

City of Minneapolis

Request for Committee Action

RCA #: RCA-2020-00938

TO COMMITTEE(S):

#	Committee Name	Meeting Date	Submission Deadline
1	Business, Inspections, Housing & Zoning Committee	Sep 22, 2020	Sep 15, 2020

FROM: Community Planning & Economic Development

LEAD Emily Stern

PRESENTED Emily Stern

STAFF:

BY:

SUBJECT:

Land sale, development terms, and Commercial Property Development Fund loan: 4140-4146 Fremont Ave N Redevelopment Project (Baldwin Square)

ACTION ITEM(S)

#	File Type	Subcategory	Item Description	Public Hearing
1	Resolution	Land Sale	Passage of Resolution authorizing the sale of the property at 4140-4146 Fremont Ave N (Disposition Parcel No. TF-287) to Baldwin Square Group LLC or an affiliated entity for \$1.00, subject to conditions.	Yes
2	Action	Contract/Agreement	Approving the term sheet as a basis for a redevelopment contract with Baldwin Square Group LLC or an affiliated entity.	No

#	File Type	Subcategory	Item Description	Public Hearing
3	Action	Contract/Agreement	Authorizing a redevelopment contract and related documents in accordance with the term sheet.	No
4	Action	Loan	Approving a Commercial Property Development Fund Loan of \$750,000 to Baldwin Square Group LLC or an affiliated entity.	No

PREVIOUS ACTIONS

[2018-00501](#) Extension of exclusive development rights for 4146 Fremont Ave N redevelopment project.

[2017-00712](#) Exclusive development rights to Ideal Development Group for 4146 Fremont Ave N.

WARD / NEIGHBORHOOD /ADDRESS

#	Ward	Neighborhood	Address
1.	Ward 4	Webber-Camden	4140-4146 Fremont Ave N

BACKGROUND ANALYSIS

In this report staff is seeking Council approval of a City land sale, development terms and a Commercial Property Development fund loan for the redevelopment of property at 4140-4146 Fremont Ave N into a multi-tenant retail and office space.

The property at 4140-4146 Fremont Ave N consists of two City-owned buildings on one parcel and is located near the southeast corner of the 42nd Ave N and Fremont Ave N intersection. Originally constructed in 1926, the buildings housed a variety of community-oriented small businesses and have been vacant since 2014. In 2015, the City acquired the property out of tax forfeiture and has since been working to reactivate the buildings.

In November 2016, the City issued a request for proposals (RFP) for the property with the following development objectives:

1. Revitalize the vacant storefronts.

2. Provide retail goods and services to the community.
3. Support intensification of commercial and residential activity at the 42nd & Fremont intersection.
4. Include public realm/pedestrian improvements (e.g. landscaping, promote walkability and safety, etc.).
5. Provide clean, functional space with adequate parking to support the building use.

From the RFP process, the City granted exclusive development rights for the property to Ideal Development Group LLC (IDG). IDG is owned by Jamil Ford, who is also President of Mobilize Design and Architecture located in north Minneapolis. The IDG proposal includes multi-tenant commercial spaces with a restaurant, bookstore and cafe on the ground floor; event space and an art gallery in the basement; and office spaces on the second floor. The project is named "Baldwin Square" after the African American writer, James Baldwin. Jamil Ford and two other investors comprise Baldwin Square Group LLC, the entity to own the Fremont real estate that will be developed by IDG.

Over the last several months, BSG has demonstrated progress on refining its project. The project aims to house restaurant, retail, office and arts uses. IDG is in negotiations with Busboys and Poets to be the restaurant and retail tenant. Busboys and Poets is a unique and very successful restaurant chain originating from the Washington DC metro area. Serving as a cultural hub where racial and cultural connections are consciously uplifted, Busboys and Poets would lease the entire first floor and basement to operate the restaurant and related coffee shop, book store, art gallery and event center. Busboys and Poets has the potential to be a regional destination attracting customers of many backgrounds to come for the food, environment and special events.

The Neighborhood Development Center (NDC) would be a second-floor tenant. From these offices NDC would advise north Minneapolis entrepreneurs and provide supportive services and space to other businesses. Other planned tenants include the architecture firms Mobilize Design and Andrew McGlory Associates.

The total project is estimated to cost approximately \$3.5 million, and details are summarized in charts below. The project uses include about \$2.5 million for the hard construction cost to fully renovate the existing buildings and construct a new second-floor addition to one building. The construction cost estimates were prepared by IDG's general contractor partner, Benson-Orth.

The project uses also include an acquisition cost of \$1.00. As part of this action, staff is requesting Council authorization to sell the property to BSG for \$1, which is deemed to be the fair reuse value due to the amount of work needed to bring the existing buildings up to code.

The project sources for the \$3.5 million Baldwin Square project will be financed through a combination of funders. BSG is working with Sunrise Banks on senior debt financing using New Markets Tax Credits (NMTC). Hennepin County is reviewing a Transit Oriented Development (TOD) grant application for the project. IDG is in the process of applying for a Metropolitan

Council Tax Base Revitalization Account (TBRA) grant in the Fall 2020 application round to pay for removal of hazardous materials (asbestos and lead-based paint) in the buildings. The TBRA grant would replace a previous award that expired this summer.

The pending public and bank sources are expected to be finalized in the coming months and must be finalized prior to closing. BSG has requested City financial support in the form of a \$750,000 loan from the Commercial Property Development Fund (CPDF) to help finance the project’s renovation and construction.

As part of this action, staff is requesting Council approve a \$750,000 CPDF loan to BSG for this project. The terms of the CPDF loan will align with the approved guidelines for the CPDF program, including:

- 40-year term
- 0% interest
- Repayment of full principal balance due if one of the following events occurs:
 - Changes in property ownership without City consent to a non-qualified heir or successor owner(s); or
 - Changes in use of the property without City consent to a use other than the type of office and retail sales and services uses allowed in the City’s C1 Neighborhood Commercial District.
- No debt forgiveness during term. At the end of the term principal balance forgiven if the borrower meets the following conditions:
 - there are no material changes in use of property;
 - there are no issues with delinquent taxes;
 - there are no unresolved City zoning and property maintenance violations;
 - there are no other defaults on the loan.
- The CPDF loan will be documented by a separate loan agreement, evidenced by a promissory note and secured by a recorded subordinate mortgage on the property.

Uses

Funding Use	Amount
Real estate acquisition	\$ 1
Hazardous materials abatement (asbestos & lead-based paint)	100,000
Hard construction costs	2,460,040
Soft costs (architecture & engineering, legal, permitting, etc.)	546,396
Construction contingency	208,563

Developer fee	250,000
Total	\$ 3,565,000

Sources

Funding Source	Status	Amount
Sunrise Bank w/ NMTC	Pending	\$ 2,016,750
City – Commercial Property Development Fund	Pending (this action)	750,000
City – Great Streets Façade Grant	Pending	7,500
Hennepin County TOD grant	Pending (award notice expected November 2020)	500,000
Met Council TBRA hazardous materials grant	Pending (award notice expected January 2020)	100,000
Owner Equity	Committed	190,750
Total		\$ 3,565,000

As the final part of this action, staff requests Council approve the attached term sheet as a basis for a redevelopment contract with Baldwin Square Group LLC. The redevelopment contract will include the attached development terms as well as City contracting requirements that are standard for development projects involving public funds.

[Land sale, development terms, and Commercial Property Development Fund loan: 4140-4146 Fremont Ave N Redevelopment Project \(Baldwin Square\) - Fiscal Note](#)