



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

Date: December 9, 2014

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

Referral to: Council Member John Quincy, Chair, Ways & Means Committee

Subject: **2014 Metropolitan Council Livable Communities Demonstration Account, Transit-Oriented Development (LCDA-TOD) and Tax Base Revitalization Account, Transit Oriented Development (TBRA-TOD) Grant Awards**

Recommendation:

1) Accept and appropriate Metropolitan Council LCDA-TOD grants of \$1,445,000 for the Aeon Prospect Park project and \$500,000 for the Mill City Quarter project.

2) Amend the 2014 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01600–Other Grants-State and Local (01600-8900220) appropriation by \$1,945,000 (distributed as noted above). 3) Increase the 2014 Revenue Budget for the Community Planning & Economic Development Agency Fund 01600–Other Grants-State and Local (01600-8900900-321513) by \$1,945,000 (distributed as noted above).

4) Authorize appropriate City staff to execute such agreements as may be necessary or desirable to implement the LCDA-TOD grants with the Metropolitan Council, Aeon, and Eagle Iron Partners (or affiliated entities).

5) Accept and appropriate Metropolitan Council TBRA-TOD grants of \$1,000,000 for the Downtown East project and \$1,000,000 for the Plymouth Building project.

6) Amend the 2014 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01600–Other Grants-State and Local (01600-8900320) appropriation by \$2,000,000 (distributed as noted above). 7) Increase the 2014 Revenue Budget for the Community Planning & Economic Development Agency Fund 01600–Other Grants-State and Local (01600-8900900-321513) by \$2,000,000 (distributed as noted above).

8) Authorize appropriate City staff to execute such agreements as may be necessary or desirable to implement the TBRA-TOD grants with the Metropolitan Council, Ryan Companies, and Heartland Realty Investors (or affiliated entities).

Prepared by: David Frank, Director of Transit Development

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

Presenter in Committee: David Frank, Director of Transit Development

Funding Source and Appropriation

Language Reviewed by Development Finance:

Previous Directives:

- On April 15, 2014, the City Council authorized submission of two LCDA-TOD grant applications to the Metropolitan Council (Aeon Prospect Park and Mill City Quarter), and submission of two TBRA-TOD grant applications to the Metropolitan Council (Downtown East and Plymouth Building).

Financial Impact

- Action requires an appropriation increase to the Operating Budget
Dept Name: Community Planning & Economic Development – 8900220
Fund Name: 01600 - Other Grants-State and Local
Amount: \$1,945,000
- Action provides increased revenue for appropriation increase
Dept Name: Community Planning & Economic Development - 8900900
Fund Name: 01600 - Other Grants-State and Local
Amount: \$1,945,000
- Action requires an appropriation increase to the Operating Budget
Dept Name: Community Planning & Economic Development – 8900320
Fund Name: 01600 - Other Grants-State and Local
Amount: \$2,000,000
- Action provides increased revenue for appropriation increase
Dept Name: Community Planning & Economic Development - 8900900
Fund Name: 01600 - Other Grants-State and Local
Amount: \$2,000,000
- Grant administration fees will be generated from the Aeon Prospect Park, Mill City Quarter, and Plymouth Building projects.
- Action is within the Business Plan
- Request provided to the Finance Department

Community Impact

- Neighborhood Notification: All listed projects have undergone neighborhood review.
- City Goals: A Safe Place to Call Home; Livable Communities, Healthy Lives
- 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 – 2014 LCDA and LCDA-TOD Awards

On November 12, 2014 the Metropolitan Council awarded LCDA-TOD grants to the Aeon Prospect Park project (\$1,445,000) and the Mill City Quarter project (\$500,000), as well as

TBRA-TOD grants to the Downtown East project (\$1,000,000) and the Plymouth Building project (\$1,000,000). Staff is now requesting City Council authorization to accept and appropriate the LCDA-TOD and TBRA-TOD grant awards, and to enter into any necessary grant, loan, and related agreements.

Grant Application and Award Process

The Metropolitan Council provides funding to development projects through their Livable Communities Demonstration Account (LCDA), the Transit Oriented Development (TOD) program, and the Tax Base Revitalization Account (TBRA) for project cleanup. Funded projects 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. LCDA grants have no geographic requirements, while TOD funds may only be awarded to projects that meet proximity requirements to transit. 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.

In 2014, the Metropolitan Council received 8 applications to the LCDA-TOD program. The Council awarded 5 LCDA-TOD grants totaling \$4,500,000, including \$1,945,000 (or 43%) to the City of Minneapolis. All submitted City applications were funded. Also in 2014, the Metropolitan Council received 2 applications to the TBRA-TOD program. The Council awarded both projects TBRA-TOD grants totaling \$2,000,000, and both projects are in the City of Minneapolis.

Project Summaries – LCDA-TOD Development Awards

Aeon – Prospect Park (Aeon, \$ \$1,445,000 award), 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. LCDA-TOD funds will be used for acquisition and building demolition.

Mill City Quarter (Eagle Iron Partners, \$500,000 award), 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. LCDA-TOD funds will be used for underground parking and utility relocation.

Project Summaries – TBRA-TOD Development Awards

Downtown East (Ryan Companies, \$1,000,000 award). As a critical part of the overall Downtown East redevelopment, Blocks 74 and 75, formerly owned by the StarTribune, will be developed into a 133-unit residential apartment building and dynamic new four acre world class Urban Park/Plaza that will serve as the "front yard" to the stadium and nearby office towers and residences. It will create a unique community space for city residents, Downtown workers and fans. TBRA-TOD funds will be used to abate the asbestos and lead-based paint within the StarTribune Building.

Staff believes that this project qualifies as a City project under the grant administration fee policy. That policy was approved by City Council action in January 2013 and includes the following language:

5. Grant applications to support City projects are exempt from grant application fees and grant administration fees. City projects are those where the City is directly assuming responsibility for delivering an outcome, as in conducting redevelopment studies or constructing infrastructure.

In this case, the outcome for which the City is responsible is the City's purchase of the improved green space. Further, per the Development Agreement for the Downtown East project, if the City were to charge Ryan Companies for any administrative fee(s) related to the grant, it would effectively increase the cost to the City to purchase the park property. Therefore, this Downtown East grant will not be subject to the grant administration fee.

Plymouth Building (Heartland Realty Investors, \$1,000,000 award), 12 South Sixth Street. The rehabilitation of the 104-year old, historically significant Plymouth Building on the corner of 6th and Hennepin in Minneapolis will remediate, stabilize and restore this beautiful Minneapolis asset while changing its use from a struggling office building into an iconic 264-room hotel complete with ballroom, spa and restaurant facilities. The project will provide over 233 FTE living wage jobs in close proximity to mass transit including a high frequency bus route and the Blue Line. TBRA-TOD funds will be used to abate the asbestos and lead-based paint within the building.