



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

Date: January 18, 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 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 2001, this committee was given an update on the financing of the Heritage Park project. As Heritage Park concludes the middle stages of development, it is an appropriate time to review the financing strategy to complete the City's obligations for public infrastructure improvements and open space development.

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 Fourth District Federal 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 obligations of the City and MCDA under the Consent Decree are primarily related to the redevelopment of the project area. 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 rental 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.

Heritage Park Budget

The current Heritage Park project budget is estimated at \$273.5 million. This budget is made up of three (3) elements, Predevelopment Activities, Housing Construction, and Public Infrastructure.

Predevelopment Activities:	\$ 20.5 million
Housing Construction:	\$181.0 million
Public Infrastructure:	<u>\$ 72.0 million</u>
Total:	\$273.5 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 900 housing units. Of the 900 units at Heritage Park, 360 will be owner-occupied, 440 will be rental, and the remaining 100 units are being constructed for senior public housing residents. By the end of 2005, all rental units will be completed and shortly thereafter, the 100 units for senior housing will be ready for occupancy. 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. The owner-occupied housing is experiencing a slow start but is expected to construct a significant number of housing units in 2005.

The remaining estimated budget amount (\$72.0 million) is identified for construction of the public infrastructure and open space elements. This category (Infrastructure and Open Space) is the city's obligation to the project.

Infrastructure & Open Space Budget

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. The most recent Stipulation and Order that was filed in March 2004 includes the following provision regarding the time frame for construction of infrastructure and parks:

“The City plans to construct the North-South Boulevard (Van White Memorial Boulevard) between Plymouth Avenue North and Glenwood Avenue North by the end of 2004. The extension of the Boulevard between Glenwood Avenue North and Dunwoody Boulevard will be constructed by the end of 2008. Sumner Park north of Olson Highway will be completed by the summer of 2004. Construction of the new park south of Olson Highway has begun and the City plans for it to be completed by the fall of 2006.”

The City has received significant contributions from diverse sources to construct the public infrastructure and open space elements. Approximately 45 percent of the funds to construct the public infrastructure and open space elements were secured from non-city public sources (Federal, State, Regional, County), 12 percent will be received from private sources (special assessments), 11 percent from Tax Increment Financing, and 8 percent is expected from the Middle Mississippi Watershed Levy (MWMO). As mentioned previously, the estimated budget for the public infrastructure activities is \$72.0 million. This amount is an increase from the \$63.4 million identified in 2001. The \$9 million increase is due to higher than anticipated costs and items not accounted for in 2001 such as additional roadway construction activities, park & infrastructure design changes, unanticipated contamination and soil corrections, and land assembly costs.

Gap Analysis

In mid 2004, staff developed a public infrastructure finance plan for the Heritage Park project. At that time, there was a gap of about \$20 million for the public infrastructure and open space elements. Since then, staff has received additional resource commitments and has identified a total infrastructure gap of approximately \$15.0 million (See Table 1). Of this amount, the critical unfunded amount required to complete the

infrastructure and meet the requirements of the Hollman Consent Decree is approximately \$6.0 million.

Next Steps for closing the Infrastructure Gap

Table 2 identifies potential sources to address filling the critical \$6.0 million public infrastructure gap. Table 1 identifies potential sources to address the filling of the \$15.1 million dollar Heritage Park Project gap. The Mississippi Watershed Management Organization (MWMO) has earmarked \$3.0 million dollar in its five (5) year plan for the Heritage Park project—\$1.0 million of which has been given for 2005. CPED staff has commenced discussions regarding securing close to \$5.5 million in state sources and \$1.5 million from the Metropolitan Council, with \$0.45 million pending approval from CPED's 2004 request. Additionally, \$4.85 million in Federal funds will be requested upon receipt of state funds for the design phase of the Olson Memorial Highway project. It is hoped that the state funds will position us to pass the Federal readiness test. In February 2005, staff will come back with a strategy to address the acquisition of the Lao Lutheran Church. This is based on Council's request from the 2005 budget mark-up session. Staff has been successful in securing funding from Hennepin County in past years and is hopeful to receive some environment funds for the final phase of the project.

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.

Attachments:

Table 1—Heritage Park Project Funding Gap: Simplified Version

Table 2—Heritage Park Project Funding Gap: Consent Decree Obligations

Table 3—Heritage Park Project Funding Gap: non-Consent Decree Obligations

Chart 1—Distribution of All Secured Funding by Sources