



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

Date: July 24, 2012
To: Lisa Goodman, Chair, Community Development Committee
Referral to: Betsy Hodges, Chair, Ways and Means/Budget Committee
Subject: DEED Redevelopment Grant Applications
(August 1 Application Deadline)

Recommendation:

1. Approve the attached resolution authorizing staff to submit applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for the following projects: Currie Park Lofts, L & H Station, The Commons @ Penn Avenue, and West Broadway Curve.
2. Approve and adopt the DEED Redevelopment Grant Program application fee and administration fee described below.

Previous Directives:

Currie Park Lofts (515 15th Ave. S.): On December 23, 2005, the City Council authorized Fine Associates to submit an application in the amount of \$1,720,000 for Hiawatha LRT Land Assembly Funds for the Currie Park Lofts and Station Place project. On March 31, 2006, the City Council authorized the acceptance of an award in the amount of \$1,720,000 from the Hiawatha LRT Land Assembly Fund for the Currie Park Lofts and Station Place project. On December 22, 2006, the City Council approved an AHTF loan of up to \$400,000 for Currie Park Lofts, Phase I. On February 9, 2007, the City Council accepted a Met Council LCDA grant in the amount of \$341,341 for the Currie Park Lofts project. On October 5, 2007, the City Council accepted a Hennepin County TOD grant in the amount of \$370,000 for Currie Park Lofts, Phase I.

L & H Station (2225 Lake Street): None.

The Commons @ Penn Avenue (2201-2213-2217-2221 Golden Valley Road, 1823 Penn Avenue): On June 29, 2012 the City Council approved an exclusive development rights agreement between the City and Building Blocks Non-Profit, Inc.

West Broadway Curve (1926-2022 W. Broadway Ave.): On December 13, 2011, the City Council approved the submission of an application for DEED

Redevelopment Grant Program funding for the West Broadway Curve development. On February 10, 2012, the City Council approved an AHTF award of up to \$750,000. On February 28, 2012, the City Council adopted a resolution providing preliminary approval for the issuance of \$5.8 million of tax exempt multifamily housing revenue bonds.

Prepared by: Kevin Carroll, Principal Project Coordinator	
Approved by: Charles T. Lutz, Deputy Director, CPED	_____
Catherine A. Polasky, Dir. of Economic Development	_____
Presenter in Committee: Kevin Carroll, 612-673-5181	

Financial Impact

X Other financial impact: There is no direct financial impact at this time. However, any DEED redevelopment grant that is ultimately approved by DEED will have a 50% "local match" requirement. For private sector projects, typical sources for the required match are developer funds, governmental assistance (if any) and/or grant proceeds from sources other than DEED.

Community Impact

Neighborhood Notification:

Currie Park Lofts (515 15th Ave. S.): Letters of support have been issued by the West Bank Community Coalition (4/20/11) and the West Bank Business Association (9/14/11).

L & H Station (2225 Lake Street): Although the Corcoran Neighborhood Organization issued a letter of conditional support project on November 10, 2011, the CNO subsequently issued a letter on June 6, 2012 expressing concerns about Minneapolis Public Schools maintaining programs in the existing MPS building on the site. CNO does not support partial development of the site prior to the demolition of the MPS building.

The Commons @ Penn Avenue (2201-2213-2217-2221 Golden Valley Road, 1823 Penn Avenue): The developer met with the Northside Residents Redevelopment Council in May and in June to discuss this project.

West Broadway Curve ((1926-2022 W. Broadway Ave.): The Jordan Area Community Council provided a letter of approval/recommendation for the proposed project on August 29, 2011.

City Goals:

The projects identified herein will assist the City in achieving one or more of the following goals:

- Livable Communities, Healthy Lives (Strategic Directions: "Equitable, Integrated Transit Systems," "High Quality, Affordable Housing")
- A City That Works (Strategic Direction: "Infrastructure — streets, bridges, sidewalks, sewers, bike lanes & paths — well-managed and maintained")

Sustainability Targets:

The projects identified herein are expected to contribute to one or more of the following targets identified in or by the City's Sustainability

Initiative: Stormwater, Brownfield Sites, Lead Poisoning and Affordable Housing.

Comprehensive Plan:

The projects herein are consistent with policies of the Minneapolis Plan for Sustainable Growth (adopted 10/2/09), including:

3.1.1 Support the development of new medium- and high-density housing in appropriate locations throughout the city.

3.2.1 Encourage and support housing development along commercial and community corridors, and in and near growth centers, activity centers, retail centers, transit station areas, and neighborhood commercial nodes.

3.3.3 Work to provide affordable housing for both rental and ownership markets at a broad range of income levels.

Zoning Code:

The proposed projects are either in compliance or will comply.

Living Wage/Business Subsidy Agreement: Yes___ No X (see below)

Job Linkage: Yes___ No X (see below)

Background/Supporting Information – August 1, 2012 Applications

DEED's Redevelopment Grant Program was created in 1998 to assist development authorities with costs for redeveloping blighted industrial, residential, or commercial sites where the need to recycle the land for a more productive use exists. Grants can pay for land acquisition, demolition, infrastructure improvements, soil stabilization when infill is required, ponding or other environmental infrastructure, and adaptive reuse of buildings, including remedial activities at sites where a subsequent redevelopment will occur. Grants pay up to 50 percent of redevelopment costs for a qualifying site. There is a 50 percent local match required from the eligible applicant.

Priority, as per state statute, is given to projects with one or more of the following characteristics:

1. There is a need for redevelopment in conjunction with contamination remediation.
2. The redevelopment project meets current tax increment financing requirements for a redevelopment district and tax increment will contribute to the project.
3. There is redevelopment potential within the municipality.
4. There is proximity to public transit if located in the Minneapolis/St. Paul metropolitan area.
5. The project is multi-jurisdictional in nature and takes into account transportation, environmental impact(s) and the need for affordable housing.

From 1998 to 2001, the DEED Redevelopment Grant Program provided assistance to both metro and Greater Minnesota communities. In 2001, the Legislature modified the Program by creating a statutory preference or priority for Greater Minnesota projects. The City of Minneapolis was therefore not awarded any Redevelopment Grant Program funds between 2001 and 2006 (inclusive).

The 2007 legislature modified the Redevelopment Grant Program by making it a statewide program once again. Grant funds may currently be split between Greater Minnesota and the seven-county metropolitan area. At least 50% of the grant money must be awarded to sites located outside of the metro area, unless insufficient eligible applications are received for qualifying Greater Minnesota projects, in which case more than 50% of the available funds can potentially be awarded to metro-area projects.

The four anticipated City of Minneapolis grant applications referred to herein are expected to seek approximately \$1,828,916 in Redevelopment Grant Program funds. DEED staff members have indicated that there will be approximately \$3.0 million available in this round, with about \$1.5 million available for metro-area projects (more than \$1.5 million may be available for metro-area projects if relatively few applications are received for Greater Minnesota projects).

For all of the rounds of this grant program since 2007, City staff reviewed and compared the applications in the context of four criteria believed to be of critical importance to the City: creation of new public infrastructure, proximity to light rail transit, creation of affordable housing, and job creation. The four projects referred to above all satisfy one or more of these criteria. Accordingly, the staff recommendation in this instance is that the City submit to DEED all four of the grant applications in question.

Details of Proposed Projects

Currie Park Lofts (515 15th Ave. S)
Projected DEED request: \$350,000

Currie Park Lofts will include 260 mixed-income rental units in a new six-story building, along with 25,000 square feet of first-floor commercial space, on a 2.4 acre site. The project is located near the West Bank LRT station. The land uses in question are generally consistent with *The Minneapolis Plan for Sustainable Growth*. The developers (Currie Park Developments LLC and Fine Associates) are currently working with City staff to obtain the necessary land use and zoning approvals. Grant funds, if awarded, will be used for street demolition costs related to planned roadway improvements.

L & H Station (2225 Lake Street)
Projected DEED request: \$310,000

The 6.38 acre property in question is current owned by Minneapolis Public Schools [MPS]. Acquisition in April of 2013 is envisioned. A four-phase project near the existing Lake Street LRT station is planned (some or all of the phases may occur concurrently): 225 market rate rental units; 100 affordable rental units; 80,000 square foot office/commercial building; 125 market rate rental units. No Planning Commission approvals have been sought or obtained yet, but the project as described is generally consistent with adopted plans and zoning.

This site has more visibility and TOD potential than any other development site along the neighborhood portion of the Hiawatha line. The L&H proposal, if built as shown in the site plan attached to the application, would fulfill a long list of local and regional goals for creating a mixed-use, mixed-income transit village immediately adjacent to an LRT Station. It has the potential to be a model TOD project. DEED funding is being sought for public infrastructure associated with a planned Market Plaza, and changes to utilities and public streets adjacent to the development site. The requested DEED funds would therefore help build portions public amenities that are the centerpiece of the project. The Market Plaza is essential to maximizing the public benefit of the development and would be a good use of DEED grant funds. However, an unresolved issue currently exists with regard to the existing MPS building on the site; MPS would prefer to continue using the building during the initial phase of the L&H project, but the Corcoran Neighborhood Organization wants to see the building demolished before the first phase of the project begins.

The Commons @ Penn Avenue (2201-2213-2217-2221 Golden Valley Road, 1823 Penn Avenue)

Projected DEED request: \$843,416

"Building Blocks Non-Profit, Inc." intends to develop a three story, 45-unit multifamily apartment building with 4500 sq. ft. of ground floor commercial space on five contiguous parcels (.78 acre in total) in July of 2013. Three of the parcels are currently owned by Building Blocks' for-profit development partner, George Group Inc.; the other two parcels are currently City owned and are the subject of an exclusive development rights agreement between the City and Building Blocks that was approved by the City Council on June 29, 2012.

The only approved plan for this immediate area is the comprehensive plan. The comprehensive plan shows this stretch of Penn Avenue as a Community Corridor. While there is commercial zoning at the four corners of the intersection of Penn and Golden Valley Road, it is not a neighborhood commercial node. Community Corridors are primarily residential with intermittent commercial uses clustered at intersections in nodes. The commercial uses are generally small-scale retail sales and services, serving the immediate neighborhood. Housing is medium density (20-50 du/ac) transitioning to low density in surrounding areas. Multi-family residential with ground floor commercial (as proposed here) is in conformance with the goals of the comprehensive plan. The 45 units would actually be high-density (at the low end of high-density category), but still within the amount allowed by the C1 District (the site is zoned C1).

The general concept of multifamily with ground floor commercial is in conformance with the plan, although more specific information on the proposed commercial uses will be needed to determine whether they will be in conformance with the comprehensive plan. The new residential building would require a site plan review (other applications may be necessary depending on the actual uses), which is a public hearing before the City Planning Commission.

DEED funding is being sought for new water/sewer connections, utility relocations, sidewalk improvements and street lights.

West Broadway Curve (1926-2022 W. Broadway Ave.)

Projected DEED request: \$325,000

The developer, CommonBond Communities, intends to construct a new three-story structure with underground parking and 53 units of mixed-income affordable workforce housing. The development site currently consists of 10 vacant lots (1.8 acres in total). The Minneapolis Plan for Sustainable Growth designates this stretch of West Broadway as a Commercial

Corridor and references the West Broadway Alive Plan for specific guidance. The West Broadway Alive plan designates as appropriate for "Urban Scale" apartment buildings of three to five stories. This proposed land use would be in conformance with the comprehensive plan. It would require a site plan review, which is a public hearing before the City Planning Commission. The zoning code classifies this use as supportive housing, which is subject to a ¼ mile spacing requirement that cannot be satisfied in this instance. An appeal by CommonBond was heard by the Board of Adjustment on June 28; the Board upheld the prior determination that this project is supportive housing. CommonBond will appeal that decision to the City Council's Zoning and Planning Committee on July 26, 2012. Grant funds, if awarded, will be used to relocate utilities, improve sewer/water infrastructure, construct new sidewalks, create curb cuts for parking areas, and install new exterior lighting and bicycle racks.

Background/Supporting Information – Grant Application and Administration Fees

The City's adopted 2010 budget included this language regarding grant-related fees:

"The department is also exploring a new fee structure to help defray costs related to administering certain external grant applications and awards, e.g. brownfield remediation grants, Metropolitan Council Livable Communities grants, and other grants that do not compensate the City for required administrative services".

On April 16, 2010, the City Council approved grant application and administration fees for applications submitted (by City staff, on behalf of developers or property owners) to the brownfield grant programs maintained by the Minnesota Department of Employment and Economic Development [DEED], the Metropolitan Council [TBRA] and Hennepin County [ERF]. The adopted City application fees were \$500 per investigation application and \$750 per cleanup application, with specified discounts in cases involving multiple concurrent applications to different grantors for the same project in the same grant round. The adopted City administration fee was 3% of the brownfield grant award amount. The purpose of these fees was to help partially defray the cost of the substantial amount of City staff time that is devoted to the grant application process and to the post-award administration of any awarded grants.

On January 28, 2011, the City Council approved similar City fees for the Metropolitan Council's Livable Communities demonstration Account [LCDA] grant program. All applications submitted in response to the City's call for applications were required to submit a \$750 City application fee, and projects that received an LCDA award were required to pay a 3% City administrative fee. As was the case with the brownfield applications described above, LCDA Applications initiated by City staff and/or involving City-owned property were exempt from the application and administration fees.

Earlier this year, the Metropolitan Council implemented a new Transit-Oriented Development [TOD] grant program. The first round of this program resulted in TOD grant awards that were approved by the Metropolitan Council on April 25, 2012, Applications for the second round of this program will be due on August 13, 2012. The City is currently collecting a \$750 fee for each TOD grant application that is process by the City, and imposing a 3% administration fee for any TOD grant(s) awarded to the City. The basis for these fees was the fact that the TOD grant program provides funding in the form of brownfield [TBRA] grants and development [LCDA] grants that were already subject to adopted City fees (see two preceding paragraphs).

No formal City Council action has been taken to date with regard to the City's handling of applications that are submitted to DEED's Redevelopment Grant Program. This was due, in part, to the fact that DEED did not have sufficient funding to conduct rounds of the program in question during 2011. However, funding for this program is currently available, so in the interest of internal consistency, the recommendation of City staff is that City fees comparable to those outlined above be approved and adopted for DEED's Redevelopment Grant Program – a \$750 City application fee and a 3% City administrative fee on any DEED Redevelopment grant(s) awarded to the City. As noted above, these fees will help offset City staff costs related to the management of a grant program that provides significant financial benefits to developers and private property owners.

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RESOLUTION of the CITY OF MINNEAPOLIS

Authorizing Applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for the following projects:
Currie Park Lofts, L & H Station, The Commons @ Penn Avenue, and West Broadway Curve.

Whereas, the City of Minneapolis intends to act as the legal sponsor for the following projects that will be more completely described in the Redevelopment Grant applications to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on or by August 1, 2012: Currie Park Lofts, L & H Station, The Commons @ Penn Avenue, and West Broadway Curve; and

Whereas, the City has the legal authority to apply for financial assistance, and the institutional, managerial and financial capacity to ensure adequate project administration; and

Whereas, the sources and amounts of the local match identified in the applications are (or are expected to be) committed to the identified projects; and

Whereas, the City has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice; and

Whereas, upon approval of its applications, the City may enter into agreements with the State of Minnesota for the above-referenced projects and will comply with all applicable laws and regulations as stated in said agreements;

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

That the City Council authorizes the Director or Deputy of the Department of Community Planning and Economic Development to apply to the Minnesota Department of Economic Development for Redevelopment Program grant funding for the above-referenced projects, and that the City's Finance Officer, Contracts Administrator or Purchasing Agent and/or other duly authorized City staff are hereby authorized to execute any agreements that may be necessary to implement the projects.