



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

Date: October 11, 2005

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Elfric Porte, Single Family Manager, Phone 612-673-5145

Presenter: Elfric Porte, CPED Single Family Manager

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

Subject: Heritage Park Project and Financing Update

RECOMMENDATION: Receive & File

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 (Summarize below)

Ward: 5th

Neighborhood Notification: Not Applicable

City Goals: Not Applicable

Comprehensive Plan: Not Applicable

Zoning Code: Not Applicable

Living Wage/Job Linkage: Not Applicable

Background/Supporting Information

In January of this year, this committee was given a financing strategy update to the Heritage Park project. The purpose of this report is to give an update on the entire project, discuss some potential barriers and highlight some successes. Although the City's primary obligations are to improve the public infrastructure and develop open space necessary to support the housing development and the residents that will eventually call Heritage Park home, it is appropriate to update you on the other facets of the project—rental and homeownership.

Hollman Consent Decree and the Near Northside Action Plan

The Heritage Park project is a result of the 1992 landmark *Hollman vs. Cisneros* housing segregation class action lawsuit. The lawsuit was filed by the Minneapolis Legal Aid Society & National Association for the Advancement of Colored People (NAACP) on behalf of public housing residents & Section 8 participants. The lawsuit alleged that the federal and local defendants had operated their public housing and Section 8 programs in a manner that created perpetual patterns of racial segregation. The defendants were the City of Minneapolis, the Minneapolis Community Development Agency (MCDA), the Minneapolis Public Housing Authority (MPHA), the U.S. Department of Housing and Urban Development (HUD), and the Metropolitan Council.

The Federal District Court approved a settlement called the *Hollman* Consent Decree. Among other initiatives, the Consent Decree required the demolition of 770 public housing units in the near northside public housing project area. The Consent Decree dictated that the replacement of these units were to occur in suburban communities, non-concentrated Minneapolis neighborhoods, and in a redeveloped neighborhood in the near northside, now called Heritage Park. The Consent Decree mandated an action planning process to shape the redevelopment of the project area into a mixed-income, mixed-density, amenity-rich neighborhood in which the replacement public housing units will be mixed within and indistinguishable from the other units. The City of Minneapolis' major obligation identified in the Action Plan is to obtain funding for and develop the public infrastructure and open space improvements necessary to support the new community being developed—Heritage Park.

Update & Timeline for Completion

For the purposes of this report, the project is divided into two categories:

- Housing
- Infrastructure and Open Space

Housing

This new development will be home to 902 households—360 owner-occupants, 440 renters and 102 seniors. Of the 440 rental units, 200 will be public housing units, 90 will be tax credit units and the remaining 150 units will be market-rate. Of the 360 ownership units, 30% will be at or below 80% MMI.

Rental Housing

Rental housing was the first phase of housing at Heritage Park. It comprised of three phases. Phases I and II are completed and fully occupied. These two phases are located north of Olson Memorial Highway. The last phase of the project is nearing completion with an estimated completion date set at November 2005. This phase is located south of Olson Memorial Highway and is 70% leased.

Ownership Housing

In 2004, construction commenced on the first of the 360 ownership housing units. Like the rental, the ownership housing was developed in phases with the first two phases occurring north of Olson Memorial Highway. The For-Sale Developer—Heritage Housing, LLC (HHLLC) has put together an approved list of builders to construct single family units, townhomes and condominiums in a style that mirrors the nearby architecture.

This phase of the project consists of 171 units—74 single family units, 96 multifamily units and an approximately 2,000 square foot commercial space unit located at the corner of Emerson and 10th Avenues North. There are 24 multifamily units currently under construction. Of the 24 multifamily units, 20 are market-rate units and four are affordable units. Additionally, there are 22 single family units—13 affordable units (three occupied and 10 under construction) and 9 market-rate units (three models, three purchase agreements, two under construction and one occupied). By the end of 2005, it is projected that there will be 49 completed units (23 multifamily units and 26 single family units) and an additional 30 single family units will be under construction.

On February 24, 2005, staff from HHLLC and CPED met and agreed to a new completion timeline and subsequently approved by the City Council. These new dates for performance will extend the completion deadline of all the ownership units to March 2007, two months past the deadline referenced in the most recent Stipulation and Order in the lawsuit. 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. The timeline set for the completion of the last two phases is 2009.

Senior Housing

A new addition to the MPHA housing inventory is the under-construction Heritage Commons, a 102-apartment complex. It is scheduled for completion in January 2006. There are 62 apartments that are designated for seniors who live independently and the remaining 40 for seniors who need assisted-living services. Commonly in senior design, all residents who require assisted-living services live in one wing of a building or on one floor, away from residents who live independently.

But at Heritage Commons, all 102 apartments will have the same universal design features, so any resident can live in any part of the building. This approach also enables seniors to *age in place*—staying in the same apartment as their needs change.

Infrastructure & Open Space

The City is obligated by the Consent Decree, subsequent stipulations to the Decree, and by the Action Plan to complete the public infrastructure activities in a timely manner.

Developing this amenity-rich community involves major infrastructure improvements, including two parks and a new parkway boulevard connecting North and South Minneapolis, increasing accessibility to jobs and schools, and the reconnection of the area to the surrounding street grid. Additionally, there were new sewer lines installed to support this new development and significant soil corrections activities were performed.

Prior to redevelopment of this 145-acre area, stormwater from these areas flowed straight to the Mississippi River through underground pipes. This resulted in sediments, road salts, phosphorus and other pollutants flowing directly into the river as well. The Heritage Park development now boasts of an elaborate stormwater treatment system with filtration devices and basins that remove about 70% of suspended solids, as well as reduce total phosphorus and metals. This results in cleaner water downstream, thus a better habitat for fish and other wildlife. All of this is done while creating an attractive open space that fits into the urban fabric.

Heritage Park Budget

The current Heritage Park project budget is estimated at \$278.6 million. This budget is made up of three (3) elements—Predevelopment Activities, Housing Construction, and Public Infrastructure and Open Space.

Predevelopment Activities:	\$ 20.5 million
Housing Construction:	\$181.0 million
<u>Public Infrastructure and Open Space:</u>	<u>\$ 77.1 million</u>
Total:	\$278.6 million

The estimated \$20.5 million for pre-development activities are related to various items such as site acquisition, soil corrections and relocation of the residents from the demolished public housing units. The housing construction figure, \$181.0 million, is the current estimated amount to develop the 902 units of housing. The remaining estimated budget amount, \$77.1 million, is identified for construction of the public infrastructure and open space elements. This category (Public Infrastructure and Open Space) is the city's obligation to the project.

Gap Analysis

The total budget for the Predevelopment Activities and the Public Infrastructure is \$97.6 million. Of this budget, there is a total gap of \$16.2 million (see Table 1).

Proposed Source for Filling the Gap	Source Amount	Consent Decree Related	Non-Consent Decree Related
Mayor's 2006 Recommendation	\$ 3,647,000	\$3,647,000	\$ 0
Additional Secured	\$ 5,500,000	\$3,500,000	\$2,000,000
Identified, not yet secured	\$ 7,034,000	\$ 444,000	\$6,590,000
Total	\$16,181,000	\$7,591,000	\$8,590,000

Of this amount, the critical unfunded amount required to complete the infrastructure and meet the requirements of the Hollman Consent Decree is approximately \$7.6 million.

Funding to fill the project's gap, whether through grant sources or City-controlled funding sources, must be obtained by March 2006 in order to meet the timeframes established with the Court for completion of the infrastructure and parks. CPED staff will continue to keep you apprised of future developments related to the funding of this project.

Barriers to Project Completion

In addition to the funding gap that exists, there are two key issues that are potential barriers to the completion of the project. The two key issues are:

- On-going Maintenance of the Parks
- Funding to Support the Affordable Housing units

On-going Maintenance of the Parks

The City has completed one of two parks in the Heritage Park community. Sumner Field Park is completed, but formal transfer to the Minneapolis Park & Recreation Board (MPRB) from Minneapolis Public Housing Authority (MPHA) will not occur until September 2006. The future South Park, south of Olson Memorial Highway is expected to be completed in 2006. However the MPRB is reluctant to take ownership of the park without accompanying financial support for on-going maintenance. Staff from CPED and MPHA are continuing to have discussions with MPRB staff regarding resolutions to the transfer.

Funding to Support the Affordable Housing units

As a mixed-income community, Heritage Park is designed to have indistinguishable housing units. The developers of the ownership housing units are experiencing challenges in securing sufficient affordable housing subsidies to fill this much needed gap.