CEDAR-RIVERSIDE
UDAG SUBMISSION
FOR
SEVEN CORNERS

12 December 1979
December 7, 1979

Alderman Louis G. DeMars
President, Minneapolis City Council
Room 307 City Hall
Minneapolis, Minnesota 55415

Dear Alderman DeMars:

The MHRA hereby submits a proposed UDAG application for the Seven-Corners area in Cedar-Riverside. UDAG funds coupled with tax increment funds are expected to generate a private investment of $5 million for a 185 room motel, and $14.9 million for 300 units of housing and 10,000 square feet of new commercial.

The proposal conforms both to the original 1968 Urban Renewal Plan and to the goals and objectives of the Cedar-Riverside Task Force for the Seven-Corners area. Specifically, the task force report called for a maximum of 550 new units in mid-rise structures not exceeding 15 stories, recommended the provision of ramp parking, and found the area suitable for a "diversity of commercial and entertainment development (such as bar and restaurants, theaters, hotels/motels, etc.)."

The proposed UDAG will permit the fulfillment of many of these goals. By providing structured parking, a high density development is possible while still retaining (and rehabilitating) both Dudley Rigg's and the Southern Theater (formerly the Guthrie II). Further, adequate parking will be made available for the patrons of the other bars, theaters and commercial development in the area. Finally, with public support, the proposed housing can be built at affordable prices, an important step in reaching the task force goal that "the distribution of costs levels for new residential construction and rehabilitation should closely approximate the distribution of housing cost needs...in the Metropolitan Council's Development Guide".

The MHRA will assemble the land and coordinate public improvements; the motel is proposed by Tom Noble of Kensington Investments/Inn Management, Inc.; the housing is proposed by Canadian Financial Corporation in concert with the West Bank Community Development Corporation.

We feel this is an exciting and feasible proposal, and hope that you join us in supporting it.

Sincerely,

James R. Lemley
Executive Director
December 7, 1979

Alderman Mark Kaplan, Chair
Community Development Committee
Room 307 City Hall
Minneapolis, Minnesota 55415

Dear Alderman Kaplan:

Enclosed is a proposed UDAG application for the Seven-Corners area of Cedar-Riverside. We request that you receive it at your meeting on December 10 and set a public hearing to receive comments.

Sincerely,

James R. Lemley
Executive Director

encl.
December 7, 1979

The Honorable Albert J. Hofstede
The Honorable Louis Demars
City Hall
Minneapolis, Minnesota 55415

Gentlemen:

The proposed Urban Development Action Grant submitted in the following material represents the latest in a series of community based planning efforts by the Cedar Riverside Project Area Committee.

The broad document that set the development parameters for the Cedar Riverside neighborhood were established in the Cedar Riverside Task Force Report completed in 1977. This Task Force, established by Minneapolis City Council resolution, concluded that the 7-Corners area was an area suitable for housing in mid-rise structures of not more than 15 stories. Up to 550 units were proposed. This UDAG proposal meets nearly two-thirds of this quota. The housing also conforms to the Task Force recommendations which concluded that the area was not desirable for family housing, particularly housing with children.

In addition, the Task Force Report calls for "diversity of commercial development", including hotel/motel development and a parking ramp in the 7-Corners area.

Using the Task Force Report as a guide, the Cedar Riverside PAC sponsored planning workshops in 7-Corners which were attended by 7-Corners business people and residents. The workshops produced specific land use concepts for the area and identified the major redevelopment issues. The UDAG proposal reflects the concepts and issues identified in those workshops. These include: 1) respect for the character of the existing business area; 2) innovative mixture of business and residential uses; and 3) a parking solution that deals with the needs of the existing businesses. The commitment to a parking solution called specifically for structured parking in any facility that exceeds 50 needed parking spaces.

In addition to these two planning efforts the UDAG proposal itself received priority in terms of PAC staff involvement in the last quarter of 1979. Through the efforts of PAC staff and Minneapolis Housing and Redevelopment Authority staff the current proposal has been developed. It has been reviewed both in pieces and in toto by the PAC's Development Committee which recommended its passage to the full PAC which passed the proposal on December 4th with no dissenting votes.
We are especially pleased to offer a proposal that includes such lengthy views of community needs by community residents. The involvement of the West Bank Community Development Corporation, a resident controlled development entity, ensures that the community's needs will be heard during the crucial development phase of the project.

West Bank commercial interests, particularly those based in the 7-Corners area have been involved from the beginning and are very supportive of the current proposal.

In short, this is an opportunity to meet community need expressed in a responsible, unhurried planning process. It is an opportunity for the Federal Government, neighborhood residents, City Government, and businesses to link arms in the struggle to conserve, preserve, and create anew the urban context in which we live.

I look forward to the positive receipt of this UDAG proposal and the development that it will produce.

Sincerely,

Rev. Charles Buckman-Ellis
PAC Chairperson
SUMMARY

Introduction ........................................ 1
Planning Context ................................. 2
Site .................................................. 3
Project Description .............................. 5
Financing .......................................... 9
UDAG Objectives ................................. 10
Need ................................................. 12

HOUSING
MOTEL
REHAB
This document outlines the essential concepts and issues that would govern a $6.75 million UDAG proposal submission for the first quarter of 1980. It includes four major development components: 1.) 300 units of new housing for people living on a moderate income; 2.) a 185 room motel; 3.) 20,000 sq. ft. of commercial and residential rehab; and 4.) a 750 stall parking ramp. The housing component would be developed by a partnership consisting of Canadian Financial Housing Corporation and the West Bank Community Development Corporation; the motel would be developed by Kensington Investments, Inc.; and the rehab would be undertaken by the Minneapolis Arts Commission and Dudley Riggs. The City of Minneapolis would develop the parking ramp.

The motel and housing will be financed with private equity and City revenue bonds. A loan of UDAG funds will establish a subsidy fund for the housing. A combination of private equity, and UDAG grant and loan funds will finance the rehabilitation work. The parking structure will be owned by the City and financed with tax increment or revenue bonds. A UDAG grant will allow parking revenues to cover all of the City's operating and debt service costs. Tax increment funds will pay for land acquisition and relocation costs and UDAG grant funds will cover the cost of necessary public works.

In addition to providing assistance in developing a vital urban place in 7-Corners, this project would produce $700,000 annually in tax increment funds that would be applied to redevelopment in other parts of the Cedar Riverside Urban Renewal Area.

The following summary addresses these topics: site description, description of project, financing, response to UDAG objectives and description of need.
The project described in this UDAG application conforms to four major planning documents. They are:

1) **1968 Urban Renewal Plan** - The Urban Renewal Plan calls for a mix of residential/commercial development for the 7-Corners area. Plan adopted by City Council and the Minneapolis Housing and Redevelopment Authority.

2) **Report of the Cedar Riverside Task Force (June 1977)** - This report is the result of a City Council sponsored task force which defined development parameters for each neighborhood in Cedar Riverside. The Task Force Report calls for high density residential and commercial/entertainment development which could include a motel. The Task Force also recommends a parking ramp in 7-Corners. Adopted by the Minneapolis Housing and Redevelopment Authority and the Minneapolis City Council.

3) **7-Corners Task Force Report (November, 1978)** - This report is the result of a neighborhood level committee organized by the Cedar Riverside Project Area Committee and composed of business persons and residents of 7-Corners. The land use plan developed by this group calls for high density residential and commercial with a parking ramp constructed within the boundaries defined in the UDAG proposal. Adopted by the Cedar Riverside Project Area Committee; and

4) **Minneapolis' Comprehensive Plan for the 1980s: University Community Plan.** This planning document was prepared by the University Planning District Citizens Advisory Committee and the Minneapolis Planning Department. It states that development in 7-Corners must conform to neighborhood adopted criteria as defined in the 7-Corners Task Force Report (see above). Adopted by the Minneapolis Planning Commission.
project description

SITE

This proposal addresses a site in the Cedar Riverside Urban Renewal Area bounded on the West and North by I-35W, on the North and East by the new approach to the 19th Avenue bridge and on the South by a lively cultural and entertainment oriented commercial area along Washington Avenue.

The existing housing on the site is generally in poor condition and poorly situated for its use. Many of the existing commercial and industrial structures are also in poor condition. This proposal calls for the rehabilitation of three buildings. All other structures would be demolished or moved.

DESCRIPTION OF PROPOSAL

A 7-Corners UDAG submission would include four major development components and several interrelated financial transactions. The development components are: 1.) 500 units of new housing and 10,000 square feet of new commercial, 2.) a 185 room motel, 3.) rehabilitation of three existing buildings and 4.) a 750 car parking ramp.

1.) Housing/commercial

This component includes 300 dwelling units of new housing and 10,000 square feet of new commercial space. It would be developed by a partnership consisting of Canadian Financial Housing Corporation and the West Bank Community Development Corporation. The West Bank CDC, a community based nonprofit developer, would share in all development decisions and project profits.

The housing would serve people who live on a moderate income and who are single or live in families without children. Structures would range in height from five to fifteen stories. They would be designed to take maximum advantage of environmental conditions and to respond to the scale of the existing buildings along Washington Avenue.

A UDAG loan in the form of an Assisted Rental Program (ARP) as presented by Canadian Financial Housing Corporation in previous UDAG submissions would be used to supplement monthly rents during the first 15 years of the project. This would allow for initial total housing costs of about $160 per person per month and an annual increase of about 7%. UDAG funds would also be used to finance the housing's share of the parking structure.

The general commercial space would be developed along Washington Avenue between Cedar and 19th Avenue. It would provide much needed primary services for the new and existing housing in the
7-Corners area. It would also provide space for additional entertainment and University related commercial activities.

2.) Motel

This component consists of a 185 room motel with a restaurant, bar, meeting rooms and a swimming pool. It would be developed by Inn Management, Inc.

Although the motel structure would include a ten story tower, it would be designed to be as sympathetic as possible to the character and scale of the existing buildings along Washington Avenue.

A minimum of 255 parking spaces would be reserved in the parking ramp for the motel. The motel would lease these spaces at a fixed monthly rate.

3.) Commercial/housing rehab

Three existing buildings on the site will remain in place and be rehabilitated as part of this proposal.

The building presently housing the Dudley Riggs restaurant/theater would be acquired and rehabilitated by Dudley Riggs. The residential space above the restaurant would also be rehabilitated.

The Southern Theater, presently serving as a performing space for a wide range of performing arts groups would be acquired. The Minneapolis Arts Commission would rehabilitate and maintain the building as a multi-use performing arts space.

Although the Mayhood building is vacant and enjoys no firm development commitment at this time, it has both historic value and promising rehab potential for housing and commercial uses. It may also deteriorate beyond repair if rehab does not occur within the next year.

4.) Parking ramp

The City of Minneapolis would construct a 750 car parking ramp as the fourth component in the multi-use UDAG package.

Approximately 300 of these spaces would be for the housing component and would be paid for with UDAG money. A minimum of 255 spaces would be leased to the motel and the remaining spaces would be available to the general business community.
The final number of general commercial use spaces will be based on specific pledges of support solicited from the surrounding businesses.

The parking structure would be financed, built, and owned by the City. All operating costs and debt service payments will be covered by revenue generated. Construction of sections to be used by the motel and housing developers may be counted as private contribution since leases to cover all costs will be signed before the UDAG application is submitted. To the extent that leases for use of general commercial space can be executed, those construction costs can also be counted as private contribution. UDAG funds will be used to write down the costs of the general parking section to the point where a conservative projection of operating income will cover operating and debt service costs.
<table>
<thead>
<tr>
<th></th>
<th>Private</th>
<th>Local Public</th>
<th>UDAG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing/Commercial</td>
<td>13,020,828</td>
<td></td>
<td></td>
<td>13,020,828</td>
</tr>
<tr>
<td>ARP</td>
<td></td>
<td>5,250,000</td>
<td></td>
<td>5,250,000</td>
</tr>
<tr>
<td>Motel</td>
<td>5,261,000</td>
<td></td>
<td></td>
<td>5,261,000</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>80,000</td>
<td>420,000</td>
<td></td>
<td>500,000</td>
</tr>
<tr>
<td>Parking</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>1,650,000</td>
<td></td>
<td></td>
<td>1,650,000</td>
</tr>
<tr>
<td>Motel</td>
<td>1,375,000</td>
<td></td>
<td></td>
<td>1,375,000</td>
</tr>
<tr>
<td>General</td>
<td></td>
<td>950,000</td>
<td>150,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Public Works, relocation, land writedowns</td>
<td>1,401,572</td>
<td>960,000</td>
<td></td>
<td>2,361,572</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21,386,828</td>
<td>2,351,572</td>
<td>6,780,000</td>
<td>30,518,400</td>
</tr>
</tbody>
</table>

Leveraging ratio: The ARP is structured as a loan which will be repaid to local government. The value of that loan discounted at 11% may be counted as private investment. Thus, and additional $450,000 may be counted as private funds leveraged by the UDAG grant.

The ratio is therefore 3.22 : 1.

NOTES

1. Development costs of the housing and commercial components will be financed with equity contribution from the developer and revenue bonds issued by the City and purchased by Dain Bosworth, Inc. (see section on 'Housing' below).

2. Inclusion of a commitment for rehabilitation of the Mayhood building may increase the private contribution by $600,000.

4. $1,074,572 of tax increment is already committed to development of this site. The UDAG grant would be used to pay for extensive public works costs necessitated by the intensity of the proposed development. An additional $327,000 of tax increment, beyond that already committed, will be required.
I. Alleviation of Physical Distress

At the present time, there are 22 residential units occupied and 20 unoccupied within the project boundaries. Of the 22 occupied, most are in substandard condition and the remaining 20 are not fit for human habitation. The occupied units are located in single family dwellings and duplexes. All local parties agree that the area is appropriate for high density housing which in its present use leaves the land highly underutilized.

Most of the residential property will be demolished with the exception of units above the commercial rehabilitation included in this project and the Mayhood Building which has historical significance and should be preserved.

The commercial properties are also in need of substantial rehabilitation and are scattered throughout the area in a way which further underutilizes land use. Most of these structures will be demolished. Two buildings will remain which will be acquired and rehabilitated under this proposal.

Three hundred new dwelling units will be constructed and 10,000 square feet of new commercial space will be built.

Displaced businesses and residents will be offered space in the new development.

II. Alleviation of Economic Distress

Short term benefits will be realized immediately in terms of construction jobs available to complete the project.

Long term benefits realized will be the availability of over 300 full and part time jobs, of which an estimated 75% will be available to neighborhood residents; the upgrading of valuable cultural facilities will contribute to the economic vitality of the neighborhood; the construction of a parking ramp will ease the unbearable parking problem that exists presently and will attract more patrons to the area; new housing will be provided for 300 low and moderate income households; and new commercial enterprises will be attracted to the area to serve the needs of both new residents to 7-Corners and the larger neighborhood.

In addition, abandoned and underutilized buildings will be replaced.

III. Fiscal Improvement

Taxes generated by the property presently are $47,000. After development, $754,000 will be generated annually. The project will generate at least $6.6 million in tax increment revenues to be dedicated to further redevelopment
in the neighborhood. After twelve years, when the project is complete, it's contribution to new city taxes will annually be at least $700,000.

In addition, the ARP loan will be repaid to the city over time beginning with year 18.

IV. Impact on Low-Moderate Income Persons, Minorities and Neighborhood.

The project will provide housing for 300 households; all of which will be affordable within 25% of the incomes of people eligible for sec. 8 assistance. Affordability of units will be realized by use of the Assisted Rental Program (ARP, see page 13 for explanation). Lower income groups whose needs are not addressed by other subsidy programs will directly benefit by use of the ARP. These persons include: single persons, students, childless couples, and the elderly.

The West Bank Community Development Corporation, a neighborhood level development Corporation whose elected board is composed of a majority of low-income persons, is working in partnership with Canadian Financial Housing Corporation on the housing element of the proposal and will be involved in construction as a full partner. The housing will be managed cooperatively and residents will play a major role in planning and implementing this development.

The project will cause only minimal displacement of residents and businesses; both groups will be offered the opportunity to relocate in the new development.

The Cedar Riverside Project Area Committee, the officially recognized (by the Minneapolis and Housing Redevelopment Authority) community organization with input into the Urban Renewal plan, has a strong policy regarding affirmative action plans and will review carefully the developer's proposals to ensure conformance.
The 7-Corners area of the Cedar Riverside Urban Renewal Area has experienced no major development since the Urban Renewal Plan was adopted in 1968. Individual efforts to rehabilitate commercial spaces has sustained the cultural/commercial community but the housing stock has continued to deteriorate. Nearly half of the existing fifty housing units are vacant and most of the occupied units are in poor condition.

The re-alignment of the bridgehead of the 10th Ave. bridge has resulted in under utilization of existing streets and commercial structures and the existing low density housing and light industrial uses are inconsistent with the high density housing and commercial uses recommended by all planning documents dealing with 7-Corners.

**NEED FOR UDAG**

The major function of the UDAG funds in this proposal is to provide a tool for producing moderate cost housing. The Assisted Rental Program (ARP), modeled after a highly successful Canadian federal housing program, would provide housing for people unable to afford today's market rate housing options, many of whom are not eligible for existing housing subsidy programs. This is a critical need since rents are soaring while inflation and high interest rates are precluding the development of new affordable market rate housing.

A second set of needs relate specifically to the site and the mixed use urban design solution proposed. In the 7-Corners area, the expectation of high density housing, new commercial development, and maintenance of the existing cultural/commercial community create great competition for the limited amount of developable land available. Independently conceived proposals for housing on the East side of the site and a motel on the West side, when combined with the existing community's need for additional parking create a demand for land that cannot be accommodated without some innovative combination of uses.

The provision of a shared structured parking facility is the focal point of the mixed use urban design concept presented in this proposal. Without such a facility at least one of these expected uses would have to be sacrificed and the generally dense commercial/housing character of the area would give way to a milieu dominated by surface parking. This result would fail to meet the planning goals expressed by all parties involved over the last 15 years and would deny the 7-Corners area's potential as an attractive and vital urban place.

Finally, there are the needs of the overall Cedar Riverside Redevelopment District. Unsuccessful development attempts in Cedar Riverside have resulted in a considerable gap between the expectations for redevelopment and the redevelopment resources available to achieve those expectations. The tax increment generated by this project would be a major contribution to the realization of development goals throughout the Cedar Riverside area.
The goal of the housing component of this development is the production of housing units affordable to households with modest incomes. Rents of about $160/person, the University area average for efficiency apartments, are within the means of people with incomes down to about $6,000. Some internal skewing of rents would allow even lower income individuals to be housed.

To achieve rents this low in new housing, some subsidy mechanism must be employed. We have chosen as a model, the Canadian Assisted Rental Program (ARP). This program works in a manner similar to the variable interest rate mortgage. With relatively large subsidies initially and lower subsidies later on, the housing is made initially affordable to lower income groups than if the subsidy were provided in equal amounts over time as is the case with the HUD sec. 236 program. In this proposal, subsidy payments end completely after 18 years, and the project begins to repay subsidy funds to the City.

Each year, rents are increased slightly more than costs increase, to make up for the subsidy reduction. These rent increases, projected at 6.25% annually are still substantially less than the general rate of inflation and less than the inflation in the rent component of the Consumer Price Index (currently 10% annually in the Minneapolis area).

In this fashion, the housing remains affordable over time to roughly the same income group as moved in initially.

Limited subsidy funds are used far more efficiently if they are provided in a lump sum initially and invested, so that the interest generated is also used to reduce rents. In this proposal, for instance, a $5,250,000 UDAG grant can have the same subsidy effect as $8 million granted in annual increments (see the example next page).

If the $5,250,000 were used to directly subsidized construction costs and lower the cost of the mortgage, it would reduce costs about $122 per month. The ARP subsidy device results in an initial rent reduction of $185 per month and reductions larger than $122 until the twelfth year.

In this case, debt service and operating costs would require rents averaging $550/month for the project to operate with a modest (4% of equity) cash flow. We desire average rents of $365. (There are many large units designed for shared use). The initial subsidy thus has to be $185 per unit per month.

We project average operating cost increases of 9.4% annually necessitating average annual increases in income of 3.76%. Annual rent increases of 6.25% allow us to phase out the ARP subsidy in 18 years.

The table on the next page illustrates these concepts.
<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Rent</th>
<th>Contract Rent</th>
<th>ARP/unit per month</th>
<th>Annual ARP</th>
<th>Advance Funding Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>550</td>
<td>365</td>
<td>185</td>
<td>666,000</td>
<td>(5,246,262 - 666,000) x 1.08 = 4,946,683</td>
</tr>
<tr>
<td>2</td>
<td>571</td>
<td>388</td>
<td>183</td>
<td>658,800</td>
<td>(4,946,683 - 658,800) x 1.08 = 4,630,914</td>
</tr>
<tr>
<td>3</td>
<td>592</td>
<td>412</td>
<td>180</td>
<td>648,000</td>
<td>(4,630,914 - 648,000) x 1.08 = 4,301,547</td>
</tr>
<tr>
<td>4</td>
<td>614</td>
<td>438</td>
<td>176</td>
<td>633,600</td>
<td>(4,301,547 - 633,600) x 1.08 = 3,961,382</td>
</tr>
<tr>
<td>5</td>
<td>638</td>
<td>465</td>
<td>173</td>
<td>622,800</td>
<td>(3,961,382 - 622,800) x 1.08 = 3,605,669</td>
</tr>
<tr>
<td>6</td>
<td>661</td>
<td>494</td>
<td>167</td>
<td>601,200</td>
<td>(3,605,669 - 601,200) x 1.08 = 3,244,827</td>
</tr>
<tr>
<td>7</td>
<td>686</td>
<td>525</td>
<td>161</td>
<td>579,600</td>
<td>(3,244,827 - 579,600) x 1.08 = 2,878,445</td>
</tr>
<tr>
<td>8</td>
<td>712</td>
<td>558</td>
<td>154</td>
<td>554,400</td>
<td>(2,878,445 - 554,400) x 1.08 = 2,509,968</td>
</tr>
<tr>
<td>9</td>
<td>739</td>
<td>593</td>
<td>146</td>
<td>525,600</td>
<td>(2,509,968 - 525,600) x 1.08 = 2,143,118</td>
</tr>
<tr>
<td>10</td>
<td>767</td>
<td>630</td>
<td>137</td>
<td>493,200</td>
<td>(2,143,118 - 493,200) x 1.08 = 1,781,911</td>
</tr>
<tr>
<td>11</td>
<td>796</td>
<td>669</td>
<td>127</td>
<td>457,200</td>
<td>(1,781,911 - 457,200) x 1.08 = 1,430,688</td>
</tr>
<tr>
<td>12</td>
<td>825</td>
<td>711</td>
<td>114</td>
<td>410,400</td>
<td>(1,430,688 - 410,400) x 1.08 = 1,101,911</td>
</tr>
<tr>
<td>13</td>
<td>856</td>
<td>756</td>
<td>100</td>
<td>360,000</td>
<td>(1,101,911 - 360,000) x 1.08 = 801,264</td>
</tr>
<tr>
<td>14</td>
<td>889</td>
<td>803</td>
<td>86</td>
<td>309,600</td>
<td>(801,264 - 309,600) x 1.08 = 530,997</td>
</tr>
<tr>
<td>15</td>
<td>922</td>
<td>853</td>
<td>69</td>
<td>248,400</td>
<td>(530,997 - 248,400) x 1.08 = 305,205</td>
</tr>
<tr>
<td>16</td>
<td>957</td>
<td>906</td>
<td>51</td>
<td>183,600</td>
<td>(305,205 - 183,600) x 1.08 = 131,333</td>
</tr>
<tr>
<td>17</td>
<td>993</td>
<td>963</td>
<td>30</td>
<td>108,000</td>
<td>(131,333 - 108,000) x 1.08 = 25,200</td>
</tr>
<tr>
<td>18</td>
<td>1030</td>
<td>1023</td>
<td>7</td>
<td>25,200</td>
<td></td>
</tr>
</tbody>
</table>

Total ARP = 8,085,600
December 4, 1979

Mr. David Niklaus  
City Coordinator's Office  
City Hall, 301M  
Minneapolis, MN 55415

Dear Mr. Niklaus:

As you know, the City of Minneapolis recently applied for an Urban Development Action Grant to assist the construction of a 200-unit rental housing project in downtown Minneapolis. This project, which will be developed by Canadian Financial Housing Corporation, will be located on the air rights over the Government Center Parking Ramp. The Action Grant proceeds will be used to reduce the rents to levels affordable by low-, moderate-, and middle-income persons and families, and will ultimately be repaid in full to the City. With the City's encouragement, we would now like to proceed with a formal development proposal patterned after the Government Center model on a site located in the Seven Corners area, as summarized below.

Physically, the proposed project would consist of 300 dwelling units divided among a series of medium height buildings. In terms of design and site location, the housing would be completely consistent with the comprehensive development plan for Seven Corners set forth in the attached materials. Parking requirements would be satisfied with a reservation of 300 spaces in the proposed parking ramp. A small amount (10,000 square feet) of commercial space would also be included for the benefit of the project's residents and to further tie it in with the surrounding community.

Canadian Financial Housing Corporation would develop this project in joint venture with the West Bank Community Development Corporation, a non-profit neighborhood-based entity. This joint venture would carry the entire 300 units through initial rent-up to sustaining occupancy, at which time a significant portion of the project would be converted
to co-operative ownership. In return for the continued application of UDAG funded assistance payments towards their monthly housing costs, all shareholders in the co-operative would be allowed only a minimal appreciation in value on their shares.

If the City supports this development concept, in addition to processing a UDAG application, we would ask the City to authorize the issuance of tax-exempt revenue bonds for our construction and mortgage financing. As evidenced by the attached letter, Dain Bosworth, Inc. has reviewed our plans, and expressed a willingness to underwrite such a bond sale.

As of today, we remain most optimistic about our prospects for obtaining HUD's approval on the Government Center Action Grant Application. In light of the level of neighborhood participation in the Seven Corners proposal, the co-operative form of ownership, and the integral role this housing would play in the overall revitalization of Cedar-Riverside, we believe it would neither conflict with nor compete with the Government Center application.

An application for UDAG funds will require some preliminary form of site control. A letter of intent something like the attached proposed draft would be entirely adequate for this purpose.

Please let me know if we can provide you with any additional information. Thank you for your consideration.

Sincerely,

Garrett G. Carlson
December 5, 1979

The Honorable Albert J. Jofstedt  
The Honorable Louis DeMars  
City Hall  
Minneapolis, Minnesota  55415

Gentlemen:

The West Bank CDC, Inc. is familiar with the development concepts proposed for redevelopment of the 7-Corners area of the Cedar-Riverside community and is extremely interested in jointly pursuing the development with Canadian Financial Housing Corporation. At recent meetings of the CDC's Residential Development Committee, concepts for development were discussed and subsequently, the full Board of Directors approved the establishment of a preliminary, working relationship with Canadian Housing Corporation for the purposes of pursuing co-development of 7-Corners.

The commercial and housing development portions of the proposal relate directly to priorities of the West Bank CDC, Inc: (1) establishment of housing opportunities for low & moderate income persons, (2) involvement of residents in the planning and decision-making process of redevelopment, (3) expansion of job opportunities for low income residents, and (4) availability of retail services for residents of the community.

Both Canadian Financial Housing Corporation and the West Bank CDC agree that resident involvement in planning and decision-making helps make strong, sound projects. The CDC's Board of Directors, elected directly by community residents is composed of low and moderate income persons. A strong, working committee structure and frequent Board training sessions will make effective involvement possible.

Sincerely,

[Signature]

The Rev. William J. Teska  
Chairman of the Board

WJT:amw
December 4, 1979

Mr. Garrett G. Carlson, President
Canadian Financial Housing Corporation
2030 Northwestern Financial Center
7900 Xerxes Avenue South
Minneapolis, Minnesota 55431

Re: Cedar-Riverside Area
Middle Income Rental Housing Development
Minneapolis, Minnesota

Dear Gary:

I am writing to confirm the interest of Dain Bosworth in working with your firm and the City of Minneapolis for the purpose of providing financing for the middle income rental housing project you are proposing to build in the Cedar-Riverside Area of Minneapolis. I have reviewed with you the location and type of project involved, and can assure you that our firm is very strongly interested in financing this proposed project. It is our understanding that the project will be located on a site near the "Seven Corners" intersection and will consist of approximately 300 units intended for general occupancy.

The method of financing that we propose to use for this project consists basically of the issuance of tax-exempt revenue bonds by the City of Minneapolis, acting under either Minnesota Statutes, Chapter 462C or Chapter 188, Laws of 1975, whichever is more suitable. Interest paid on the bonds will be exempt from Federal income taxes under Section 103(a) of the Internal Revenue Code. (Appropriate provisions may have to be made in the marketing and financing of the project, if necessary to comply with the "Ullman Bill" as it finally emerges from Congress.)

The bond proceeds will be used to make a mortgage loan to the owner of the project (a Minnesota limited partnership to be formed) for up to 90% of the development costs of the project. The bonds are to be fully amortized from the net income of the project and to be secured by a first mortgage on the project and a pledge of all revenues. The initial tenant rents for the apartments in the project are to be reduced to a "market" level, to the extent this is below the "economic" level, through the use
of Urban Development Action Grant (UDAG) funds, gradually increased to the full "economic" level over a period of years.

We are confident that our firm will be able to market revenue bonds for this project with this type of backing, assuming that an independent study indicates the project is economically feasible and assuming that the project is fully approved by the City of Minneapolis. As you know, Dain Bosworth has already financed numerous housing projects, in states from South Carolina to North Dakota, through the use of municipal revenue bonds, including the Augustana Home market-rate apartment project in Minneapolis, and we are currently working on many similar projects in a wide variety of states.

While it is impossible to predict interest rates at an uncertain date in the future, we would estimate, on the basis of normal municipal bond market conditions, that bonds for this project might be sold when it is ready to begin construction at an average interest rate of approximately 9.0%; particularly in light of recent abnormal conditions, however, this rate could vary significantly over the next several months. The amortization period of the bond issue would be up to 40 years. We can arrange for the preparation of the legal documents for the bond financing and the appropriate offering materials while the rest of your proposal is being processed.

Let me reaffirm that Dain Bosworth is most interested in providing the financing for your proposed housing project in the Cedar-Riverside Area of Minneapolis. We would be happy to meet with the appropriate representatives of your firm, the City, and the neighborhood organization, to answer any questions concerning this method of revenue bond financing.

Very truly yours,

Francis X. Fallon, Jr.
Vice President
Originations Department

FXF:dr
Mr. James R. Lemley
Executive Director
Minneapolis Housing and
Redevelopment Authority
217 South 3rd Street
Minneapolis, Minnesota 55401

Subject: Development of a motel on the NE Quadrant of the section of 35W and Washington Avenue commonly referred to as the Seven Corners area.

Dear Mr. Lemley:

Please accept this letter as our commitment to continue to pursue the development of the subject motel. Because of the recently proposed change in the land available for that development and the required tie-in with a parking ramp, housing, and existing properties of particular interest to the neighborhood community, our specific plans regarding the hotel will require some alterations. We are obviously anxious to work with all interested parties in these areas toward the common goal of satisfying everyone's individual requirements in a manner complementary to the neighborhood.

It's very difficult to determine a cost basis for the development of the hotel because timing plays such an important role. Using rules of thumb, however, it is conceivable that development of a 200 room hotel such as we have proposed would be in the $5,000,000 range. We have secured a Holiday Inn franchise for the location and have received approval for the preliminary design. Considering full and part time employees, the motel would generate approximately 300 new jobs, of which an estimated 75% would be expected to be drawn from the neighborhood.
We continue to be very enthusiastic about the feasibility of this program and sincerely hope your efforts to secure the land in a timely manner meet with success.

Sincerely,

KENSINGTON INVESTMENTS, INC.

Warren S. Tyler
Vice President
The Honorable Albert J. Hofstede  
The Honorable Louis DeMars  
City Hall  
Minneapolis, MN 55415

Gentlemen:

The Theater Project Committee is well-aware of the contribution that the theater activity at Seven Corners makes to the economic viability of the area. When the Guthrie II was closed from March through September in 1979, area businesses (especially the other theaters, restaurants, and taverns) noted a substantial reduction in business.

The Theater Project Committee is further concerned about the pressing economic situation that small- and mid-sized performing arts groups are experiencing due to a city-wide shortage of performing, rehearsal, and workshop space. The Southern Theater (formerly Guthrie II) is a particular focus of the Theater Project Committee's concern. In general terms, the Southern is a versatile and accessible theater facility that's especially suitable to the needs of small- and mid-sized performing arts groups. In more immediate terms, the Southern Theater is the only operating theater of its kind that's available for use by small- and mid-sized performing arts groups.

The Theater Project Committee and the Minneapolis Arts Commission responded to the immediate economic concerns of the performing arts groups and the Seven Corners area businesses by negotiating with the Guthrie Theater Foundation the establishment of terms for the reopening of the Southern after it was closed by the Guthrie in March, 1979. In September, 1979, the Minneapolis Arts Commission authorized the Theater Project Committee to act as its agent to manage the Southern Theater on an interim basis so as to bring small- and mid-sized arts groups back in to the area to perform.
Since September, The Theater Project Committee has been coordinating the development of a permanent theater management program that would address, not only the need to facilitate access to the Southern, but to relieve other barriers effecting access to space for small- and mid-sized performing arts groups. The efforts of The Theater Project Committee have attracted the interests of a number of local non-public funding agents.

The Theater Project Committee asserts that retaining the Southern Theater in the Seven Corners Area is in a primary interest in securing the characteristic of the economic attraction of the area, and the economic well-being of a growing segment of the performing arts industry. The uncertainty that has surrounded the future of the facility has taken its toll on the building's curatorial maintenance. A permanent advocate for the space is essential. It is the interest of The Theater Project Committee to direct its efforts ultimately toward the purchase and renovation of the Southern Theater.

Yours,

Melisande Charles
Executive Director
Minneapolis Arts Commission

The Theater Project Committee
Steve Andersen, Commissioner, Minneapolis Arts Commission
Jeff Bartlett, Lighting Designer
Melisande Charles, Minneapolis Arts Commission
Laura Crosby, Hennepin Center for the Arts
Bob Faegre, Performers' Ensemble
Linda Hall, St. Paul/Ramsey Arts & Science Council
Todd Knaebel, Palace Theater
Peter Knapp, Hennepin Center for the Arts
David O'Fallon, Minnesota Theater Federation
Dudley Riggs, Commissioner, Minneapolis Arts Commission
Bob Tracy, Minneapolis Arts Commission/Theater Project Committee Staff

MC/RET:tl
December 11, 1979

The Honorable Albert J. Hofstede
The Honorable Louis DeMars
City Hall
Minneapolis, Minnesota 55415

Gentlemen:

As you know, I have been actively involved in producing entertainment in Minneapolis for the last 23 years. In recent times, I have invested a great deal of money, time, and energy in upgrading and promoting the image and entertainment opportunities in Seven Corners. I have supported and will continue to support that development which enhances the cultural and business climate in our area.

I have long felt that the Seven Corners area, which has already received national press recognition, offers a unique opportunity as an entertainment and night life center. Three theatres and four bar-restaurants (with more restaurants and theatres possible in the future) comprise what can be one of the most dynamic business communities in this city.

Accordingly, it is my intention to acquire and renovate my present structure at 1430 Washington Avenue South and cooperatively develop a new structure which would link the newly revitalized Southern Theatre to my ETC Theatre with a common lobby, cocktail lounge, and public space.

I support the goals of the attached UDAG proposal and am most optimistic about our continued success in Seven Corners.

I would appreciate any help and suggestions you might offer and thank you for your consideration.

Sincerely,

Dudley Riggs

BRAVE NEW WORKSHOP
2605 Hennepin Avenue South, Minneapolis (612) 377-2120

CAFE ESPRESSO
1430 Washington Avenue South, Minneapolis

e tc. theatre