



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

Date: April 15, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

Referral to: Council Member John Quincy, Chair, Ways and Means/Budget Committee

Subject: Applications for Grant Funding from the 2014 Metropolitan Council Livable Communities Demonstration Account and Livable Communities Demonstration Account - Transit Oriented Development Grants

Recommendation:

Approve the attached resolutions authorizing submission and priority ranking of grant applications to the Metropolitan Council Livable Communities Demonstration Account (LCDA) and Livable Communities Demonstration Account Transit Oriented Development (LCDA TOD) grant programs as discussed within this report.

Previous Directives:

The City Council considers submission of LCDA and LCDA TOD applications to the Metropolitan Council on an annual basis. The Council has taken prior action on Broadway Flats and Mill City Quarter, including awarding Affordable Housing Trust Funds, assigning development rights to City-owned land, and acceptance of prior grant awards.

Prepared by: David Frank, Director of Transit Development
Amy Geisler, Senior Project Coordinator, CPED Residential Finance

Approved by: Charles T. Lutz, Interim Director, CPED _____

Presenters in Committee: David Frank, Director of Transit Development
Amy Geisler, CPED Residential Finance

Financial Impact

No financial impact

Community Impact

Neighborhood Notification: All applicants were asked to provide information on the status of neighborhood review of their projects.

City Goals: A Safe Place to Call Home; Jobs and Economic Vitality; Eco-Focused; Livable Communities, Healthy Lives; Many People One Minneapolis; A City That Works.

Sustainability Targets: Affordable Housing Units; Air Quality; Bicycle Lanes and Paths; Permeable Surface.

Comprehensive Plan: 1.5 - Promote growth and encourage overall city vitality by directing new commercial and mixed-use development to designated corridors and districts; 1.13: Support high density development near transit stations in ways that encourage transit use and contribute to interesting and vibrant places; 3.2: Support housing density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities; 3.6: Foster complete communities by preserving and increasing high-quality housing opportunities suitable for all ages and household types.

Supporting Information

The Metropolitan Council recently announced the availability of funding to support development projects throughout the metropolitan area through two programs: the Livable Communities Demonstration Account (LCDA), and the Transit Oriented Development (TOD) program. Funded projects should connect development with transit, intensify land uses, connect housing and employment, provide a mix of housing affordability, and provide infrastructure to connect communities and attract investment. Funds are intended to be used for projects that demonstrate innovative and new ways to achieve and implement these statutory objectives. Cities may submit applications for projects to be undertaken directly by the City, or may sponsor applications submitted by private developers.

For 2014, the Metropolitan Council will again make available LCDA Development Grants for typical non-construction, development costs. For the entire metropolitan area, there is \$7.5 million available for LCDA Development Grants. Of this total, the cities of Minneapolis and St Paul are eligible to compete for 40% (\$3 million, though the full Metropolitan Council may exceed this percentage in its final approval).

The 2014 program guidelines for this program have not yet been published, so City staff is using 2013 program information and conversations with Met Council staff as a basis for this report. The 2013 LCDA and LCDA-TOD Pre-Application Guide is attached to this report.

The Metropolitan Council also announced the availability of \$8 million in TOD program funding for transit oriented development activities in identified "TOD areas." The TOD program has 2 sub-accounts: LCDA-TOD (grants similar to regular LCDA), and TBRA-TOD (grants similar to regular Tax Base Revitalization Account (TBRA)). Recommendations on TBRA-TOD grants will be reviewed by the City Council through a separate staff report. For LCDA-TOD, the Met Council will make available \$5 million for the entire metro area, of which up to \$2 million may be awarded per city. Under the LCDA-TOD umbrella, the Met Council is also soliciting applications for Pre-Development grants, which may be used for pre-development costs such as feasibility analysis, market analysis, etc.

The TOD program will leverage the region's public investment in its transit infrastructure by focusing on proposals which are located in the following areas:

- Within a DEED designated Transit Improvement Area (TIA) or area eligible for TIA designation;
- within a one-quarter mile radius along designated high frequency local bus lines; or
- within a one-half mile radius of a bus stop or station on designated high-frequency express routes.

The purpose of this funding is to help LCA-participating communities to implement transit oriented development which demonstrates how increasing density around transit stations can reduce dependence on automobile ownership, vehicular traffic, and associated parking

requirements which would otherwise be necessary to support a similar level of more traditional development and also encourage more transit ridership.

The 2014 program guidelines for the TOD program have not yet been published, so City staff is using 2013 program information and conversations with Met Council staff as a basis for this report. The 2013 LCDA and LCDA-TOD Pre-Application Guide is attached to this report.

City Application Review Process

Based upon the expected application deadlines for both the LCDA and LCDA-TOD programs, and the fact that projects may apply to only one program (not both), City staff released a RFP for projects interested in applying to either funding source.

In this round, the City has been requested to sponsor four grant applications totaling \$4,450,000. City staff is recommending one additional project (MoZaic Phase II), which brings the total to \$5,700,000. Each city may submit up to three applications for each source, which must be ranked according to priority before submission to the Metropolitan Council.

The CPED Sector teams, along with the assigned CPED project coordinator, reviewed each submitted application and provided comments on overall project readiness and compatibility with the grant programs. A cross-CPED staff team scored each application according to criteria based on program requirements and City priority, including readiness. The CPED Directors and Managers also participate in scoring applications, with regard to project readiness and City priority.

The recommended project ranking can be found below; it includes the program (LCDA vs. LCDA-TOD) in which staff believes projects would be most competitive. Only one application is being recommended for TOD Pre-development funding (East Downtown Park – see the Project Summary for additional information).

2014 LCDA Applications and Recommended Ranking

	Rank	Project	Applicant	Ward	LCDA Request
recommended	1	Broadway Flats	Rose Development	5	500,000
	2	MoZaic Phase II	Ackerberg Group	10	1,250,000
not recommended		18 th and Central	Aeon	1	2,000,000
		Total Requests			3,750,000

2014 LCDA TOD Applications and Recommended Ranking

	Rank	Project	Applicant	Ward	LCDA Request
all recommended	1	Mill City Quarter	Eagle Iron Partners	7	500,000
	2	Aeon – Prospect Park	Aeon	2	1,450,000
		Total Requests			1,950,000

Metropolitan Council Application Review Process

City Staff will submit applications to the Metropolitan Council, based upon the project ranking approved by the City Council. Pre-applications will be due to the Met Council in May, with final applications due in July.

A Metropolitan Council staff evaluation team will review and score eligible LCDA and LCDA TOD proposals using TOD grant criteria and guidelines. Based on the 2013 process, applications must score 45 or more points out of a possible 75 points on the Step One criteria to advance to the Step Two evaluation process. These criteria include:

- The proposal's ability to produce affordable housing;
- The proposal's ability to create or preserve employment opportunities;
- The degree to which the proposal is visible from the station area and the intensity of future use of the site;
- Established funding partnerships;
- The proposal's demonstration value and potential to provide area-wide benefits;
- The proposal's ability to be catalytic to attracting private sector investment; and
- Project readiness and anticipated timeframe of development.

Met Council staff will recommend awards to the Council's Community Development Committee in October/November 2014. Awards are expected to be considered by the full Council in November/December 2014.

Project Summaries - LCDA Development Applications

Broadway Flats (Rose Development, requesting \$500,000), 2220 W Broadway Ave. Steve Minn (Lupe Development) and Dean Rose (owner of Broadway Liquor Outlet) have formed Rose Development, LLC for purposes of redeveloping the northwest corner of the Penn-Broadway node. The proposed project will be a four-story, mixed use project containing 103 units of affordable rental housing with 19,000 square feet of retail space. The project will include both underground and surface parking. The City owns the majority of the site, and the developer has been assigned development rights. In 2012, this project received \$2,000,000 in funding from the Metropolitan Council's TOD program. In this new application, the developer is seeking funds for utility relocation, design, site preparation, and project management costs.

MoZaic Phase II (Ackerberg Group, requesting \$1,250,000), 1350 Lagoon Ave S. MoZaic Phase II is the second phase to the MoZaic Project located in Uptown, immediately adjacent to the Uptown Transit Station and an access point to the Midtown Greenway. MoZaic currently includes over 65,000 SF of Class A office space, 12,000 SF of restaurant space, and public parking facility along with a large public plaza. MoZaic Phase II will replace a surface parking lot with a new building that will include approximately 110,000 SF of Class A office space, 25,000 SF of clinic space, and 25,000 SF of Movie Theater or retail space. The building is designed to maximize employee access to daylight and reduce shadowing on the Midtown Greenway by stepping the building back as the building height increases. The various floor plate sizes allows for tenant flexibility, which can accommodate both large and small businesses. This also allows for businesses to grow within the building over time. The project team is in discussions with several potential larger tenants who have indicated that they have further interest in the space. The property is owned by the development team and there is equity committed. The developer is seeking LCDA funds for site preparation, placemaking, and stormwater costs.

18th and Central (Aeon, requesting \$2,000,000), 18th Ave and Central Ave. Aeon is proposing to acquire eight properties on the northwest corner of 18th and Central Avenues in northeast Minneapolis, in anticipation of developing 68 new affordable housing units. The project would include a mix of one-, two-, and three-bedroom units, with 14 of the units possibly reserved for persons who have experienced long-term homelessness. The developer is seeking funds for acquisition; however, they do not currently have site control of any of the eight parcels. Once site control is established, this project could be a competitive application in future funding rounds.

Project Summaries - LCDA TOD Development Applications

Mill City Quarter (Eagle Iron Partners, requesting \$500,000) 2nd St S between 3rd Ave and 5th Ave. Mill City Quarter is a new-construction, 140-unit affordable rental housing project proposed for the City-owned Parcel A in the Mill District. The developer currently has development rights to the parcel and is in the process of assembling their project financing. The project is expected to be marketed towards seniors, and is also expected to include 15,000 square feet of first-floor retail with shared underground parking. In 2012, this project received \$2,000,000 in funding from the Metropolitan Council's TOD program. In this new application, the developer is seeking funds for underground parking and utility relocation.

Aeon – Prospect Park (Aeon, requesting \$1,450,000), 3001 4th St SE. Aeon is proposing to acquire the old Habitat for Humanity office building for redevelopment into 65 units of affordable rental housing. Aeon has a purchase agreement with Habitat for Humanity, and is currently working with the Twin Cities Community Land Bank to facilitate the property acquisition. The developer is seeking funds for acquisition and building demolition.

Project Summary - TOD Pre-Development Application

East Downtown Park Pre Development - Schematic Design (CPED, requesting \$100,000) In 2013, the City of Minneapolis reached a deal with Ryan Companies for a redevelopment that included 1.5 million square feet of office space, approximately 20,000 square feet of commercial space, 203 dwelling units and 3.4 acres of a public park. The park is adjacent to the Downtown East/Metrodome LRT station. The park was approved with a base level design of seeded grass. A higher level of design and programming for the park is expected and desired. CPED is requesting funds to develop a schematic design for the park. A 25 percent match is required for the grant. At this point, CPED envisions that this match will be met with in-kind staff work.

Attachments:

Resolutions

2013 LCDA and LCDA-TOD Pre-Application Guide

City of Minneapolis 2014 LCDA and LCDA-TOD Grant Application Ranking Tool

RESOLUTION NO. _____
OF THE CITY OF MINNEAPOLIS

By

**Identifying the Need for Livable Communities Demonstration Account Funding
and Authorizing Applications for Grant Funds**

Whereas, the City of Minneapolis is a participant in the Livable Communities Act's Housing Incentives Program for 2014 as determined by the Metropolitan Council, and is therefore eligible to apply for Livable Communities Demonstration Account funds; and

Whereas, the City has identified proposed projects within the City that meet the Demonstration Account's purposes and criteria and are consistent with and promote the purposes of the Metropolitan Livable Communities Act and the policies of the Metropolitan Council's adopted metropolitan development guide; and

Whereas, the City has the institutional, managerial and financial capability to ensure adequate project administration; and

Whereas, the City certifies that it will comply with all applicable laws and regulations as stated in the grant agreements; and

Whereas, the City agrees to act as legal sponsor for the projects contained in the grant applications to be submitted by July 2014; and

Whereas, the City acknowledges Livable Communities Demonstration Account grants are intended to fund projects or project components that can serve as models, examples or prototypes for development or redevelopment projects elsewhere in the region, and therefore represents that the proposed projects or key components of the proposed projects can be replicated in other metropolitan-area communities; and

Whereas, only a limited amount of grant funding is available through the Metropolitan Council's Livable Communities Demonstration Account during each funding cycle and the Metropolitan Council has determined it is appropriate to allocate those scarce grant funds only to eligible projects that would not occur without the availability of Demonstration Account grant funding; and

Whereas, cities may submit grant applications for up to three projects during each funding cycle for LCDA Development Grants and Pre-Development Grants combined, but, using the cities' own internal ranking processes, must rank their projects by priority so the Metropolitan Council may consider those priority rankings as it reviews applications and makes grant awards.

Now, Therefore, Be It Resolved that, after appropriate examination and consideration, the City Council of the City of Minneapolis:

1. Finds that it is in the best interests of the City's development goals and priorities for the proposed projects to occur at these particular sites at this particular time.

2. Finds that the project components for which Livable Communities Demonstration Account funding is sought:
 - (a) will not occur solely through private or other public investment within the reasonably foreseeable future; and

 - (b) will occur within three years after the grant award only if Livable Communities Demonstration Account funding is made available for these projects at this time.

3. Ranks the project funding applications, according to the City's own internal priorities, in the following order:

Development Grants

Priority		Grant Amount
Ranking	Project Name	Requested

(1)	Broadway Flats	\$500,000
(2)	MoZaic Phase II	\$1,250,000

4. Represents that the City has undertaken reasonable and good faith efforts to procure funding for the project components for which Livable Communities Demonstration Account funding is sought but was not able to find or secure from other sources funding that is necessary for project component completion within three years and states that this representation is based on the following reasons and supporting facts:

Broadway Flats: LCDA is a primary funding source for the uses requested in the application. The requested elements may not be of the quality or demonstration value possible, without an award of LCDA funds.

MoZaic Phase II: LCDA is a primary funding source for the uses requested in the application. The requested elements may not be of the quality or demonstration value possible, without an award of LCDA funds.

5. Authorizes its Director of Community Planning and Economic Development to submit on behalf of the City applications for Metropolitan Council Livable Communities Demonstration Account grant funds for the project components identified in the applications, and upon acceptance of any awards by the City Council its Finance Officer or designee to execute such agreements as may be necessary to implement the projects on behalf of the City.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By (Council Member's last name)

Identifying the need for livable communities transit oriented development funding and authorizing applications for grant funds.

Whereas, the City of Minneapolis ("City") is a participant in the Metropolitan Livable Communities Act ("LCA") Local Housing Incentives Program for 2014 as determined by the Metropolitan Council, and is therefore eligible to apply for LCA Livable Communities Demonstration Account and Tax Base Revitalization Account Transit Oriented Development (collectively, "TOD") funds; and

Whereas, the City has identified proposed projects within the City that meet TOD purposes and criteria and are consistent with and promote the purposes of the Metropolitan Livable Communities Act and the policies of the Metropolitan Council's adopted metropolitan development guide; and

Whereas, the City has the institutional, managerial and financial capability to adequately manage an LCA TOD grant; and

Whereas, the City certifies that it will comply with all applicable laws and regulations as stated in the grant agreement; and

Whereas, the City acknowledges Livable Communities TOD grants are intended to fund projects or project components that can serve as models, examples or prototypes for TOD development or redevelopment elsewhere in the region, and therefore represents that the proposed projects or key components of the proposed projects can be replicated in other metropolitan-area communities; and

Whereas, only a limited amount of grant funding is available through the Metropolitan Council's Livable Communities TOD initiative during each funding cycle and the Metropolitan Council has determined it is appropriate to allocate those scarce grant funds only to eligible projects that would not occur without the availability of TOD grant funding; and

Whereas, cities may submit grant applications for up to three TOD Demonstration Account projects during each funding cycle, but, using the City's own internal ranking

processes, must rank their projects by priority so the Metropolitan Council may consider those priority rankings as it reviews applications and makes grant awards;

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

That the City finds that it is in the best interests of the City's development goals and priorities for the proposed projects to occur at the sites indicated in the grant applications at this particular time.

Be It Further Resolved that the City finds that the TOD project components for which Livable Communities TOD funding is sought (a) will not occur solely through private or other public investment within the reasonably foreseeable future; and (b) will occur within the term of the grant award (two years for Pre-Development grants, and three years for Development grants) only if Livable Communities TOD funding is made available for these projects at this time.

Be It Further Resolved that the City ranks the TOD project funding applications according to the City's own internal priorities in the following order:

Priority	LCDA TOD Project Names	Grant Amount Requested
1	Mill City Quarter	\$500,000
2	Aeon – Prospect Park	\$1,450,000

Priority	LCDA TOD Pre-Development Project Names	Grant Amount Requested
1	East Downtown Park	\$100,000

Be It Further Resolved that the City authorizes its Department of Community Planning and Economic Development to submit on behalf of the City applications for Metropolitan Council Livable Communities TOD grant funds for the TOD project components identified in the applications and upon acceptance of any awards by the City Council its Finance Officer or designee to execute such agreements as may be necessary to implement the projects on behalf of the City.