



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

Date: September 16, 2008

To: Honorable Sandra Colvin Roy, Chair, Transportation and Public Works Committee

Subject: **Heritage Park Redevelopment Project – Homeownership Phases 1 and 2  
Preservation of 121 Sewer Availability Charge (SAC) units**

### Recommendation:

Reserve the remaining 121 SAC units from the Heritage Park area for future Heritage Park construction.

### Previous Directives:

On October 22, 2004, the City Council approved Resolution 2004R-472 rescinding Resolution 76R-397 entitled "Establishing Sewer Service Availability and Connection Charge to pay reserve capacity costs of Metropolitan Waste Control Commission (formerly Metro Sewer board) as to Construction Commencing on or after January 1, 1977", passed December 10, 1976.

On October 22, 2004, the City Council approved Resolution 2004R-473 Establishing Sewer Service Availability and Connection Charges to pay Reserve Capacity Costs in accordance with Metropolitan Council Environmental Service Division policy and pricing.

On August 22, 2003, the City Council authorized the appropriate MCDA officials to execute the Land Conveyance Agreement with Minneapolis Public Housing Authority for the Heritage Park For-Sale Development Project, Phases 1 and 2.

On August 8, 2003, the City Council approved the business terms and conditions for the Phases 1 and 2 Heritage Park Development Agreement with Heritage Housing, LLC; increased the appropriation in Fund SDA by \$668,000; and increased 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.

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 March 24, 2000, the City Council adopted the Near Northside Master Plan calling for approximately 900 mixed-income residential units to be built in phases along with open space amenities and infrastructure improvements.

On December 12, 1997, the City Council approved a detailed Action Plan for the Heritage Park site that specified land uses, timetables for redevelopment and sources and uses of funds.

Prepared by:	Matt Goldstein, Senior Project Coordinator
Approved by:	Charles T. Lutz, Deputy Director, CPED
Approved by:	Tom Streitz, Director of Housing Policy & Development

Presenter in Committee: Matt Goldstein, Senior Project Coordinator

### Financial Impact

- No financial impact  
 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  
 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 two phases of Heritage Park, based on responses from community meetings. On February 17, 2004, the Harrison Neighborhood Housing Committee approved Heritage Housing's request to develop a mixed-use building at Heritage Park.

City Goals: 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; there will be plentiful green spaces, public gathering areas, celebrated historic architectural features and urban forests in Minneapolis.

Sustainability Targets: Affordable Housing Units: new/positive conversion and rehabilitation.

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 property zoning.

Living Wage/Business Subsidy Agreement      Yes \_\_\_\_\_      No X  
Job Linkage      Yes \_\_\_\_\_      No X

### Background Information

Sewer system capacity and fees are typically described in unique units called Service Availability Charge or SAC units. The SAC is a common, one-time impact or connection fee imposed by Metropolitan Council Environmental Services (MCES) to cities for each new connection or increase in volume discharged to the metropolitan wastewater system. One SAC unit equals 274 gallons of maximum potential daily wastewater flow volume. An individual residential unit in the City (configured as a single family home, townhome, or apartment unit) is charged one SAC unit, a base unit. The current SAC fee is \$1,825 per unit (\$2,000 effective January 1, 2009), and it is typically assigned when a building permit is issued for a new building. City resolution 2004R-473 contains the City's current SAC policy (Attachment 1), which is based upon regulations imposed upon the City by MCES. Prior to 2004, the City's SAC policy was contained in Resolution 76R-397 which was approved in 1976 and rescinded by Resolution 2004R-472 so the policy could be updated with the passage of Resolution 2004R-473

The April 1995 Hollman Consent Decree required the demolition of 770 public housing units in the Near North area. Demolition was completed in 2000, and the Heritage Park development commenced based

upon the Near Northside Master Plan calling for approximately 900 units built over time in phases. Attachment 2 is the conceptual site plan for Heritage Park. Because each of the 770 removed units was served by municipal water and sewer, the required demolition created a pool of SAC credits that have been retained and used for the new construction in Heritage Park as permitted by Resolutions 2004R-473. As a result, the new residential units that have been built thus far in Heritage Park have not had to pay SAC fees because the applicable fees for the 770 units that were removed had already been paid. This policy has been an important factor in preserving and promoting affordability in Heritage Park.

There are currently 121 SAC credits that remain from the demolition that have not been used by new construction in Heritage Park. 88 SAC credits are anticipated to be used for platted and buildable single- and multi-family lots, and the remainder of the credits would be used by a portion of the 62 ownership parcels that are authorized to be developed in Heritage Park under the current redevelopment agreement. The primary reason that the available SAC credits have not been used sooner in Heritage Park is because of substantial unforeseen delays due to the downturns in the residential and financial markets. These national events have also delayed additional residential development that was planned for the third and fourth phases of Heritage Park.

Resolution 2004R-473 limits the amount of time that SAC credits may be reserved for a particular redevelopment project to three years. Therefore, Council action is necessary to continue the policy of preserving the 121 SAC units from the demolished Sumner Field area for future use with the new Heritage Park construction.

Preserving the SAC units in Heritage Park continues current practices as guided by current policy. In addition to the comprehensive plan goals noted above, Objective H-4c of the 2008 HUD Consolidated Plan for Housing and Community Development states "Assist in development of Heritage Park – a mixed-use, mixed income community on the near northside of Minneapolis."

Specifically, preserving the SAC units has helped to encourage housing production and attainment of the affordable housing goals required by the Consent Decree by reducing the cost of each unit. Of the total number of units to be developed, 15% of the units must be sold to purchasers whose annual incomes are at or below 60% of the area median income (AMI). Twin Cities Habitat for Humanity (Habitat) has built nearly half of the required units in this category. An additional 15% of the total number of units to be developed must be sold to purchasers whose annual incomes are below 80% AMI. Over half of these required units have been built by several non-profit developers, including Powderhorn Residents Group (PRG), Northside Residents Redevelopment Council (NRRC), and Greater Metropolitan Housing Corporation (GMHC) along with their market-rate builders have sold units to buyers in this category.

The Sewer Fund budget does not anticipate the Sumner Field SAC units reverting back to the City's general sewer fund for use in other areas. Conceptually, releasing these credits city-wide to the sewer fund provides a one-time financial benefit to the rate-payers because of the ability to sell those credits over time. However, seeking this potential benefit conflicts with the current practice and the policy that the current practice is based upon. Therefore, taking this action creates no fiscal expenditures and has no budgetary impact.

Attachments:

1. Resolution 2004R-473 Establishing Sewer Service Availability and Connection Charges to pay Reserve Capacity Costs in accordance with Metropolitan Council Environmental Service Division policy and pricing
2. Heritage Park conceptual development plan

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b. establishing Sewer Service Availability and Connection Charges to pay Reserve Capacity Costs in accordance with Metropolitan Council Environmental Service Division policy and pricing.  
Adopted 10/22/04.

Resolution 2004R-472, rescinding Resolution 76R-397 entitled "Establishing Sewer Service Availability and Connection Charge to pay reserve capacity costs of Metropolitan Waste Control Commission (formerly Metro Sewer board) as to Construction Commencing on or after January 1, 1977", passed December 10, 1976, was passed 10/22/04 by the City Council. A complete copy of this resolution is available for public inspection in the office of the City Clerk.

The following is the complete text of the unpublished summarized resolution.

**RESOLUTION 2004R-472**  
**By Niziolek**

**Rescinding Resolution 76R-397 entitled "Establishing Sewer Service Availability and Connection Charge to pay reserve capacity costs of Metropolitan Waste Control Commission (formerly Metro Sewer board) as to Construction Commencing on or after January 1, 1977", passed December 10, 1976.**

Resolved by The City Council of The City of Minneapolis:  
That the above-entitled Resolution be and is hereby rescinded.  
Adopted 10/22/04.

Resolution 2004R-473, establishing Sewer Service Availability and Connection Charges to pay Reserve Capacity Costs in accordance with Metropolitan Council Environmental Service Division policy and pricing, was passed 10/22/04 by the City Council. A complete copy of this resolution is available for public inspection in the office of the City Clerk.

The following is the complete text of the unpublished summarized resolution.

**RESOLUTION 2004R-473**  
**By Niziolek**

**Establishing Sewer Service Availability and Connection Charges to pay Reserve Capacity Costs in accordance with Metropolitan Council Environmental Service Division policy and pricing.**

Whereas, the Metropolitan Council Environmental Services Division has determined to reserve unused capacity in the metropolitan disposal system each year commencing in 1973 for local government units in which new buildings to be connected to the system or increased volume connections to the system are commenced during such year; and to allocate the debt service costs of such unused capacity for the year among such local government units; and

Whereas, in order for the City to pay such costs allocated to it each year, it is necessary to establish sewer service availability and connection charges for all buildings and uses;

Now, Therefore Be It Resolved by the City Council of the City of Minneapolis:

That for the purpose of paying costs of reserve capacity allocated to the City each year by the Metropolitan Council Environmental Services Division, the Council hereby adopts by reference the Metropolitan Council Environmental Services Division pricing for sewer availability charges (SAC). The charge for each building or structure shall be equal to the number of units of sewage volume which it will discharge, and shall be subject to the conditions and rates set by the Metropolitan Council Environmental Services Division.

Be It Further Resolved that this charge shall be collected prior to the issuance of a building permit or water and/ or sewer connection permits.

*121 credits remaining*

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Be It Further Resolved that, if permits for a new use are issued within 3 years of issuance of a demolition permit, credit may be given against this charge for any demolition credit units previously reported to the Metropolitan Council Environmental Services Division by the City. In no case shall the credit to be received exceed the charges imposed under this resolution on any permit. \*

Be It Further Resolved that the Regulatory Services Department shall be responsible for the administration of the program and shall prepare or revise building permit or sewage connection permit application forms to provide information necessary for the computation of the number of units assignable to the building, structure, or use in question, and shall collect the applicable charge before issuance of a permit. The Regulatory Services Department is required to make such information available to the Metropolitan Council Environmental Services Division. If upon filing a report covering such permit with the Metropolitan Council Environmental Services Division, the Commission determines that a greater number of units is assignable to the building, structure, or use in question, any additional amount of cost allocated to the City as a result shall be paid by the person or company to whom the permit was granted.

Be It Further Resolved that the Regulatory Services Department is further directed to place receipts of this charge in the Sewer Rental Fund and to bill all collection and administrative costs they incur for this resolution to the Sewer Rental Fund on a periodic basis.

Be It Further Resolved that the three year credit provision shall become effective on January 1, 2006, while all other provisions are effective upon passage of this resolution.

Adopted 10/22/04.

The **PUBLIC SAFETY & REGULATORY SERVICES** and **WAYS & MEANS/BUDGET** Committees submitted the following reports:

**PS&RS & W&M/Budget** - Your Committee recommends that the proper City Officers be authorized to accept \$16,667.92 from Hennepin County to reimburse the Police Department for costs incurred for Homeland Security First Responder Training. Further, passage of the accompanying Resolution appropriating \$16,667.92 to the Police Department Agency.

Adopted 10/22/04.

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**RESOLUTION 2004R-474**  
**By Niziolek and Johnson**

**Amending The 2004 General Appropriation Resolution.**

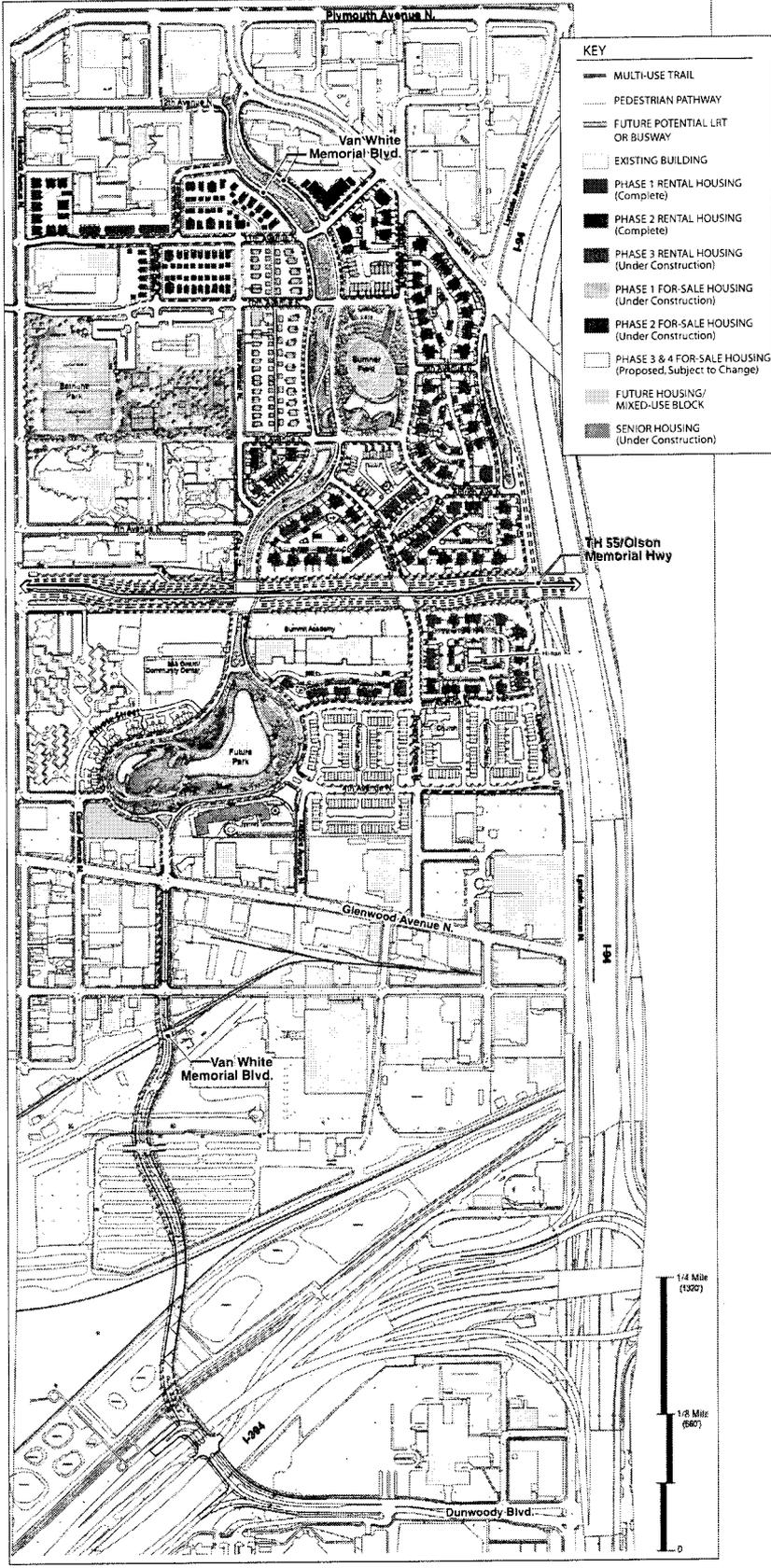
Resolved by The City Council of The City of Minneapolis:

That the above-entitled Resolution, as amended, be further amended by increasing the appropriation for the Police Department Agency in the Grants - Other Fund (060-400-DT09) by \$16,667.92 and increasing the Revenue Source (060-400-DT09 - Source 3220) by \$16,667.92.

Adopted 10/22/04.

**PS&RS & W&M/Budget** - Your Committee, having under consideration the City's participation in the Joint Terrorism Task Force, now recommends that the proper City Officers be authorized to accept up to \$5,920.20 in additional funds from the Federal Bureau of Investigation, Counterterrorism Division, to reimburse the Police Department for overtime expenses for up to six police officers who participate full-time on the Task Force. Further, passage of the accompanying Resolution appropriation \$5,920.20 to the Police Department Agency.

Adopted 10/22/04.



Prepared by:  
 S&B CONSULTANTS, GANER, INC.



**Heritage Park Redevelopment**  
 Map updated by City of Minneapolis October 13, 2005