

Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: June 2, 2009

To: Council Member Lisa Goodman, Chair, Community Development
Committee

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

Subject: Minneapolis Economic Recovery Strategy: 2008 Consolidated Plan
Amendment #3 Community Development Block Grant Recovery Act Funds (CDBG-
R)

Recommendation:

1. Approve recommendations of CDBG-R work team regarding CDBG-R projects and funding amounts;
2. Authorize staff to further develop proposed 2008 Consolidated Plan Amendment #3 for submittal to the U.S. Department of Housing & Urban Development (HUD) on June 5, 2009;
3. Authorize staff to accept and execute pending CDBG-R grant award when made available by HUD.

Previous Directives: None
Department Information

Prepared by: Matt Bower, IGR-Grants & Special Projects, Chuck Lutz, CPED Approved by: Gene Ranieri, Director, IGR _____ Presenters in Committee: Chuck Lutz, Deputy Director, CPED; Matt Bower, Project Coordinator, IGR-Grants & Special Projects

Financial Impact *(delete all lines not applicable to your request)*

- Other financial impact- 2008 Consolidated Plan Amendment #3 provides \$3,609,047 in one-time CDBG-R funds.

Community Impact

- Other- Minneapolis Consolidated Plan mailing list and notification practices, and City of Minneapolis Website at www.ci.minneapolis.mn.us/grants

Supporting Information

Under the 2009 American Recovery and Reinvestment Act, the City of Minneapolis is eligible to receive \$3,609,047 in Community Development Block Grant Recovery funds (CDBG-R) from the U.S. Department of Housing

and Urban Development. In order to make application for funding, the City will need to make a third amendment to its 2008 Consolidated Plan. A work team convened to solicit city departments for potential projects and met on May 27, 2009 to review project proposals against City ARRA and HUD CDBG-R evaluation criteria. The CDBG-R work team offers the following recommended CDBG-R projects and funding amounts. These recommended projects will be further described in this report.

Project/Program	CDBG-R National Objective Met	CDBG-R Recommended Award
Shubert Theater	Low/Mod Jobs	\$ 2,000,000
Lead Hazard Reduction	Low/Mod Housing	\$ 200,000
TenKSolar Manufacturing Facility	Low/Mod Jobs	\$ 284,047
Van White Memorial Blvd. Roadway & Bridge Construction	Low/Mod Area	\$ 260,000
Fire Station 20 Reroofing	Low/Mod Area	\$ 190,000
Chicago Avenue Fire Arts Center	Low/Mod Area	\$ 275,000
Winterization of Condemned/Boarded Properties on the Vacant Building Registration List	Low/Mod Area	\$ 200,000
Minneapolis Housing Services Advocates	Low/Mod Income, Limited Clientele	\$ 100,000
Greater Minneapolis Council of Churches/ Handyworks	Low/Mod Income, Limited Clientele	\$ 100,000

This report reviews key differences between CDBG and CDBG-R funds followed by a timeline of staff actions on the CDBG-R program announcement, list of city ARRA and CDBG-R criteria used in project evaluations, description of recommended projects and funding, and a summary of projects not recommended for funding.

The CDBG-R work team consisted of representatives from CPED, Grants & Special Projects Office, Health & Family Support, Finance, Regulatory Services, City Council Ward 11, and the Mayor's Office.

Key CDBG-R and traditional CDBG differences

There are some key exceptions to traditional CDBG funds that HUD made in its program announcement of May 6, 2009. These exceptions provide context for the local application for CDBG-R funds.

Consolidated Plan Citizen Participation

As the CDBG-R program announcement from HUD was only issued on May 6, 2009, HUD waived existing Consolidated Plan citizen participation requirements in favor of a 7-day public comment period prior to the June 5, 2009 application deadline. The City will have this comment period May 29-June 4, 2009. The comment period will only obtain public comment on the proposed Amendment with no required response. The draft Amendment #3 was put on the City's website at www.ci.minneapolis.mn.us/grants, placed in Minneapolis public libraries, and made available at CPED, Legal Aid Society offices (3 locations) and the Grants & Special Projects Office. Notice of the Amendment's availability and request for comments was published May 27th in Finance and Commerce and provided to the Consolidated Plan mailing list.

Public Benefit Standard

For purposes of CDBG-R funds only, HUD has waived the public benefit standard used in traditional CDBG in determining the appropriate level of benefit to CDBG-provided economic development assistance (CDBG funds per job created/retained). HUD still requires that the CDBG-R investment decisions be prudent, just not held to a strict capped standard.

Low/Moderate Income Benefit

HUD still requires that at least 70% of CDBG-R expenditures be of benefit to low and moderate income persons, like traditional CDBG.

Administrative Activities/ Public Services Caps

HUD lowered the maximum amount of the CDBG-R grant that could be used for general administrative activities from 20% (traditional CDBG) to 10%. The public services cap of 15% of grant remains in place for CDBG-R.

Program Income

CDBG-R projects can earn program income however, that income reverts to the traditional CDBG city account balance and can only be used for any existing CDBG project and cannot be used for CDBG-R projects even a

CDBG-R project that generates the program income. Any CDBG-R program income remaining as of September 30, 2012 reverts to HUD.

Buy American (Recovery Act requirement)

For CDBG-R construction products all materials need to be made in America except as permitted by submitted waiver.

Davis-Bacon Act (Prevailing Wage)

The Recovery Act applies Davis-Bacon labor requirements to all construction/rehab projects undertaken with Recovery Act funds. For CDBG-R this requirement means that housing rehab projects of less than 8 units are now subject to Davis-Bacon, whereas those projects would be exempt under traditional CDBG.

CDBG-R Amendment Development Timeline

As HUD only released the CDBG-R funding announcement on May 6th with an application due date of June 5, 2009, there was a very tight timeframe for developing the Amendment to receive the funds.

May 6- HUD issues CDBG-R funding notice with CDBG-R specific requirements; Grants Office forwarded funding notice with initial interpretation of requirements to City departments

May 11- Grants Office hosted an open house for city staff to answer questions on CDBG-R

May 13- HUD webcast on CDBG-R providing further interpretation of funding announcement requirements

May 14- Initial meeting of CDBG-R work team

May 15- CDBG-R work team issues solicitation for project proposals to City departments

May 21 – Deadline for receipt of CDBG-R project proposals

May 27- CDBG-R work team reviewed CDBG-R project proposals and developed recommendations for funding

May 29- June 4- Public comment period for CDBG-R draft Amendment #3

June 2- City Council consideration of CDBG-R draft Amendment #3 and proposed funding recommendations

June 5- Submission of CDBG-R Amendment #3 to HUD

City ARRA and CDBG-R Evaluation Criteria

Projects reviewed for CDBG-R funding by the work team were scored against City ARRA criteria and specific CDBG-R criteria contained within the HUD funding notice. The work team gave more weight to CDBG-R criteria than

more generic City ARRA criteria. All project proposals were able to address one or more of the City ARRA criteria. Not all proposals were adequately able to meet CDBG-R criteria.

ARRA Criteria:

- Create or Preserve Jobs
- Advance current and approved city priorities, policies and projects before launching new efforts
- Integrate and coordinate work across jurisdictions and policy areas, and advance metro wide collaboration
- Advance energy efficiency and climate protection
- Include diverse community representation
- Leverage other public, private and nonprofit resources
- Make one-time investments to create long term solutions
- Advance projects that can demonstrate measureable results and return on investments
- Do not start something we cannot continue when money is gone

CDBG-R Criteria:

- Evaluate projects by those that preserve/create jobs (permanent, construction, temporary)
- Assist those impacted by economy
- Promote energy efficiency/reduction
- Congressional intent clearly intended that CDBG-R funds should primarily be invested in economic development, housing, infrastructure and other public facilities activities that will quickly spur further economic investment, increased energy efficiency, and job creation or retention.
- Infrastructure/long term investments
- Avoid cuts in essential services
- Energy efficiency
- HUD encourages grantees to use CDBG-R funds for discrete, stand-alone activities whenever possible.
- Grantees should also avoid using CDBG-R funds to initiate a new project that cannot be completed within the expenditure deadline for the CDBG-R program (Sept 2012) or that will require the commitment of future years' allocations of regular CDBG funds.
- Title XII of Division A of the Recovery Act requires that in selecting CDBG-R projects to be funded, recipients shall give priority to projects that can award contracts based on bids within 120 calendar days from the date the funds are made available to the recipients
- Public Benefit Standard- HUD waived a portion of these regulations to expedite the timely use of funds by grantees. HUD will presume that activities that meet the requirements and Congressional intent of the Recovery Act provide sufficient public benefit. Grantees are still encouraged to provide economic assistance at the lowest possible cost per job, or cost per low- and moderate-income beneficiary.

Descriptions of CDBG-R Recommended Projects for Funding

The CDBG-R work team recommends the following projects for CDBG-R funding. These projects scored relatively highly against the evaluation criteria and in their own ways either address HUD CDBG-R program emphases of jobs creation/retention, energy efficiency projects, assisting residents negatively impacted by the economy or infrastructure investments. The work team preferred projects that could get underway sooner than later, and that could provide "tipping point" assistance to a project. These recommended projects were arrived at by unanimous consensus.

By nature of the evaluation criteria used, public service projects were at a disadvantage to bricks and mortar type projects. The CDBG-R work team decided to evaluate public service programs against each other and not against capital projects. The CDBG-R work team felt that a portion of the CDBG-R dollars should be used for public services that can most immediately assist those residents that have been negatively affected by current economic conditions.

In sum, there were 32 project proposals requesting a total of \$17.8 million in CDBG-R funding. Several projects could not meet a CDBG-R national objective and were eliminated from consideration. Other projects were either an extension of an existing CDBG-funded program and provided little additional benefit, had other funding prospects or faced implementation issues due to the different treatment of CDBG-R funds versus traditional CDBG (i.e. the application of Davis-Bacon requirements or treatment of program income).

Shubert Theater (\$2,000,000)

Rehabilitation of the Shubert Theater supports the CDBG performance measure to expand economic opportunities. There will be 48 permanent full-time jobs and 101 construction jobs generated by this project. Of the 48 permanent jobs, 38 will be at Minnesota Shubert and 10 from core Shubert partners. Shubert will enter into agreements with three local workforce organizations to identify, review, and develop job candidates from low-income neighborhoods in Minneapolis to fill 38 jobs that have low barriers to entry (ushers, ticket staff). The rehabilitation of this historic building will include green building features to realize energy efficient mechanical systems and other treatments such as a white-coated roofing membrane to reduce urban "heat island" effect. The CDBG-R investment will permit this project to start by Fall 2009 by providing the final gap funding to project financing. This project meets the CDBG-R national objective of Low/Mod Jobs Creation.

Lead Hazard Reduction (\$200,000)

Making residential units lead safe supports the CDBG performance measures to provide decent housing and suitable living environments. This project will replace windows in the Phillips, Central and Powderhorn neighborhoods (all

within CDBG target areas). The replacement windows are energy star rated. There will be 3 construction jobs involved in project. The funding will provide a local match to a HUD Lead Hazard Grant of \$3 million which has been difficult to raise in the current economic environment for low-income property owners. This project meets the CDBG-R national objective of Low/Mod Housing.

TenKSolar Manufacturing Facility (\$284,047)

TenKSolar is poised to manufacture a new generation of high-tech and low-cost solar panels -- creating new, well-paying "green" jobs in a low-income community in Minneapolis, stimulating the local economy, and addressing climate change by expanding the market for clean, renewable energy. This project supports the CDBG performance measure of expanding economic opportunities. TenKSolar will launch a full-scale solar panel production operation in 2009-10 that will create over 100 manufacturing, sales and R&D jobs by mid-2010 and a total of 360 jobs by 2011. The manufacturing jobs will need to be offered first to Minneapolis low and moderate-income residents as a condition of the CDBG-R assistance. 30 construction jobs are anticipated with this project. This project meets the CDBG-R national objective of Low/Mod Jobs Creation.

Van White Memorial Boulevard (\$260,000)

While one focus of the Heritage Park redevelopment is construction of mixed-income housing, the Hollman vs. Cisneros Consent Decree also called for major transportation work to connect isolated communities to greater Minneapolis. The CDBG-R funding will assist in the completion of the Van White Memorial Boulevard supporting the CDBG performance measures of providing a suitable living environment and expansion of economic opportunities. This project is an integral element of the \$225 million Heritage Park redevelopment project. The boulevard's construction is the most significant strategy at ending the isolation and economic disadvantage experienced by Northside residents. The boulevard will be a catalyst in preserving construction jobs, removing stigmatization, cleaning up the Bassett Creek Valley, attracting businesses, and enhance green space activities. Its construction will spur private investment and connect the disadvantaged to jobs, schools, and cultural activities. 300 construction jobs are anticipated with this work. This project meets the CDBG-R national objective of Low/Mod Area Benefit.

Fire Station 20 Reroofing (\$190,000)

Fire Station 20 is need of a new roof. CDBG-R funding provides an opportunity to provide one-time assistance to undertake this project. The reroofing project meets the CDBG performance measure of providing a suitable living environment. The project will use a white roof/membrane design that will maximize energy savings while providing responsible long-term roofing solution. This building is well suited for this type of roof. This

project is part of Property Service's work plan. There is an estimate of two construction jobs anticipated with this work. This project meets the CDBG-R national objective of Low/Mod Area Benefit.

Chicago Avenue Fire Arts Center (\$275,000)

To finance construction costs for renovation and build-out of an arts education, studio space, and gallery space. The project serves the CDBG performance measures around expansion of economic opportunities and provision of suitable living environment. The project is proposed for a vacant building at the 38th and Chicago Commercial Node. The project will add 3.5 permanent jobs and provide 30 construction jobs. The CDBG-R investment will permit this project starting by Fall 2009 by providing the final gap funding to project financing. This project meets the CDBG-R national objective of Low/Mod Area Benefit.

Winterization of Condemned/Boarded Properties (\$200,000)

To winterize condemned and boarded properties in the City's Vacant Building Registration Program. Winterization will include draining of plumbing pipes, preparation water based heating systems, disconnect of City water service, electric and gas utilities and properly re-securing premises. This project meets the CDBG performance measure of sustainability of affordable housing. In effect, the winterization activities will permit the house to retain some value for potential rehabilitation and preserving the housing stock. Approximately 4-5 new trades type jobs in the private sector will be created due to this project. This project meets the CDBG-R national objective of Low/Mod Area Benefit.

HandyWorks (\$100,000)

This project assists low-income and vulnerable seniors 65 and older in remaining independent in their own homes by providing minor home repairs and other home maintenance chores. These services meet the CDBG performance measure of sustainability of suitable living environments. 1.0 FT equivalent intermittent staff primarily for outdoor work, plus volunteers, providing 2,630 hours of service will deliver these services to 225 eligible clients annually. The project had been selected through a Spring 2009 RFP round, but not funded due to lack of funds. This project meets the CDBG-R national objective of Low/Mod Income (Limited Clientele).

Minneapolis Housing Advocates (\$100,000)

To assist low-income residents impacted by the economy, primarily foreclosure and related housing services (utilities, repairs, general tenants

rights and responsibilities). The CDBG performance measure of affordability of affordable housing is served by this project. Two Housing Service Advocates will provide critical crisis housing advice and referrals to an average of 1000 Minneapolis residents/month. 2 permanent jobs will be retained. This project meets the CDBG-R national objective of Low/Mod Income (Limited Clientele).

Summary of Project Proposals Not Recommended for CDBG-R Funding

The following are project proposals that were not recommended for funding. They either could not meet a HUD CDBG-R national objective, were an expansion of existing City CDBG investments, could not be funded partially, had potential CDBG-R compliance issues that either made management difficult or prohibitive, did not score well relative to similar projects, or had other funding prospects identified that were a better suit than CDBG-R.

Project	CDBG-R Requested	Weakness
Multifamily Rental Rehab	\$ 1,000,000	Compliance issues
Commercial Energy Efficiency Revolving Loans	\$ 250,000	Other prospects for funding
Multifamily Ownership Rehab	\$ 1,500,000	Compliance issues
Capri Theater	\$ 500,000	Scoring
Grain Belt Office Building	\$ 245,000	Scoring
Hollywood Theater	\$ 350,000	Scoring
Emergency Operations Training Center	\$ 2,800,000	Could not meet CDBG-R national objective
Fire Station 12 Window Replacement	\$ 55,000	Could not meet CDBG-R national objective
Utility Relocation and Infrastructure –Franklin Station Project	\$ 950,000	Scoring
Fire Department New Fire Truck	\$ 550,000	Scoring
Alternative Board-up of Vacant and Boarded Registration Properties	\$ 800,000	Scoring
Low-income Adult Tuition Assistance Program	\$ 100,000	Other prospects for funding
Hennepin Stages Theater	\$ 190,000	Could not meet CDBG-R national objective
10 th & Hennepin Ramp Relamping	\$ 88,000	Could not meet CDBG-R national objective

10 th & LaSalle Ramp Relamping	\$ 92,000	Could not meet CDBG-R national objective
Leamington Ramp Relamping	\$ 300,000	Could not meet CDBG-R national objective
Step-Up Youth Program	\$ 400,000	Other prospects for funding
Vacant Housing Recycling Program	\$ 1,000,000	Scoring
Way to Grow	\$ 100,000	Current CDBG funding
Youth Link	\$ 120,000	Scoring
Downtown 100 Collaborative	\$ 518,838	Other prospects for funding
West Broadway Business Alliance Collaboration	\$ 172,638	Scoring
Eastside Neighborhood Services	\$ 135,000	Scoring

The following page shows the scores each of the 32 project proposals received together with their rankings.

<u>Project/Program (Bolded Projects Recommended for CDBG-R Funding)</u>	<u>Project Type</u>	<u>Score (maximum score = 1,010)</u>
Shubert Theater	Capital/Econ Dev	857
Lead Hazard Reduction	Capital/Econ Dev	777
Ten K Solar	Capital/Econ Dev	767
Van White Memorial Boulevard Roadway & Bridge Construction	Capital/Econ Dev	729
Multi-Family Rental Rehab Program	Capital/Econ Dev	724
Fire Station 20 Reroofing	Capital/Econ Dev	682
Commercial Energy Efficiency Revolving Loans	Capital/Econ Dev	671
Chicago Avenue Fire Arts Center	Capital/Econ Dev	670
Multi-Family Ownership Rehab Program	Capital/Econ Dev	670
Capri Theater	Capital/Econ Dev	663
Grain Belt Office Building	Capital/Econ Dev	662
Hollywood Theater	Capital/Econ Dev	644
Emergency Operations Fire Training Facility	Capital/Econ Dev	637
Fire Station 12 Window Replacement	Capital/Econ Dev	635
Utility Relocation and Infrastructure--Proposed 22nd Street/Franklin Station Project	Capital/Econ Dev	632
New Fire Truck	Capital/Econ Dev	602
Winterization of Condemned/Board properties on the Vacant Building Registration List.	Capital/Econ Dev	596
Alternative Board up of properties open to trespass - on and emergency basis and for properties requiring a 6 day notification.	Capital/Econ Dev	574
Minneapolis Low-income Adult Tuition Assistance Program	Capital/Econ Dev	547
Hennepin Stages Theater	Capital/Econ Dev	537
10th and Hennepin Ramp Relamping	Capital/Econ Dev	537
10th and LaSalle Ramp Relamping	Capital/Econ Dev	537
Leamington Ramp Relamping	Capital/Econ Dev	527
Mpls Housing Service Advocates	Public Service	504
Minneapolis STEP-UP Youth Program	Public Service	483
Vacant Housing Recycling Program	Capital/Econ Dev	466
Way to Grow	Public Service	424
YouthLink	Public Service	417
The Downtown 100 Collaborative	Public Service	409
Greater Minneapolis Council of Churches, HandyWorks	Public Service	407
West Broadway Business Alliance Collaborative	Public Service	402
Eastside Neighborhood Services (ESNS)	Public Service	384