



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

Date: August 24, 2004

To: Council Member Lisa Goodman, Community Development

Prepared by: Darrell Washington, Sr. Project Coordinator, 612.673.5174

Presenter: Darrell Washington, Senior Project Coordinator

Approved by: Chuck Lutz, Deputy Director CPED _____
Lee Pao Xiong, Director, Housing _____

Subject: Heritage Park Master Development Agreement

RECOMMENDATION: 1) Extend the Heritage Park Master Development Agreement to June 30, 2004; and

2) Approve \$78,000 in program management fee to McCormack Baron Salazar for activities performed related to Heritage Park Phase III rental.

Previous Directives: On May 12, 2000, the City Council and MCDA Board of Commissioners approved the Master Development Agreement for the Near Northside project. On December 18, 2000 the City Council and MCDA Board of Commissioners approved an amendment to the Agreement extending the time to execute agreements for each phase of the Heritage Park project. On December 30, 2002, the City Council further amended the agreement by modifying McCormack, Baron, Salazar's exclusive right to develop Heritage Park's Phase I and II ownership housing component.

Financial Impact (Check those that apply)

- 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): *Requires use of TIF or other revenues*
- Request sent to Budget Office when provided to the Committee Coordinator

Community Impact

Ward: 5th
Neighborhood Notification: Not Applicable
City Goals: Complies
Comprehensive Plan: Complies
Zoning Code: Complies
Living Wage/Job Linkage: Not Applicable

Background/Supporting Information

On June 1, 2000, the City of Minneapolis (City), Minneapolis Public Housing Authority (MPHA) and McCormack Baron Salazar (MBS) entered into a Master Development Agreement ("Agreement") for the Heritage Park project. The Agreement gives MBS the exclusive rights to negotiate development agreements with the City and MPHA for each of the project's rental phases. The Agreement also describes the activities to be performed by MBS and the monthly amounts that MBS was to be compensated (management fees). MBS reimburses the City \$1,200 per unit at each of the project's rental financial closings. The reimbursement is for approximately \$1 million paid to McCormack Baron by the Public Entities (Empowerment Zone funds) for master planning activities. In the case of Phase III, McCormack Baron reimbursed the City \$114,000 for the 95 rental units to be constructed.

The City Council approved the major business terms of the Phase III rental development agreement (final rental phase) on October 10, 2003 but it was not executed until June 2004. The delay between the Council approval date and final execution resulted from several reasons: 1) Developer needing additional time to negotiate with its housing contractor; 2) Developer requiring additional housing development resources; and 3) Developer and City negotiating issues related to public and private utilities.

Recent Actions

City staff suspended MBS's \$13,000 monthly management fee beginning January 1, 2004 in accordance with the terms identified in the Agreement, which gave the City the right to suspend payments to MBS if the parties have not entered into a development agreement for any phase of the Project by the date set out in the terms of the Agreement. The Phase III rental development agreement has now been executed. With this in mind, MBS is requesting the City pay \$78,000 in management fees for the period from January 1, 2004 through June 30, 2004.

The Agreement further states that it terminates when one of the following three events occur:

1. Failure to reach agreement on a development agreement for any phase of the Heritage Park project within 9 months after the date listed below (9-month date in parenthesis):
 - a. Phase I 06/30/00 (03/31/01)
 - b. Phase II 08/30/01 (05/31/02)
 - c. Phase III 03/30/03 (12/31/03)
 - d. Phase IV 08/30/04 (Not a rental phase)
2. An uncured event of default under a development agreement; and
3. Closing on the final phase of the Project.

It is thus necessary to extend the Phase III date from 12/31/03 to 6/30/04.

Recommendation

Based on the fact that the Phase III agreement has been reached, staff is recommending that the Master Development Agreement be extended and that McCormack Baron Salazar's request for \$78,000 in program management fees for the period from January 1, 2004 through June 30, 2004 be approved.