



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

Date: May 18, 2004

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Barbara Johnson, Ways and Means/Budget Cmte

Prepared by: Cherre' Palenius, Multifamily Housing Project Coordinator, Phone
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**Presenter in
Committee:** Cherre' Palenius, Multifamily Housing Project Coordinator

Approved by: Lee Pao Xiong, Director, Housing _____

Subject: 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.

RECOMMENDATION:

Authorize the appropriate City officials to execute an amendment to the phase 1 and 2 Heritage Park Redevelopment Contract with Heritage Housing, LLC.

Amend 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

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 18, 2000, the City Council approved amending a term in the Near Northside Master Development Agreement extending the length of time that development agreements are executed among all the parties. On December 16, 2002, the City Council approved amending the Near Northside Master Development Agreement with McCormack Baron & Associates. 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.

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: 5

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: 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.15 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: Project complies.

Living Wage/Job Linkage: Not applicable.

Background/Supporting Information

Heritage Housing LLC acting as the Master For-Sale Developer (Redeveloper) has started the phase 1 and 2 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, containing a mix of 74 single family homes and 93 multi-family units comprised of duplex, townhouses, senior cottages, and condominium units, including all landscaping in accordance with construction plans that will be pre-approved by the MCDA. Of the 167 ownership units to be constructed in phase 1 and 2 in Heritage Park, 15% of the total number of 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 can construct and market these units through their existing program. An additional 15% of the total number of units constructed will be sold to purchasers with incomes below 80% AMI. The Redeveloper is working with several non-profit developers including Project for Pride in Living (PPL), NRRC, and Greater Metropolitan Housing Corporation (GMHC) to construct and market these units to qualified buyers. The Redeveloper will use reasonable efforts to locationally disburse all of the affordable units throughout the phase 1 and 2 project areas.

Contract Amendment

Heritage Housing LLC is requesting an amendment to the current redevelopment agreement to increase the total number of ownership units to be developed and allow for a future commercial component in the mixed-use building located at the corner of Emerson and 10th Avenues North. The mixed-use building will consist of three owner occupied condominiums on the second floor and approximately 2,000 square feet of commercial space on the first floor. Initially, the commercial space will be utilized as the Heritage Park Welcome Center for anyone who is interested in purchasing property within the Heritage Park development.

Once the Welcome Center is no longer needed, the Redeveloper wants the option to redevelop this space (based upon market demand) for limited commercial usage. The concept is for a neighborhood based commercial space that will generate minimal amounts of traffic. Potential commercial usages may include a coffee shop, deli, dry cleaning outlet (no on-site cleaning), salon, or other appropriate usage approved by the City of Minneapolis, neighborhood, and Heritage Housing LLC. In the event a long term commercial use is not viable, this first floor space could be converted into one or two for-sale condominium units with a similar floor plan as the second floor units.

Immediately across the street on the northeast corner of Emerson and 10th Avenues North, the Redeveloper is proposing to construct a two story Live/Work building, comprising of three residential units. A conditional use permit for the mixed-use and live/work buildings was submitted and approved by the Planning Commission in February 2004. Attached is a revised site plan for the phase 1 ownership units that include the mixed-use and the live/work structures, along with the mixed-use exterior building plans. With the construction of these structures, the Redeveloper will effectively increase the total number of ownership units to be developed in Heritage Park to 171 units. Heritage Housing will pay \$4,000 for each additional unit developed in phase 1 using the same previously agreed to structure outlined in the existing redevelopment agreement.

To capture these proposed development changes the current redevelopment agreement between Heritage Housing LLC and the Minneapolis Community Development Agency (MCDA) will need to be amended increasing the number of units to be developed and providing the Redeveloper with the option to develop a long term neighborhood based commercial component at the southeast corner of Emerson and 10th Avenues North, subject to approval by the City of Minneapolis and the affected neighborhood groups.

Attachments

- Phase 1 site plan layout
- Mixed-use building design