



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: April 19, 2005

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Cherre' Palenius, CPED Senior Project Coordinator, 612-673-5241

**Presenter in
Committee:** Cherre' Palenius, CPED Senior Project Coordinator, 612-673-5241

Approved by: Chuck Lutz, Deputy CPED Director _____
Elizabeth Ryan, Director, Housing _____

Subject: Second Amendment to the Heritage Park Redevelopment Contract with Heritage Housing, L.L.C. extending the commencement and completion timeframes for phases 1 and 2; amending Section 5.05 Construction Plans and Specifications and amending Section 11.02 Phases III and IV Improvements.

RECOMMENDATION: Authorize the appropriate City officials to execute an amendment to the phase 1 and 2 Heritage Park Redevelopment Contract with Heritage Housing, LLC.

Previous Directives: On May 18, 2004, the City Council approved an amendment to the Heritage Park Redevelopment Contract with Heritage Housing, LLC increasing the total number of for-sale units to be developed in phases 1 and 2 and provide an option to develop a commercial component. On July 30, 1999, the City Council approved the Near North Community Redevelopment Plan. On March 24, 2000, the City Council approved the Near Northside Master Plan. On May 12, 2000, the City Council and the MCDA Board of Commissioners approved a Near Northside Master Development Agreement with McCormack Baron. On December 18, 2000, the City Council approved amending a term in the Near Northside Master Development Agreement extending the length of time that development agreements are executed among all the parties. On December 16, 2002, the City Council approved amending the Near Northside Master Development Agreement with McCormack Baron & Associates. On April 22, 2003, the MCDA Board of Commissioners authorized staff to enter into negotiations with Heritage Housing L. L. C. based on their proposed Scope of Services, returning with a term sheet within 90 days. On July 29, 2003 the City Council approved the business terms and conditions for phases 1 and 2 Development Agreement for Heritage Park with Heritage Housing, LLC; increased the appropriation in Fund SDA by \$668,000; increase the revenue in Fund SDA by \$668,000. On July 29, 2003 the MCDA Board of Commissioners authorized the sale of property to Heritage Housing, LLC; approved the business terms and conditions; and authorized the execution of a Development

Agreement with Heritage Housing, LLC for phases 1 and 2 of Heritage Park
Redevelopment Project.

Financial Impact (Check those that apply)

- XX** No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee
Coordinator

Community Impact (Summarize below)

Ward: 5

Neighborhood Notification: The Near Northside Master Plan, which includes phases 1 and 2 of Heritage Park, was comprised with extensive community involvement in 2000. In March 2003 residents from both the Harrison and Near North neighborhoods selected Heritage Housing, LLC as the recommended developer for the ownership housing to be developed in Heritage Park. On April 15, 2003 the Harrison neighborhood housing committee and board recommended Heritage Housing, LLC to develop the for sale housing in the first phase of Heritage Park, based on responses from community meetings. On February 17, 2004, the Harrison neighborhood housing committee approved Heritage Housing, LLC's request to develop a mixed-use building at Heritage Park.

City Goals: Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

Comprehensive Plan: 4.9.1 Minneapolis will grow by increasing its supply of housing. 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.

Zoning Code: Project complies

Living Wage/Job Linkage: Not applicable

Background/Supporting Information

Heritage Housing LLC (HHLLC) acting as the Master For-Sale Developer is creating the phase 1 and 2 land development, architectural and site coordination functions resulting in buildable lots for sale to individual builder/developers. HHLLC initially proposed to develop 167 units, containing a mix of 74 single family residential units and 93 multi-family residential units comprised of duplex, townhouses, senior cottages, and condominium units, including all landscaping in accordance with construction plans that

will be pre-approved by CPED. Subsequently, HHLLC has increased the total number of ownership units to 171, containing a mix of 74 single family residential units, 96 multi-family residential units, and an approximately 2,000 square foot commercial space unit located at the corner of Emerson and 10th Avenues North. Of the 171 ownership units to be constructed in phases 1 and 2 in Heritage Park, 15% of the total number of units will be sold to purchasers with incomes below 60% of the area median income (AMI). HHLLC is working with Twin Cities Habitat for Humanity (Habitat), as a developer who can construct and market these units through their existing program. An additional 15% of the total number of units constructed will be sold to purchasers with incomes below 80% AMI. HHLLC is working with several non-profit developers including Project for Pride in Living (PPL), NRRC, and Greater Metropolitan Housing Corporation (GMHC) to construct and market these units to qualified buyers. HHLLC has indicated reasonable efforts will be employed to locationally disburse all of the affordable units throughout the phase 1 and 2 project areas.

Throughout 2004, HHLLC has encountered and resolved numerous issues that have impeded their development progress. These issues and resolutions are briefly described in the attachment titled Heritage Park Homeownership Activities (exhibit A).

Redevelopment Amendment Requests

1. The term sheet approved in July 2003, indicated, "All housing and landscaping designs must be approved by LHB and Redeveloper, in accordance with overall design guidelines consistent with the project pattern book, approved by MCDA and generally as indicated in Redeveloper's proposal. . ." Over the past year, the design review and approval process has been extremely time-consuming and cumbersome for both the Builders and the review committee. Working with McCormack Baron Salazar (MBS) and Urban Design Associates (UDA), the creators of the Near Northside Pattern Book, HHLLC has revised the Heritage Park design approval process. In doing so, HHLLC has hired Richard McLaughlin to act as the "Town Architect" who will work directly with the for-sale Builders at Heritage Park. On March 15, 2005, HHLLC sponsored a design workshop informing the Heritage Park Builders of the new review process and reiterating the design expectations required by the pattern book. LHB has graciously agreed to relinquish their role relative to the design approval process, yet will continue to be involved in the project as HHLLC's Project Engineer and architecturally represents many of the Heritage Park Builders.
2. Section 5.06 Commencement and Completion of Construction (b) of the redevelopment contract by and between the Minneapolis Community Development Agency (MCDA) and Heritage Housing, LLC establishes specific performance requirements and dates to monitor the developer's progress. In September 2003, prior to acquiring the ownership parcels, HHLLC agreed to provide MBS exclusive use of two ownership parcels located near their phase II rental developments for use as a staging area, through December 1, 2004. Immediately, HHLLC knew the use of these parcels by MBS would greatly hinder their ability to obtain certificates of completion on 100% of the multifamily units by December 31, 2005. Industry standards for multifamily construction and unit sales are typically, 18 months for completion.

On November 30, 2004, HHLLC gave a progress presentation to the various Heritage Park stakeholders, outlining their accomplishments, issues/challenges, and expectations. On December 10, 2004, HHLLC requested an extension to the timelines outlined in the existing redevelopment contract. CPED staff responded with revised timelines. On February 24, 2005, staff from HHLLC and CPED met and agreed to new completion timelines, attached as exhibit B.

These new dates for performance will extend the completion deadline of all the ownership units two months past the deadline referenced in the most recent Stipulation and Order in the lawsuit. Staff has notified legal aid of this circumstance. Legal aid responded affirmatively to this extension as indicated in exhibit C. If HHLLC has not met all of the applicable performance requirements as of November 1, 2005, CPED will prepare a Request for Proposal to seek another redeveloper for phases 3 & 4 of the project.

3. In conjunction with these new timelines, staff is requesting Section 11.02 Phases III and IV Improvements of the Redevelopment Contract be amended as indicated in exhibit D. Essentially, if and/or when HHLLC meets the November 1, 2005 performance requirements, CPED agrees to enter into negotiations with HHLLC establishing a new term sheet for the redevelopment of phases III and IV. CPED will not seek MPHA and Council approval on the new term sheet until January 2006, provided HHLLC has met all of the December 31, 2005 performance requirements. If HHLLC has not satisfactorily met these requirements, CPED will obtain Council approval to seek another redeveloper for the subsequent phases of the Heritage Park Redevelopment project.

Staff's position is consistent with other City projects containing contract language providing development rights for future phases based on performance according to certain criteria determined at the sole discretion of the City, where the City will "seek" Council approval for future development rights/business terms.