

04 NOV 1973

EXECUTIVE SUMMARY

PROJECT NAME: Jonathan
DEVELOPER: Jonathan Development Corporation
APPROVAL: Offer of Commitment, February, 1970
Project Agreement. October, 1970

A. Background and Summary of Progress

1. Background

Jonathan, located some 20 miles southwest of Minneapolis, was the first new community to be approved under Title IV of the Housing and Urban Development Act of 1968. 50,000 people and 18,000 jobs are projected for the site after 20 years of development. The total site is 8,194 acres of which 1,705 was to be devoted to open space and recreation uses and 1,073 to an "agricultural reserve". It has an exceptionally strong conservation component. In addition to the significant amount of non-developed land mentioned above, it has a large arboretum of the University of Minnesota on its northern border, forming a permanent greenbelt. It is significant that the Secretary of Interior gave a major "earth day" address last year at Jonathan. The project has won two HUD design awards, for overall community design and for open space design.

2. Developer

The developer is the Jonathan Development Corporation, the chief executive of which was the late Henry McKnight who recently died. He was replaced by the general manager of the project, Robert

Dahlin. The Corporation was created solely for the purpose of developing Jonathan and was in existence attempting to develop a new community before Title IV was created since 1966.

McKnight was well known in Minnesota as a state Senator, a leading conservationist and a real estate developer. Although individuals in the corporation had prior development experience, the corporation itself was not one which had engaged in previous large scale housing or development activities, unlike the organizations headed by Lewis Manilow (Park Forest South) and James Rouse (Columbia).

3. Development Progress

Jonathan could become a relatively independent node of development in the Minneapolis region in that 24% of the land is programmed for industrial development and it is a county which, at the time of approval, was outside the SMSA but within the city limits of the small town of Chaska. Although Jonathan did not "sign up" one of its initial industrial clients which had been programmed for the first year, otherwise, it is on target for industrial development. As of December 1972, it had developed and sold land for industrial buildings occupying some 183 acres, compared to 227 in the development plan. The total number of jobs is larger than the total number of heads of households: 1,047 jobs as of October, 1973, as compared with 491 households on the same date. Because of lower employment densities than originally anticipated the number of jobs was fewer than projected; however, Jonathan is still one of the fastest growing industrial centers in central Minnesota.

The distance from Minneapolis and relative self-sufficiency should eventually make a balanced new community as called for in the Act, but in the meantime, the distance and possibly other factors have slowed down the pace of construction and occupancy of houses. The plan called for 494 occupied units by the end of 1972 and an additional 291 units in 1973. The actual number was 369 by the end of 1972 and 122 additional as of October, 1973. The lag reflects lower than market expectations in construction and sale of completed homes, particularly in the middle and upper income areas. However, development of land for residential uses is ahead of schedule with some 321 acres under development as of October, 1973, as compared with the planned development by the end of 1973 of 187 acres.

The commercial center for village one is open and a success, being all "rented up". Plans are underway for a large office building, which will, in part, house the headquarters of the Green Giant company, one of the largest food companies in the midwest.

In the area of innovation, the modular "stack units" are now being occupied as rental apartments; the SRI "expandable housing" is enjoying some market success; the wide-band cable TV study funded by HUD is completed; the HEW funded cable connecting the

hospital in nearby Chanhasen with the health clinic in Jonathan is working successfully. A cable company franchise is now being sought.

Low and moderate income housing is on schedule with a total of 130 low and moderate income units in place, as compared with 124 in the development plan as of the end of 1972.

There are 40 minority persons living in Jonathan out of a total population of 1821, which is 2.15% , roughly equivalent to the metropolitan minority profile. There is one minority owned firm in Jonathan and several minority members on the developers staff. HUD has indicated that greater success in minority hiring is needed. The developer has experienced difficulty in hiring minority personnel because of the difficulties in attracting minority residents to Jonathan, although he has conducted a vigorous affirmative action program for both housing and hiring.

B. Financial History and Status

The original cash flow projections were for 10 years in Jonathan and took into account both Title IV and non-Title IV costs. Jonathan is in reasonably sound financial shape, with \$6.7 million in escrow and the total cash position within \$1.5 million

of projections. Some three Federal grants have been made to Chaska, the jurisdiction in which Jonathan is located, two for water and sewer and one for open space. Water and sewer was financed through local sewer and water district financing and will be paid for through assessments running with the land. The HUD water and sewer grants have the effect of reducing assessments and, therefore, total costs to the residents of Jonathan.

See attachment B for Financial summary.

C. Key Issues and Concerns

1. Management. There was some concern about the impact of the death of Henry McKnight and the departure of Ben Cunningham, formerly in charge of planning and design for Jonathan and recently president of a company operating in Jonathan that was providing staff services on contract. Although this "team" left something to be desired in the marketing area, there was no doubt about their dedication to the concept of the new community and outstanding design capability and interest. McKnight was considered one of the leaders of the new community movement. Jonathan will have to be watched carefully to insure that increased attention to marketing does not erode the concern for more intangible design and social goals of the new communities program. There has been, as yet, no concrete evidence of erosion of these goals.

2. Local Government. Considerable effort has been expended in "building bridges" with the local government, Chaska. Open space funds have been used to buy parkland directly benefiting the city of Chaska. Low income housing for the elderly has been requested for location within the city of Chaska as well as for location with Jonathan itself. To date, we know of no adverse action taken by the local government or citizen opposition groups to thwart Jonathan plans. We do know, however, that the city council has some concern about the property tax loss when subsidized housing is placed in the new community, as required under State law.

3. Marketing and Sales. The key problem of Jonathan is to improve marketing of its middle and upper income housing. Although land development and sales are ahead of schedule in acres, the number of constructed and occupied units is behind schedule. The Plan called for 494 occupied units by the end of 1972 and an additional 291 units in 1973; the actual number was 369 by the end of 1972 and 122 as of October, 1973. By contrast, industrial marketing has made it one of the fastest growing industrial parks in Central Minnesota, with 183 acres developed and sold to date. Total jobs exceed total households: 1047 as of October, 1973, as compared with 491 households. This should have the effect of improving residential marketing.

4. Low and Moderate Income Housing. As of the end of 1972, some 130 units of low and moderate income housing have been constructed,

as compared to 124 projected for the development plan; an additional 80 units have been requested and allocated by FHA, including some units for the elderly in Chaska.

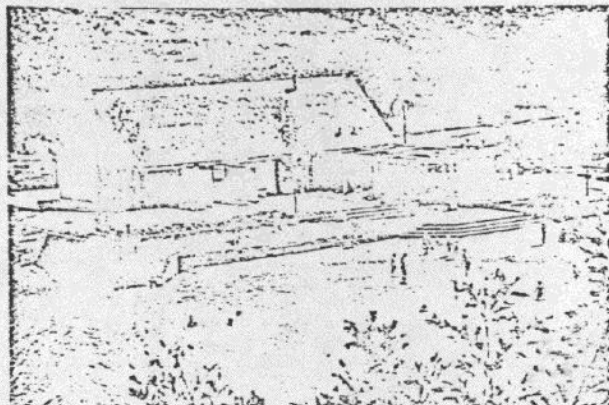
5. Equal Opportunity. Although Jonathan has conducted an aggressive affirmative action program for equal opportunity in both jobs and housing, results in both areas could be improved. There are 40 minority persons at Jonathan out of a total population of 1821, which is 2.15 percent minority, roughly comparable to the metropolitan minority profile. There is one minority owned firm in Jonathan and several minority members on the developers staff.

6. Service Delivery. Unlike later projects, Jonathan was required by FHA to adopt for the first cluster association a flat fee for homes association dues, as opposed to a graduated fee, with capital facilities being paid for through the price of lots. This has made installation of expensive town-wide facilities difficult and Jonathan has not been "pre-served" with indoor recreation facilities to the degree that Park Forest South or other developments have been serviced. Consideration is given to greater use of the public recreation facilities owned and operated by the city of Chaska.

7. Environment. No environmental problems have been reported.

8. Possible Board Action. Except for some relative minor plan changes discussed for the southern part of Jonathan near Chaska old town and the proposed highway, it is unlikely that board action will be required on Jonathan in the foreseeable future.

Jonathan, Minnesota



Recreational pavilion.



Developer:
Jonathan Development Corporation

Location:
20 miles southwest of Minneapolis

Acres:
8,194

Guarantee Commitment:
\$21,000,000—February 1970

Population:
18,000 in 10 years

Dwelling Units:
5,500 in 10 years

Housing Mix:
Low and moderate-income housing will be in an amount equal to metropolitan profile for low and moderate-income families.

Physical Development Scheme:

Elementary schools. 5 villages of approximately 7,000. Basic living module.

Convenience services, shopping facilities, office. Medical clinic with offices for doctors, advisors, out-patient facilities, and emergency care facilities. Offices. One or more primary schools.

Single multi-storied structure built over a line and a major highway. Learning center. General hospital, with specialist offices, patient facilities and staff for general coordination of medical services. Major retail office facilities. Entertainment facilities. Administrative structures.

Land Use:
Excluding a 1,500-acre industrial tract, 45 percent residential; 18 percent open space; industrial 10 percent; lakes 8 percent; commercial 6 percent.

Roads & Streets

NEIGHBORHOOD

PROJECT NAME JonathanBACKGROUND

1. Commitment (Date _____)	\$ 21,000,000
2. Projected Cumulative Net Cash Flow (original)	\$ 16,392 ^{7/}
3. Cash Equity	\$ 800,000
4. Guarantee Issued	\$ 21,000,000 8m @ 8.5%
5. Interest Rate	\$ 13m @ 7.2%
6. Escrow Balance (Date <u>15 Apr., 73</u>)	\$ 6,763,618

STATUS (Date June 30, 1973)

	Cumulative Amount in Thousands			Actual o (Under)
	Budget ^{1/}	Actual	Difference	Budget
Operating Revenues	\$ 5,753 ^{2/}	\$ 4,386	\$ (1,367)	
Less:				
Land Acquisition Costs	5,909 ^{3/}	6,247	338	
Construction Costs	3,781 ^{4/}	6,643	2,862	
Non-construction Costs	12,127 ^{6/}	4,113	(8,014)	
Financing Costs	3,535 ^{5/}	5,433	1,898	
	\$ (19,599)	\$ (18,050)	\$ (1,549)	

REMARKS

- 1/ Figures represent "combined" Title IV & non-Title IV activities.
- 2/ Land sales only.
- 3/ Includes "land Debt Retirement" costs as well as "land acquisition costs."
- 4/ Includes "land development cost", "Industrial Land Development Cost" for years 1,2,3, and 1/2 of year 4.
- 5/ Title IV interest and HUD fees only.
- 6/ Residual after other cost categories were calculated. Includes costs that are for construction of structures as well as for other non-Title IV activities.
- 7/ Calculated from Source and Application of funds statements which show only 10 years of projections. Maximum negative cumulative flow occurs in year 7.