

**INSERT BOARD OR COMMISSION NAME**

AGENDA SECTION	BUSINESS ITEM
MEETING DATE	7/5/2022

ITEM:	3841 Central and 670 40th Discussion	
DEPARTMENT: Community Development		BY/DATE: Mitchell Forney 6/29/2022

BACKGROUND:

This letter seeks to bring forth, for discussion, the issue of 3841 central and 670 40th. Both properties are owned by the EDA and City respectively. It is important for staff to receive an idea of how the EDA would like to move forward regarding both properties. This issue has been revisited many times over the past few years and staff would like to finalize any projects or transfers with regards to the properties. The history of each property is complex to say the least and will be summarized below. Ultimately Staff are looking for guidance on how the EDA would like to handle Each situation.

3841 Central was purchased in in 2017 for \$200,000 due to the property being commercial non-conforming. After being purchased, Community Development staff put together the idea of working with the Greater Metropolitan Housing Corporation (the "GMHC") to possibly move the house rather than demolish it. During the planning phase GMHC developed a PRO FORMA which found that after purchasing the house from the city for a dollar, moving the house, and selling the house they would be in the negative for approximately \$72,153. GMHC came back to the EDA asking if, as part of the deal, the EDA would provide gap funding for the \$72,153. At the November 6, 2017, meeting the EDA approved the sale of the house for a dollar but did not approve any gap funding. In 2018 Staff along with GMHC brought forth a separate plan which included moving the house to a city owned property at 670 40th Ave. With this, the City would sell both the house and the lot at 670 40th to GMHC for \$1 apiece. GMHC would move the house from 3841 Central to 670 40th but requested gap financing of \$25,000 dollars. The motion for gap financing passed 4-2 and the project was referred to the city council. The public hearing never occurred, and the project ceased.

There are a few options regarding the future of 3841 Central. Currently there are utilities, insurance, and other management costs that continue to pile up the longer the property sits vacant. If the EDA would like to reconsider the option of moving the house the process would require much more staff time without the assistance of the GMHC. The PRO FORMA from 2019 estimated that moving the house would cost a total of approximately \$293,500. If moved to 670 40th staff believe the house could be sold for approximately \$300,000 dollars. Add in the \$200,000 initial cost and all the estimated deposition costs \$22,655. The project comes out to a net loss of approximately \$216,155 in 2019. This estimate was gathered by utilizing some of the original PRO FORMA along with bids from contractors. It is assumed that the price of the project would be inflated by a minimum of 16% if it follows the Consumer Price Index. And possibly much more with the current market for construction services and materials. This also does not take into effect the amount of staff time that would be dedicated to receiving bids, approving bids, and managing contractors for the complex project. The final option is to demolish the site in preparation for future development. With an initial cost of \$200,000 and a demolition cost of approximately \$25,000 the total loss for 3841 would be approximately \$225,000 dollars. Some of this cost could then be recovered by the sale of 670 40th for redevelopment which is brought forth below.

In 2008 the owner of the property located at 670 40th Ave NE (formerly known as 666 40th), reached out to the city via the attached letter to inquire about donating the property. Located on the property was a 2-story commercial/residential building that had been used as a dental laboratory. Over time the structure had been vacated and sat in disrepair. As soon as city staff had received the letter, they began to work with the owner's attorney to obtain ownership documents approving the donation of the property. In 2011, before the donation could be executed, the building was posted as hazardous due to a broken pipe that flooded the basement. The structure continued to decline and in 2012 the EDA found that the donation could not be accepted due to outstanding title obligations. In 2016 the title issues had been resolved and the donation of the property had been accepted. City staff worked to demolish the structure on the lot, which was completed in 2012. The donation was accepted with the assumption that the City would keep the lot as an access to the park. The EDA of 2012 decided that the property would be used as a park access due to the zoning issues of the property and the account in the letter submitted, stating that the property had sometimes been used as an access to Huset Park. The property was and still is zoned limited business which prohibits the lot from being redeveloped as a single-family home. EDA members showed interest in the redevelopment of the lot as a single-family home but chose to forego rezoning the lot to maintain it as a part of the park. All of this is exemplified by the minutes of the EDA meeting dated 11-05-2012. (Attachment #4) Resolution 2012-15 states the property is being accepted as a park, but there was no formal action taken solidifying that to a deed or any other legal documentation.

There are a multitude of paths forward for the property including the one listed above with regards to 3841. If the EDA does not want to take up the redevelopment of the site, or if the City Council would like the property to remain a park access. Community development staff will forward on the results of the discussion to the parks department and allow them to proceed with any recommendations or ideas.

If the EDA would like to redevelop the site, it has multiple options. Developing a single-family residential unit on the property fits in line with the current makeup of the nearby properties. As stated above, the property is currently zoned limited business. Which does not allow for any creation of single-family residential, even as a conditional use. In order to redevelop single family on the lot staff would recommend adding single family homes as a conditional use to the limited business district. By adding the conditional use the limited business district would maintain its commercial focus but allow for selective residential in the Transitional Development District. In the 2040 Comprehensive Plan the Limited Business District, which is called the Transitional Development District, is described as "Commercial/retail development will consist of a mix of neighborhood service-oriented development and varying densities of residential development." The goals set by the comp plan state that "development in this area will focus on strengthening the residential character of 40th Avenue and allow for opportunities of neighborhood retail/commercial activity." Currently, the makeup of the Limited business zoned properties on 40th is 33 single/multi-family residential lots and 9 commercial lots. Any change to the conditional use would also affect the other areas zoned limited business. Currently University is made up of 25 limited business lots, and Central has 17 lots. Ultimately the comp plan removes all limited business sections other than 40th and adds one to the western part of University Ave between 37th and 40th. In the past Community Development staff have been approached by single family developers interested in the site.

A small multiple-family structure is another possible redevelopment for the site. Currently Limited Business zoning allows for the development of multi-family housing within the district. The lot having an estimated area of 6,237 sq/feet allows for a small multi-family development, around 3 units. All development proposals would have to meet setback requirements, enclosed off street parking requirements, and any items the Authority

would like to require through the proposal process. In the past Community development staff have been approached by small multifamily developers interested in the site.

As stated before, the property had been a commercial building in the past. A small commercial redevelopment of the site is possible but may prove difficult. In the Eyes of the Comp plan there are no issues with having a small commercial building on the site. Yet, many of the small commercial buildings on 40th remain vacant bringing into question the viability of a small commercial space on the lot. The Limited Business District allows for a multitude of neighborhood like businesses. As highlighted above many of the neighboring properties are made up of residential units which may be opposed to commercial on the site.

Both of the properties have complex pasts, and it is beneficial to devise a solid plan for the future of both sites. For 3841 Central Community Development staff recommend the Demolition of the site in order to prepare it for redevelopment. The costs of such an endeavor have only increased since the last PRO FORMA and the staff time required for such a complex project exceeds many of the perceived benefits. The EDA had the chance to move the house in the past but even with the help of a nonprofit the cost was too prohibitive. With regards to 670 40th Staff recommend redevelopment of the lot. We have received interest from a variety of residential developers that have proposed high quality projects ranging from single family to small multifamily residential. With the addition of single-family conditional uses to the district, the City retains the right to be selective in the transitional nature of the Limited Business District.

ATTACHMENT(S):

- 1. Original PRO FORMA**
- 2. 2019 Staff PRO FORMA**
- 3. Donation Letter**
- 4. 11-05-2012 EDA Minutes**
- 5. Zoning Map of Limited Business District on 40th Ave**