

**Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED**

Date: June 24, 2008

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

**Subject:** Request approval for additional HOME funds to Powderhorn Residents Group for development gap financing for the Emerson Townhomes project in Heritage Park.

**Recommendation:** Approve up to \$45,000 of Fiscal Year 2008 HOME funds to Powderhorn Residents Group for the Emerson Townhomes project located in the Heritage Park Redevelopment Project at 914 Emerson Avenue North and 1000 Emerson Avenue North and authorize the execution of necessary documents.

**Previous Directives:**

- 1) On April 14, 2006, the City Council approved up to \$368,451 of HOME funds to Powderhorn Residents Group in development and affordability gap financing for the Emerson Townhomes project in Heritage Park.

Prepared by: Cherré Palenius, Senior Project Coordinator – Phone: 612.673.5241

Approved by: Charles T. Lutz, Deputy CPED Director \_\_\_\_\_  
Thomas Streitz, Director, Housing Policy & Development \_\_\_\_\_

Presenters in Committee: Cherre' Palenius, Senior Project Coordinator

**Financial Impact**

- No financial impact
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact:
- Request provided to the Finance Department when provided to the Committee Coordinator

**Community Impact**

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: A SAFE PLACE TO CALL HOME** – In five years all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

**Sustainability Targets:** Development and preservation of affordable housing.

**Comprehensive Plan:** 4.10 – Minneapolis will increase its housing that is affordable to low and moderate income households. 4.91 – Minneapolis will grow by increasing its supply of housing.

**Zoning Code:** The Emerson Townhomes project complies.

### **Supporting Information**

In early 2006, Powderhorn Residents Group (PRG) proposed to build the Emerson Townhomes project, a total of 12 mixed-income ownership units in Heritage Park. The anticipated sales prices of these units ranged from \$169,500 to \$249,500. In April, 2006, the Council approved up to \$368,451 of HOME funds for this project. Before PRG could close on the interim construction financing, they needed to obtain five pre-sale agreements from interested buyers. In early 2007, armed with the required pre-sales, the developer began construction with a projected completion and occupancy for early 2008.

In January, 2008, the pre-sale agreements became purchase agreements and they began closing with these buyers. One purchaser decided to drop and instead purchased a foreclosed single family home. As of this writing, PRG has closed on the sale of three (3) affordable units and has two (2) pending purchase agreements. Unfortunately, the ownership market has significantly declined, both nationally and locally, as a result of increased foreclosures and falling real estate values. In light of these events, in April, 2008 PRG completed a sales analysis of similar projects on the market and determined to remain competitive; they needed to reduce the sales prices. To cover a portion of these expenses, PRG is relinquishing its developer's profit of approximately \$40,000 and is requesting an additional \$45,000 in HOME funds for developer gap financing. If approved the total HOME funds provided for this project are \$413,451.

Attachment:

Multifamily Project Data Worksheet