



ECONOMIC DEVELOPMENT AUTHORITY

AGENDA SECTION	BUSINESS ITEMS
MEETING DATE	02/06/2023

ITEM:	Purchase of 841 49 th Ave NE, Purchase Agreement and Budget Amendment approval	
DEPARTMENT:	Community Development	BY/DATE: Mitchell Forney, 02/01/23

BACKGROUND:

Staff are bringing forth for consideration the purchase of the property located at 841 49th Ave NE. The property has been designated as uninhabitable by the City and is in very poor condition. Community development staff believe this property is a prime candidate for redevelopment due to its substandard condition and parcel location.

On June 21st, 2021, Columbia Heights Police were called by a concerned neighbor to investigate a complaint and to conduct a welfare check at the subject property. Columbia Heights Police with the help of the Fire Department, found the property to be unsecured and uninhabitable with no one living at the property. Trash and debris were scattered around the property and filled the inside of the house and garage. Upon initial inspection, the Fire Department also noted that the basement had been completely flooded to within a few feet of the basement ceiling. Police and fire declared the house unfit for occupancy and boarded up the property. Concerned that the electricity, water, and gas utilities were compromised Chief O'Brian initiated an emergency disconnect of all utilities from the property. The fire department continued to check in on the property and abate all property maintenance issues. From the initial welfare check, until December 2022 the fire department attempted to get into contact with the property owner to no avail. Staff have attached images from the initial abatement of the property. As you can see, the house is full of trash, and due to the flooding of the basement, the interior of the house has been infested by black mold.

In December 2022, the brother of the owner of the property showed up at the Community Development Department trying to gain access to the property. He proceeded to inform staff that the owner had been moved to a nursing home in 2021 and is currently in hospice care. The owner's brother ("Seller") has gained Power of Attorney to get the owners finances in order. After viewing the condition of the property, the owner, and his representative approached the city asking if we would be interested in purchasing the property.

Community development staff conducted a financial analysis of the property and determined that it would be in the interest of the City to consider the purchase of the property. In conducting the pro-forma of the property, staff put together a base offer for \$90,000, contingent on approval by the EDA. Staff negotiated the number to \$91,976 after agreeing to assist in paying some of the additional costs levied to the owner. According to the county, the land has an estimated market value of \$69,500. Community development staff believe that the negotiated \$91,976 purchase price is reasonable because it gives the City site control and the ability to drive redevelopment of the site. After the seller agreed to the purchase price and its contingencies, staff worked with Kennedy and Graven, the EDA's Legal Counsel, to draft the purchase agreement that is attached to this report.

The purchase and redevelopment of 841 49th is consistent with the goals of the EDA's redevelopment fund 408. Even though it meets the intent of the fund, the property is not zoned commercial which means that it does not fall within the purview of the Commercial Revitalization Program. Due to this, the purchase of the

property requires an amendment to the 2023 budget to allocate funds for this specific project. Resolution 2023-05 approves the purchase of the property while amending the 2023 budget to reflect the purchase price and related costs. The related project costs that are covered by the budget amendment are: closing costs, hazardous material abatement costs (asbestos and trash removal), and demolition costs (demolition, grading, and utility disconnects). Fund 408 has about \$2.5 million available after accounting for the projected 2023 budget. This is more than sufficient to fund the project. As stated in the resolution, \$91,976 will go to the purchase of the property while \$50,000 will go to the related costs described above. Excess money will be returned to fund 408 after the demolition and grading has been complete.

The location of 841 49th Ave NE gives the City many options with regard to redeveloping the lot. The lot itself is approximately 15,00 sq/ft and is zoned R-2A, Single- and Two-Family. Without rezoning, this would allow the City to redevelop a single family home or twin home on the lot. 841 49th is also near Central Avenue, directly behind the Taco Bell. This opens the possibility for the lot to be rezoned and used commercially in the future.

Ultimately, 841 49th Ave NE has been a problem property for the City and the neighborhood. The condition of the interior and exterior make it uninhabitable. But for EDA involvement, this property could remain vacant and unsalvageable for even longer than it already has. The prime location of the parcel affords the EDA the opportunity to consider many redevelopment options.

RECOMMENDED MOTION(S):

MOTION: Move to waive the reading of Resolution 2023-05, there being ample copies available to the public.

MOTION: Move to approve Resolution 2023-05, a Resolution approving the purchase agreement between the Economic Development Authority of Columbia Heights, Minnesota, and Matthew Plemel POA for Michael James Plemel and Amending the 2023 Fund 408 Budget.

ATTACHMENT(S):

- 1. Resolution 2023-05**
- 2. 841 49th Ave NE Purchase Agreement**
- 3. Images from the Abatement of 841 49th Ave NE**
- 4. Location of the Property**