



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

Date November 9, 2004

To Council Member Sandra Colvin Roy, Transportation & Public Works Committee
Council Member Barbara Johnson, Ways & Means/Budget Committee

Prepared by Lois Eberhart, Senior Project Coordinator, (612) 673-5041

Presenters Lois Eberhart, Senior Project Coordinator, (612) 673-5041
in Committee Darrell Washington, Senior Project Coordinator, (612) 673-5174

Approved by Chuck Lutz, Deputy Director _____

Subject Authorization to enter into Subgrant and Cooperation Agreements with the Minneapolis Public Housing Authority (MPHA); Receive and File Petition for Public Improvements; Authorization to appropriate funds to Heritage Park budget, and Authorization to amend the agreement with SRF Consulting Group.

Recommendations:

1. Authorize the appropriate City officials to enter into a Subgrant Agreement with MPHA for the \$1,964,000 portion of the MPHA's HUD HOPE VI grant designated for public realm infrastructure costs;
2. Authorize the appropriate City officials to enter into a Cooperation Agreement with MPHA for the Senior housing/HOPE VI area;
3. Receive and file the petition from property owner MPHA requesting the City to construct and assess for streets, streetlights, sidewalks, watermains and sanitary sewers using standard City procedures and methods, and further direct staff to proceed to implement this request;
4. Increase the appropriation for Heritage Park infrastructure work (4100 970 9719) by \$114,000 and increase the Heritage Park revenue (4100 970 9719 Source 3755) for funding by the proceeds from the closing of the Phase 3 Rental real estate transaction;
5. Increase the appropriation for Heritage Park infrastructure work (4100 970 9719) by \$1,000,000 and increase the Heritage Park revenue (4100 970 9719 Source 3225) for 2005 funding by the Mississippi Watershed Management Organization;
6. Increase the appropriation for Heritage Park infrastructure work (4100 970 9719) by \$1,302,505 and increase the Heritage Park revenue (4100 970 9719 Source 3650) for additional reimbursement from Phase 1 and Phase 2 ownership for public improvements;
7. Authorize the proper City staff to enter into amendment to Agreement #14623 dated August 28, 1999 with SRF Consulting Group Inc., as follows: extend the Agreement completion date to December 31, 2005, and increase the Agreement amount by \$1,156,000 for construction documentation/surveying/inspection, as-built plans, street light engineering, and contamination monitoring for infrastructure and open space components of the Senior Housing Facility/HOPE VI area, and
8. Increase the appropriation for Heritage Park infrastructure work (4100 970 9719) by \$1,434.10 and increase the Heritage Park revenue (4100 970 9719 Source 3720) for remittance from MPHA of its unspent portion of McKnight Foundation funds granted to the Near Northside project.

Previous Directives: On March 24, 2000, the City Council approved the Near Northside Master Plan (now Heritage Park). On May 12, 2000, the City Council approved a Master Development Agreement with McCormack Baron. On July 29, 2003 the City Council approved the business terms and conditions and authorized execution of a Development Agreement with Heritage Housing, LLC, for the ownership Phases 1 and 2 of Heritage Park. On October 10, 2003 the City Council approved the business terms of the Phase 3 Development Agreement (Rental Components), authorized the City Engineer to proceed with Phase 3 public improvements, authorized City officials to enter into a Cooperation Agreement with the MPHA, and authorized an increase in the Heritage Park appropriation for public infrastructure costs of \$1,964,000 for a HUD HOPE VI Grant awarded to MPHA on March 4, 2003.

Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

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 (use any categories that apply)

Neighborhood Notification: Not applicable. The Near Northside Master Plan was the subject of an extensive community process in 2000.

Building a City That Works: The Heritage Park development is consistent with Goal 2. Ensure that an array of housing choices exists to meet the needs of our current residents and attract new residents to the city.

Comprehensive Plan: Heritage Park is consistent with the Comprehensive Plan.

Zoning Code: Complies

Background/Supporting Information

SENIOR HOUSING FACILITY/HOPE VI AREA

Staff is recommending that the appropriate officials be authorized to enter into a Subgrant Agreement and a Cooperation Agreement with the Minneapolis Public Housing Authority (MPHA) for the Senior Housing Facility/HOPE VI area (Exhibit A).

Subgrant Agreement MPHA is the owner of approximately 22 acres of land in Heritage Park (Exhibit A) for which it is the recipient of an approximately \$14 million HUD HOPE VI grant. MPHA is constructing the senior housing facility to be known as Heritage Commons on approximately 2.2 acres of the site, working with the City to reconfigure existing right-of-way and install or refurbish streets and utilities, working with the City and the Minneapolis Park and Recreation Board to convert approximately 7.5 acres of the Site to public park land, and intends to work with the City and a housing developer to construct mixed-income ownership housing units on approximately 12.3 acres of the site. The MPHA is sub-granting to the City a portion of the HOPE VI grant, in the amount of \$1,964,000, designated for public realm infrastructure costs. The grant amount was previously appropriated by the City Council, on October 10, 2003, for Heritage Park infrastructure work. The purpose of the Subgrant Agreement is to identify eligible uses of the grant funds, specify grant management procedures, and indicate roles and responsibilities for managing environmental remediation in the area. The City of Minneapolis is

constructing right-of-way and open space public improvements, and managing the environmental construction contingency plan for the senior facility and the public areas. The MPHA acknowledges that, as the owner of the property, it is legally responsible for the environmental condition of the property, and that CPED is conducting the environmental activities for MPHA's benefit.

Cooperation Agreement The City of Minneapolis is seeking to enter into an agreement with the MPHA to allow MPHA to make annual payments to the City in lieu of property taxes for the senior public housing units (102) in the Heritage Park development, to cooperate with the City on necessary street and utility vacation and dedication conveyances, and to allow MPHA to accept assessments for public infrastructure work. Public housing units in Minnesota are statutorily exempt from all real and personal property taxes levied or imposed upon by the State of Minnesota and its political subdivisions (City, County, Regional, etc.). In order to help pay for the local public services and facilities that the families living in public housing units consume (such as police, fire, etc.) the state allows the local jurisdiction to charge a nominal PILOT (Payment In Lieu Of Taxes) amount. According to Minnesota State Statutes (Chapter 469.040), once the public housing units are occupied the MPHA must file with the assessor a statement of the aggregate shelter rents collected during the preceding calendar year. The PILOT amount is calculated and this amount is distributed to the several taxing bodies in the same proportion as the total tax rate.

ADDITIONAL SOURCES AND USES AUTHORIZATIONS

This report also seeks authorization for the following Heritage Park transactions. The "items" listed below correspond with the recommendations and provide further explanation.

Item 4: At the financial closing for Heritage Park's third Rental Phase, the City received \$114,000 in reimbursement of master planning costs from the developer. The City will use these funds to pay the developer its management fees, and, if remaining funds are available, other public infrastructure costs. Staff recommends increasing the appropriation for Heritage Park infrastructure work (4100 970 9719) by \$114,000 and increasing the Heritage Park revenue (4100 970 9719 Source 3755) for 2004 funding by the proceeds from the closing of the Phase 3 real estate transaction.

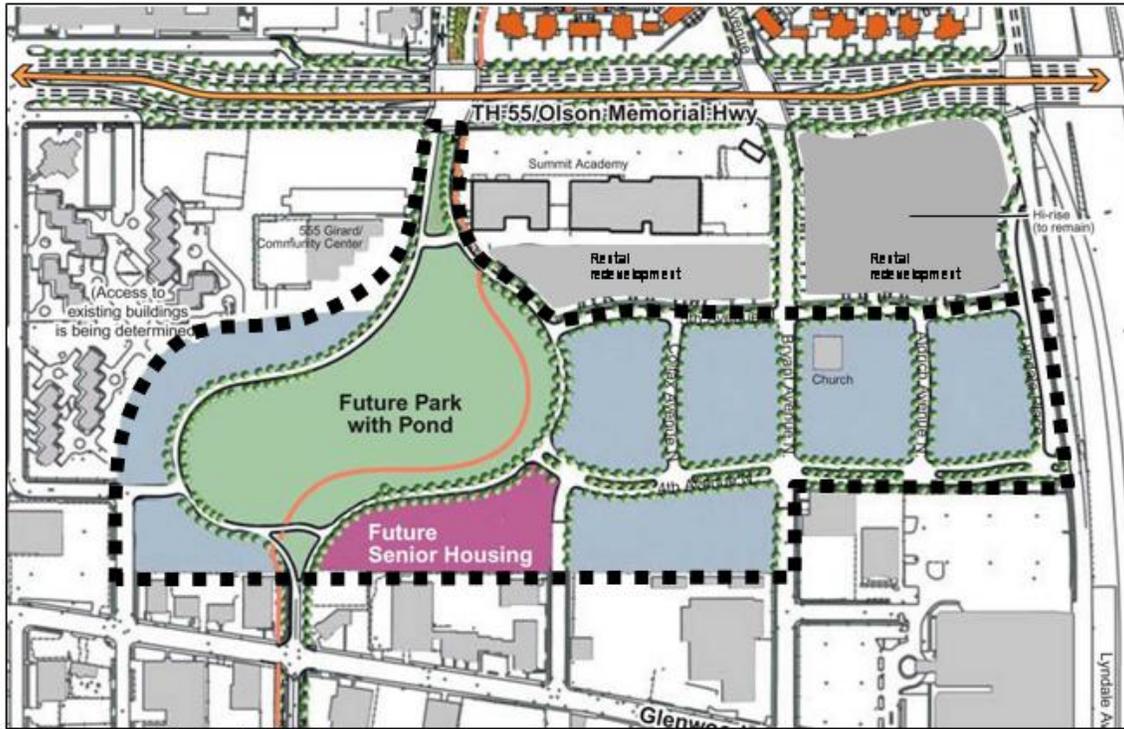
Item 5: The Mississippi Watershed Management Organization in its 2005 Capital Plan is awarding \$1,000,000 for Heritage park infrastructure work for the Near North wetlands/water quality management system. Staff recommends increasing the appropriation for Heritage Park infrastructure work (4100 970 9719) by \$1,000,000 and increasing the Heritage Park revenue (4100 970 9719 Source 3225) for 2005 funding by the Mississippi Watershed Management Organization.

Item 6: Heritage Park's Phases 1 and 2 for-sale developer is repaying \$2,137,230 for public improvement costs according to terms set down in the Development Agreement authorized by the City Council on August 8, 2003. Of this amount, the City Council previously increased the appropriation for Heritage Park infrastructure work by \$563,075 on July 13, 2001 and by \$271,650 on July 26, 2002. Staff recommends increasing the appropriation for Heritage Park infrastructure work (4100 970 9719) by the remaining \$1,302,505 and increasing the Heritage Park revenue (4100 970 9719 Source 3650) for the reimbursement for public improvements from the for-sale developer of Heritage Park Phases 1 and Phase 2.

Item 7: SRF Consulting Group will continue under Contract #14623 for construction documentation, surveying, inspection, as-built plans, street light engineering, and contamination monitoring for infrastructure and open space components of the Senior Housing Facility/HOPE VI area. No additional appropriation is necessary for amendment. Sources of funds include special assessments for streets, sidewalks, lights, sewer and water; HOPE VI grant; net debt bonds; water and sewer enterprise funds, and WMO funds. Staff recommends authorizing the

proper City staff to enter into amendment to Agreement #14623 dated August 28, 1999 with SRF Consulting Group Inc., to extend the Agreement completion date to December 31, 2005, and increase the Agreement amount by \$1,156,000.

Item 8: The McKnight Foundation granted \$200,000 to the Near Northside project, with the initial \$50,000 issued to the MPHA in 1999 (McKnight Grant #98-363) and the remaining \$150,000 issued to the City in 2000 (McKnight Grant #99-1283, City Resolution #2000R-031). In 2004, the MPHA transferred to the City the amount of \$1,434.10 which was its unspent portion of the \$50,000 sum. The full \$200,000 was accounted for by the City and MPHA to The McKnight Foundation in February 2004.



Heritage Park, Minneapolis, Minnesota

Exhibit A: HOPE VI Site

MPHA Senior housing facility, housing redevelopment, new park, street and utility work