Washburn Crosby Mill and Parcel D West to the Minnesota Historical Society and Brighton Development Corporation.
- June 29, 1992, the MCDA acquired Parcel D as a part of the Milwaukee Depot acquisition.

Prepared by: Carrie Flack, Sr. Project Coordinator, 673-5010

Approved by: Charles T. Lutz, Deputy Director CPED _____

Catherine A. Polasky, Director of Economic Policy & Development _____

Presenters in Committee: Carrie Flack, Sr. Project Coordinator

Financial Impact

- Action is within the Business Plan
- Other financial impact – Up to \$110,619.00 in additional fees could be collected for the Portland Condos site by extending the closing of the project to October 1, 2008.

Community Impact

- Neighborhood Notification – This project is being presented to the Downtown Minneapolis Neighborhood Association on April 8, 2008 and to the Industry Square Project Committee on May 14, 2008. In addition, the land use and planning approvals will require additional notification be sent to the neighborhood group allowing additional opportunity for comments.
- City Goals – Connected Communities – great spaces and places, thriving neighborhoods; Enriched Environment – greenspace, arts, sustainability; A Premier Destination – visitors, investment and vitality.
- Comprehensive Plan – 2.8 Minneapolis will develop the existing economic base by emphasizing business retention and expansion; 2.9 Minneapolis will strengthen long-term confidence in the economy by building innovative public to private sector partnerships; 4.9 Minneapolis will grow by increasing its supply of housing; 4.11 Minneapolis will improve the availability of housing options for its residents; 4.15 Minneapolis will carefully identify project sites where housing redevelopment and or housing revitalization are the appropriate responses to neighborhood conditions and market demand; 9.5 Minneapolis will support the development of residential dwellings of appropriate form and density; 9.6 Minneapolis will work with private and other public sector partners to invest in new development that is attractive, functional, and adds value to the physical environment. In addition, the project is consistent with the Historic Mills District Master Plan and Update.
- Zoning Code – Housing is permitted as a conditional use in district C3A and any proposed new commercial and/or retail uses will be permitted uses.
- Other– Not applicable

Supporting Information

Brighton Nine/Portland LLC (an affiliate of Brighton Development Corporation) proposes assigning their redevelopment contract with the City of Minneapolis for two parcels on Parcel D West to Village Green Companies (or an affiliate) for a newly proposed redevelopment project. Staff recommends the City consent to this assignment and assumption as well as additional modifications to the redevelopment contract outlined below.

Parcel D West, the block bounded by Washington Avenue South, Portland Avenue South, 2nd Street South, and Park Avenue South, consists of three development projects:

- Park Avenue West Lofts, a 43 unit market-rate condominium development, developed by Brighton, was completed in 2005.
- Washington Live/Work, located on the corner of Portland and Washington, was originally planned as a 28-unit market-rate condominium (14 live units and 14 work units) with 58 parking stalls, to be developed by Brighton. The City closed on the property with Brighton in November 2005, and remediation work has been completed. Expected development costs for the Washington Live/Work project were much higher than anticipated and this project did not begin construction. Brighton received interest from commercial and office tenants and thus requested to modify uses of this site to commercial and retail in 2006. This project has been unsuccessful in securing tenants.
- The Portland Condos, located on the corner of Portland Avenue and 2nd Street was to consist of 44 condominium units, 1800 square feet of retail/commercial space and 80 below-grade parking stalls. Brighton has paid an extension fee of \$12,291 per month since June 2006 to retain its rights to the site. This project has been unsuccessful in securing the necessary pre-sales to close on the property.

Village Green Companies (or an affiliate) proposes to construct a 4-5 story building that will not exceed 56 ft. in height that will consist of approximately 170 market rate rental housing units with approximately 170 below grade parking spaces. This building will front onto 2nd Street South, Portland Avenue South and Washington Avenue South and will also face the interior courtyard to be constructed in the middle of the block (see attached site plans). Ingress and egress to the site will be from Portland Avenue. The developer has stated that flexibility will be built into the design that will allow for some units on the first floor facing Washington Avenue to either be live/work units or neighborhood retail uses depending on market conditions. Therefore, there is a possibility that the total number of residential units is less than 170. However, should all 170 units be proposed for construction, a variance may be necessary.

Village Green Companies (or an affiliate) will step into the shoes of Brighton Nine/Portland LLC upon assignment and assumption of the existing redevelopment contract. This includes assuming responsibility for past due fees associated with the contract totaling \$82,537.00. Village Green proposes to submit a letter of credit to the City for these past due fees. As of January 1, 2008, Village Green Companies will continue to pay these fees and intends to make the monthly payments as required and noted in item 5 below.

It has requested that the City thereupon enter into an amended and restated contract incorporating the following changes:

1. That the Minimum Improvements be redefined to mean new construction of an approximately 4 or 5-story building not to exceed 56 ft. in height and containing approximately 170 rental units and approximately 170 below grade parking spaces. Some units on the first floor facing Washington Avenue may be live/work units or neighborhood retail space permitted in District C3A.
2. That the closing deadline be extended to October 1, 2008.

3. That the construction commencement deadline be extended to November 1, 2008.
4. That the construction completion deadline be extended to November 1, 2010 (24-month construction period).
5. That Village Green Companies will continue to pay a \$12,291 monthly holding fee for the Portland Condos site (based on 10% of the land cost) from January 1, 2008 until closing (a total of \$110,619.00 if Village Green doesn't close until October 1, 2008).