



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

**Date:** February 28, 2006

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

**Subject:** Heritage Park Redevelopment Project

**Recommendation:** Authorization to negotiate a term sheet with Heritage Housing, LLC for 30 days.

### **Previous Directives:**

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 29, 2000, the City Council approved amending a term in the Near Northside Master Development Agreement extending the length of time that the development agreements are executed among all the parties. On December 27, 2002, the City Council approved amending the Near Northside Master Development Agreement with McCormack Baron & Associates.

On May 2, 2003, the MCDA Board of Commissioners authorized staff to enter into negotiations with Heritage Housing, LLC based on their proposed Scope of Services, returning with a term sheet within 90 days. On August 8, 2003, the City Council approved the business terms and conditions for the Development Agreement for Heritage Park phases 1 and 2, with Heritage Housing, LLC; increased the appropriation and revenue in Fund SDA by \$668,000. On August 8, 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 the Heritage Park Redevelopment Project.

On May 28, 2004, the City Council authorized the appropriate City officials to execute an amendment to the phase 1 and 2 Heritage Park Redevelopment Contract with Heritage Housing, LLC increasing the total number of for-sale units to be developed and providing an option for a future commercial component. On May 28, 2004, the City Council authorized amending the 2004 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency, Fund CPO – Capital Projects Other (CPO0-890-8952) appropriation by \$16,000 and increase the 2004 Revenue Budget for the Community Planning & Economic Development Agency Fund CPO – Capital Projects Other (CPO0-890-8490) by \$16,000.

On April 29, 2005, the City Council authorized a second amendment to the Heritage Park Redevelopment Contract with Heritage Housing, LLC 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.

**Prepared by:** Cherre' Palenius, Sr. Project Coordinator **Phone:** 673-5241

**Approved by:** Chuck Lutz, Deputy Director CPED \_\_\_\_\_

**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, 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, had 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 and 4.15: Minneapolis will grow by increasing its supply of housing and will increase the housing that is affordable to low and moderate income households. 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: Projects will comply with proper zoning.

Other: N/A

### **Background/Supporting Information**

Heritage Housing LLC, acting as the Master For-Sale Developer (Redeveloper) for phases 1 and 2 in the Heritage Park Redevelopment Project, is responsible for the land development, architectural and site coordination functions resulting in buildable lots for sale to individual builder/developers. The Redeveloper initially proposed to develop 167 units, which was later increased to 171 units containing a mix of 74 single family homes and 96 multi-family units comprised of duplex,

townhouses, senior cottages, and condominium units, including all landscaping in accordance with construction plans that are pre-approved by CPED (formerly the MCDA). Of the 171 ownership units to be constructed in phases 1 and 2, 15% of the total number of units (26 units) will be sold to purchasers with incomes below 60% of the area median income (AMI). The Redeveloper is working with Twin Cities Habitat for Humanity (Habitat), as a developer who is constructing and marketing these units through their existing program. An additional 15% of the total number of units (26 units) constructed will be sold to purchasers with incomes below 80% AMI. The Redeveloper is working with several non-profit developers including, Northside Residents Redevelopment Council (NRRC), Greater Metropolitan Housing Corporation (GMHC), Project for Pride in Living (PPL), and Powderhorn Residents Group (PRG) to construct and market these units to qualified buyers. The Redeveloper is using reasonable efforts to locationally disburse all of the affordable units throughout the phase 1 and 2 project areas and anticipates increasing the total number of units to be constructed in these phases.

The development in phases 1 and 2 has proven more challenging than the developer originally expected, which in turn has affected their production. However, they have persevered working with their builders, industry appraisers, and lenders establishing a market that did not previously exist. In addition, the developer has recruited four new builders to the project, added more staff and is actively seeking affordability resources for low-to-moderate-income purchasers.

In January, 2006 HHLLC presented a preliminary proposal informing MPHA and CPED that Centex Homes, a national homebuilder, has agreed to join Heritage Housing in a partnership agreement as their exclusive builder for the homes to be constructed in phases 3 & 4. In turn, Centex Homes will provide assurances backed by a significant financial guarantee to the City on units they will construct within the Heritage Park Redevelopment Project, (including units in phases 1 & 2).

In accordance with the second amendment of the Redevelopment Contract staff is requesting authorization to negotiate for 30 days a term sheet with HHLLC. If after 30 days, we are unable to mutually agree on a new term sheet for the redevelopment of phases 3 & 4, CPED will proceed to issue a Request for Proposals (RFP) seeking a developer to complete this portion of the Heritage Park Redevelopment Project in accordance with the previously established and approved Near Northside Master Plan. If a new term sheet is successfully negotiated within the 30 day timeframe, staff will return to the Council seeking authority to execute a Redevelopment Contract and sell the phases 3 & 4 property.