



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

**Date:** April 4, 2006

**To:** Council Member Lisa Goodman, Community Development Committee

**Subject:** Request approval for HOME funds of \$368,451 to Powderhorn Residents Group for development and affordability gap financing for the Emerson Townhomes project in Heritage Park.

**Recommendation:** Approve up to \$368,451 of federal HOME Community Housing Development Organization funds to Powderhorn Residents Group for the Emerson Townhomes project located in the Heritage Park Redevelopment Project at 914 Emerson Avenue North and 1000 Emerson Avenue North and authorize the execution of necessary documents.

### Previous Directives:

On June 25, 1999, the MCDA Board of Commissioners authorized using \$375,000 of Single Family HOME funds to be matched with \$125,000 of NRP funds to Northside Residents Redevelopment Council for implementation of a single family rehab program. On February 18, 2000 the MCDA Board of Commissioners approved amendments to the Northside Residents Redevelopment Council single family rehab program and appropriated Single Family HOME funds to be matched with \$125,000 of NRP funds for the amended Northside Residents Redevelopment Council single family rehab program.

On April 6, 2001, the MCDA Board of Commissioners authorized the use of \$150,000 of Single Family HOME funds to Project for Pride in Living for the implementation of a single family rehab program to be leveraged with \$60,000 of MHFA Community Revitalization funds; \$60,000 of Minneapolis Family Housing Funds and/or NRP funds as needed.

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.

On May 28, 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 and provide an option to develop a commercial component.

**Prepared by:** Cherre' Palenius, CPED Sr. Project Coordinator **Phone:** 612.673.5241

**Approved by:** Chuck Lutz, Deputy Director CPED \_\_\_\_\_  
Elizabeth Ryan, Directory of Housing Policy & Development \_\_\_\_\_

**Permanent Review Committee (PRC)** Approval  Not Applicable

**Note:** To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

**Presenter in Committee:** Cherre' Palenius, CPED Sr. Project Coordinator

### **Financial Impact (Check those that apply)**

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the  Capital Budget or  Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan:  Action is within the plan.  Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

### **Community Impact (use any categories that apply)**

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: Sections 4.09, 4.10 4.11 and 4.15 Minneapolis will grow by increasing its supply of housing; will increase housing that is affordable to low and moderate income households; will improve the availability of housing options for its residents and 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

Other: Not applicable.

### **Background/Supporting Information**

In December, 2003 Heritage Housing, LLC (HLLC) purchased the vacant ownership designated land located in the first two phases of the Heritage Park Redevelopment Project.

### **Project Description**

In February 2006, PRG signed a builder participation agreement with HLLC, giving PRG the exclusive right to develop 914 Emerson Avenue North and 1000 Emerson Avenue North. A separate purchase agreement to acquire these two vacant parcels of land will be entered into after specific requirements related to the site, unit design, materials and sales prices are met by PRG.

PRG is proposing to construct two slab-on-grade condominium buildings fronting Emerson Avenue North with a carriage house facing 10th Avenue North. A site plan showing the placement of the buildings on these two lots is attached as Exhibit A. Each of the condominium buildings will have 5 units plus a detached garage with a carriage house above. The carriage house units will have 2 bedrooms with approximately 1,200 square feet, and an anticipated sales price of \$219,500. The developer has chosen to vary the square footage of the condominium building units along with the market prices. Each condominium building will offer one large 3-bedroom unit and four 2-bedroom units, the anticipated market prices range from \$169,500 to \$249,500, which is lower than the surrounding Heritage Park single-family homes. The developer is targeting 2 units to households earning less than 60% of area median income, 2 units to households earning less than 80% of median and 8 units to households earning less than 115% of the MMI. The financial sources and uses are outlined on the attached Project Data Worksheet. HOME funds will be used for both development gap and affordability gap funding for the project.

The Heritage Park Redevelopment Project as a whole (including the rental units) fulfills the City's Affordable Housing Policy. This specific project is in conformance with the Master Plan for Heritage Park fulfilling the project's requirement to locationally disburse units affordable to households earning less than 80% MMI throughout the development.

Attachments:

Site Plan  
Multifamily Project Data Worksheet