



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

Date: March 21, 2006

To: Council Member Lisa Goodman, Community Development Committee

Referral to: Council Member Paul Ostrow, Ways & Means Budget/Committee

Subject: Accept and Appropriate Metropolitan Council Hiawatha Light Rail Transit (LRT) Land Assembly Fund Grants of \$1,720,000 for the Currie Park Lofts and Station Place Project, \$800,000 for the Franklin LRT Station Project, \$750,000 for the 46th Street Town Square: Snelling Avenue Extension Project, and \$230,000 for the Longfellow Station Project; and authorize execution of Grant and Sub-recipient Agreements.

Recommendation:

1. Accept and Appropriate Metropolitan Council Hiawatha Light Rail Transit (LRT) Land Assembly Fund (CMAQ) Grants of \$1,720,000 (Currie Park Lofts and Station Place), \$800,000 (Franklin LRT Station Project), \$750,000 (46th Street Town Square: Snelling Avenue Extension), and \$230,000 (Longfellow Station).
2. Amend the 2006 General Appropriation Resolution by increasing the Community Planning and Economic Development Agency Fund 600 - State Grants and Loans (0600-890-8933) appropriation by \$3,500,000.
3. Amend the 2006 Revenue Budget for Community Planning and Economic Development Agency Fund 600 – State Grants and Loans (0600-890-8490, Revenue Source 3215) by \$3,500,000.
4. Authorize appropriate City staff to execute such agreements as may be necessary to implement the Metropolitan Council Hiawatha Light Rail Transit (LRT) Land Assembly Fund (CMAQ) Grants with the Metropolitan Council, Fine Associates (or affiliated entity or general partner), Seward Redesign (or affiliated entity or general partner), and Capital Growth, Real Estate (or affiliated entity or general partner) consistent with the terms and conditions described herein.

Previous Directives:

On December 23, 2005 the City Council authorized the submission of four (4) applications to the Metropolitan Council Hiawatha Light Rail Transit (LRT) Land Assembly Fund (CMAQ) Program.

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Approved by: Chuck Lutz, Deputy Director, CPED _____

Mike Christenson, Director Econ. Policy & Dev. _____

Elizabeth Ryan, Director Hsng. Policy & Dev. _____

Permanent Review Committee (PRC) Approval__ Not Applicable X

Presenter(s) in Committee: Mark Garner, Senior Project Coordinator, CPED Phone: 673-5037
Kevin Dockry, Senior Project Coordinator, CPED Phone: 673-5075

Financial Impact:

No financial impact (If checked, go directly to Background/Supporting Information).

X Action requires an appropriation increase to the Capital Budget or X Operating Budget.

X Action provides increased revenue for appropriation increase.

Action requires use of contingency or reserves.

X Business Plan: X Action is within the plan. Action requires a change to plan.

Other financial impact (Explain):

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact:

Neighborhood Notification: Not Applicable

City Goals: Maintain the physical infrastructure to ensure a healthy, vital and safe City. Preserve and enhance our environmental, economic and social realms to promote a sustainable Minneapolis. Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth

Comprehensive Plan: Section 4.1: Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods. Section 4.9: Minneapolis will grow by increasing its supply of housing. Section 4.10: Minneapolis will increase its housing that is affordable to low and moderate income households. Section 4.11 Minneapolis will improve the availability of housing options for its residents. Section 4.15: Minneapolis will carefully identify project sites where housing development or housing revitalization are the appropriate responses to neighborhood conditions and market demand. Section 4.17: Minneapolis will promote housing development that supports a variety of housing types at

designated Major Housing Sites throughout the City. Section 4.18 Minneapolis will encourage both a density and mix of land uses in Transit Station Areas that both support ridership for transit as well as benefit from its users. Section 4.19: Minneapolis will require design standards for Transit Station Areas that are oriented to the pedestrian and bicyclist and that enforce traditional urban form. Section 4.20 Minneapolis will provide direct connections to transit stations for pedestrians, bicyclists, and bus riders.

Zoning Code: Not Applicable.

Other: Not Applicable.

Background/Supporting Information

In September 2005, the Metropolitan Council, with the support of the Federal Transit Administration (FTA), made available Congestion Mitigation Air Quality (CMAQ) funds for land assembly around Hiawatha Corridor Light Rail Transit (LRT) stations. CMAQ land assembly funds (up to \$3.5 million available) are intended to create opportunities for compact, mixed-use, pedestrian and transit-oriented developments (TODs) that increase the use of transit and other alternatives to the automobile. Application was open to the cities of Bloomington, Minneapolis and Hennepin County.

In October, Minneapolis CPED issued a Request for Proposals (RFP) for these land assembly funds. A total of eight applications were received, including six private site nominations by for-profit or non-profit developers and two public site nominations prepared by CPED staff.

On December 23, 2005, the City Council authorized the submission of four (4) of these applications to the Metropolitan Council, including recommended project rankings and funding levels. These four projects were: 1) Currie Park Lofts and Station Place (Fine Associates); 2) Franklin LRT Station Area (Seward Redesign); 3) 46th Street Town Square (City of Minneapolis); and 4) Longfellow Station (Capital Growth Real Estate).

Metropolitan Council staff evaluated CMAQ applications, concurred with the City recommendation of priorities, and recommended funding for the 4 projects in the City of Minneapolis. On February 22, 2006, the Metropolitan Council approved CMAQ grant awards to the City for Currie Park Lofts and Station Place (\$1,720,000), Franklin LRT Station Area (\$800,000), 46th Street Town Square (\$750,000), and Longfellow Station (\$230,000).

Process

Upon approval by the City Council, staff will negotiate funding agreements with the Metropolitan Council for each land assembly project. Funding agreements are subject to FTA review and approval. CMAQ funds must be spent on the purchase of one or more properties for the purpose of creating TOD. Closing on properties must occur by March 31, 2007, and development of the property must begin by March 31, 2009. In the event a funding recipient does not close on properties, or begin development of the assembled properties by the above dates, the Metropolitan Council reserves the right to withhold funding or to require pay-back of any disbursed funds.

After negotiating funding agreements with the Metropolitan Council, the City will enter into sub-recipient agreements with the developers (or affiliated entities) for Currie Park Lofts and Station Place, Franklin LRT Station Area, and Longfellow Station. Ultimately, the City is the Grantee and has responsibility for ensuring that the CMAQ performance requirements are met. The funding and sub-recipient agreements must be structured carefully in order to mitigate the City's risk of repayment.

Projects receiving funding under this program will be required to comply with applicable Minneapolis housing and economic development policies, including the affordable housing provisions in the Minneapolis CPED Unified Housing Policy which requires that 20% of the housing units be affordable at 50% of metropolitan median income (MMI).

The Metropolitan Council's pay-back requirement necessitates a high level of due diligence on the part of the City. Further, inherent in the process of awarding "acquisition" funding is the fact that proposals are very preliminary. As a result, staff is recommending that sub-recipient agreements be structured as forgivable or deferred loans (with mortgages and notes) and secured by guarantees and/or letters of credit sufficient to ensure sub-recipient performance. The sub-recipient agreements will include performance outcomes and dates for key development benchmarks.

In addition to Metropolitan Council and FTA requirements (including an independent appraisal by an appraiser familiar with federal requirements prior to closing), staff recommends a disbursement checklist that includes, but is not limited to: standard City contracting requirements (Affirmative Action, SUBP, insurance, etc.), title insurance, Phase I Environmental Assessment, geotechnical/soils review, survey, budget and source for all acquisition expenditures, developer qualifications (MHFA Form 203A or HUD Form 2530), and submission of an Application for Public Financial Assistance. In addition, developers must provide detailed financing information demonstrating project feasibility and competitiveness for public funding.