

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

Date: January 18, 2011

To: Council Member Lisa Goodman, Community Development Committee

Referral to: Council Member Betsy Hodges, Ways and Means/Budget Committee

Subject: 2010 Metropolitan Council Livable Communities Demonstration Account (LCDA) Grants, and Consideration of Fees for Future LCDA Applications

Recommendation:

1) Accept and appropriate Metropolitan Council Livable Communities Demonstration Account (LCDA) grants of \$284,000 for the J. Jerome Boxleitner project, \$793,900 for the Franklin-Portland Gateway IV project, \$1,034,000 for the Hi-Lake Triangle project, \$177,000 for the MPHA 4th Avenue Street Improvements project, and \$100,000 in pre-development funds for the Linden Yards East Development and Rail Layover Study; authorize execution of Grant and Sub-recipient Agreements.

2) Amend the 2011 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01600–Other Grants-State and Local (01600-8900220) by \$2,288,900 (distributed as noted above).

3) Amend the 2011 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01600–Other Grants-State and Local (01600-8900320) by \$100,000 (distributed as noted above).

4) Increase the 2011 Revenue Budget for the Community Planning & Economic Development Agency Fund 01600–Other Grants-State and Local (01600-8900900-321513) by \$2,388,900 (distributed as noted above).

5) Authorize appropriate City staff to execute such agreements as may be necessary to implement the Metropolitan Council Livable Communities Demonstration Account (LCDA) grants with the Metropolitan Council; Catholic Charities; Aeon; Wellington, McNellis, and Swenson; and the MPHA (or affiliated entities).

6) Approve and adopt the LCDA grant application fee and the LCDA grant award administration fee described below.

Previous Directives:

- In June, 2010, the City Council authorized submission of six (6) grant applications (Boxleitner, Franklin-Portland Gateway IV, Hi-Lake Triangle, MPHA, East Bank Mills, and Linden Yards East).

- For the J. Jerome Boxleitner project, the City Council has approved a land sale, a redevelopment contract, and issuance of \$7.5 million in tax-exempt bonds.
- For the Franklin-Portland Gateway IV project, the City Council has approved the issuance of \$50,000 in Low-Income Housing Tax Credits.
- For the Hi-Lake Triangle project, there are no previous actions.
- For the MPHA project, the City Council has taken a number of previous actions related to the larger Heritage Park project and land use approvals for the MPHA project itself.
- For the Linden Yards East project, the City Council has provided a number of land use approvals.

Department Information

Prepared by: Amy Geisler, Senior Project Coordinator, (612) 673-5266	
Approved by: Charles T. Lutz, Deputy Director, CPED	_____
Thomas A. Streitz, Director, Housing Policy & Development	_____
Presenters in Committee: Amy Geisler, CPED, Housing Policy & Development	
Funding Source and Appropriation	
Language Reviewed by Development Finance:	_____

Financial Impact

- Action requires an appropriation increase to the Capital Budget or Operating Budget
 Dept Name: Community Planning & Economic Development
 Fund Name: Other Grants-State and Local
 Amount: \$2,388,900
- Action provides increased revenue for appropriation increase
 Dept Name: Community Planning & Economic Development
 Fund Name: Other Grants-State and Local
 Amount: 2,388,900
- Action is within the Business Plan
- Request provided to the Finance Department

Community Impact

- Neighborhood Notification: Neighborhood review of grant-funded projects is one criterion in the selection of applications to forward to the Met Council. The City's plan to implement fees related to the administration of grants was identified in the City's 2010 budget, which underwent neighborhood review.
- City Goals: A SAFE PLACE TO CALL HOME - In five years all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.
- Sustainability Targets: Affordable Housing Units; Air Quality; Bicycle Lanes and Paths; Permeable Surface.
- 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 redevelopment or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

Supporting Information – 2010 LCDA Awards

On December 8, 2010, the Metropolitan Council awarded Livable Communities Demonstration Account (LCDA) grants to J. Jerome Boxleitner Place (\$284,000), Franklin-Portland Gateway IV (\$793,900), Hi-Lake Triangle (\$1,034,000), MPHA 4th Ave Street Improvements (\$177,000), and Linden Yards East (\$100,000). Staff is now requesting City Council authorization to accept and appropriate the LCDA grant awards, and to enter into any necessary related agreements.

Grant Application and Award Process

The Livable Communities Demonstration Account was established by the Livable Communities Act [Minnesota Statutes Chapter 473.25, (b)]. The Demonstration Account provides funds to development or redevelopment projects that 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. Application is open to cities participating in the Local Housing Incentives Program of the Livable Communities Act, on behalf of proposals in their communities.

There was considerable competition for LCDA funds this year. Metropolitan Council staff and the Livable Communities Advisory Committee reviewed 32 eligible applications requesting a total of \$12.6 million. Approximately \$7.5 million was available. On January 13, 2010, the Metropolitan Council approved 11 LCDA Development grants totaling \$6.3 million and 15 Pre-Development grants totaling \$983,990, including \$2,388,900 (or 33%) to the City of Minneapolis. As in past years, Minneapolis projects ranked well compared to applications from other cities in the metropolitan area, and all City applications awarded grant funds were fully-funded. One project, East Bank Mills Machine Shop, was not awarded grant funds.

Project Summaries

Boxleitner Place (Catholic Charities/Community Housing Development Corporation). Boxleitner Place is a redevelopment project at 165 Glenwood Avenue that will provide 120 shelter beds, 51 overflow mats, 36 permanent supportive housing units for long-term homeless people, and 11 efficiency units. LCDA funding will be used for sidewalks, bicycle facilities, a canopy, and utility improvements.

Gateway IV – f/k/a Franklin Steele (Aeon/Hope Community). This is the fourth and final phase of the Franklin-Portland Gateway project. Gateway IV will consist of approximately 120 rental housing units for a mix of low- and moderate-income households. LCDA funding will be used for acquisition, pedestrian and bicycle improvements, site preparation, and stormwater management improvements.

Hi-Lake Triangle (Wellington, McNellis, and Swenson). Hi-Lake Triangle is a 5-story, 54-unit affordable senior rental building with 8,000 square feet of commercial space on the ground floor. The site is located on Lake at Hiawatha, between the Hi-Lake Shopping Center and the Midtown Station on the Hiawatha LRT. LCDA funding will be used for site preparation, site access improvements, a transit plaza, and a second-story covered walkway connecting to the transit station.

MPHA 4th Avenue Improvements – Heritage Park (CPED). The Minneapolis Public Housing Authority is undertaking two senior residential buildings in the 900 block of 4th Avenue N: a 48-unit assisted-living/memory care building, and a 50,000-square-foot Elders Center containing program and activity space. The MPHA project will include construction of the southern portion of 4th Avenue N between Bryant Avenue N and Dupont Avenue N; LCDA funding will be used construct the northern portion of the street, including sidewalks.

Linden Yards East/Bassett Creek Valley (CPED). LCDA funding will be used for soil testing, and to study the feasibility of development above rail storage areas.

Supporting Information – LCDA Grant Application Processing and Administration Fees

As the City Council is aware, City staff spends considerable time on the coordination of LCDA grant applications that must pass through the City to the Met Council. These activities include conducting a Request for Proposals, working with potential applicants to prepare their applications and best position them for success, conducting an internal application review and ranking process, securing City Council authorization, working with applicants to submit Pre-Applications and Final Applications to the Met Council, and participating in the Met Council's application review and selection process.

City Staff also devote significant time to post-award administration associated with grant funds. These activities include drafting and executing grant agreements and sub-recipient agreements, working closely with grant recipients to prepare payment requests, preparing and filing annual reports required by the Met Council, and meeting all milestones as established in grant agreements.

Staff time devoted to both front- and back-end grant administration has resulted in considerable success for Minneapolis projects in the LCDA program. Many development projects in the City have received LCDA awards, which have been critical to the success of development projects in the City. Since 2006, the City has received in total the following LCDA grant awards:

SUMMARY - LCDA	2006	2007	2008	2009	2010
Applications funded	4	1	5	2	5
Total funds awarded	\$3.2 million	\$500,000	\$2 million	\$943,000	\$2.4 million

To date, the City has not received any compensation for the many services it provides in support of LCDA grants. The Metropolitan Council also does not allow grant funds to be used to pay administrative costs, by either developers or the City.

Staff conducted an analysis of internal staff costs related to the administration of the City's role in the LCDA program, which represents about 25% of the annual workload of one Multifamily Housing staff member, and about 20% of the annual workload of one Development Finance staff member, as well as lesser amounts of time by other City staff members who interact with LCDA grants. Based on these percentages, and including hourly pay rates, benefits, and indirect costs, in 2009 the total estimated cost of LCDA-related services provided by City staff was \$84,473.

The City's adopted 2010 budget included this language regarding grant application 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".

In April 2010, the City Council approved Grant Application and Administration Fees for applications submitted via the City's brownfield program. A graduated Application Fee (ranging from \$500 to \$1,500) and an Administration Fee of 3% of the grant award amount were approved. Staff is proposing the same type of fees be applied to the LCDA program; all applications submitted in response to the City's call for applications would submit a \$750 application fee. Only applications that are recommended by the City Council for submittal to the Met Council would actually pay the fee; those not recommended by the Council would have their payment returned to them. Similarly, only projects that receive an award from the Met Council would pay the 3% administrative fee, which would be due at the time a subrecipient agreement is executed with the developer. CPED-initiated applications would be exempt from either the application or administration fee.

If the proposed fees had been in place during the 2010 LCDA Application round, \$3,000 would have been generated in Application Fees, and \$68,667 would have been generated in Administration Fees, for a total of \$71,667. While the proposed fees would not have completely covered the staff time associated with administering the LCDA program within the City of Minneapolis, they will help defray costs that are currently entirely unreimbursed. Accordingly, staff recommends that the LCDA Application and Administration Fees as described herein be adopted, effective with the 2011 LCDA grant round.