

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

Date: May 20, 2008  
To: Council Member Lisa Goodman, Community Development Committee  
Referral to: Council Member Paul Ostrow, Ways and Means/Budget Committee

**Subject: Applications for Grant Funding from the 2008 Metropolitan Council Livable Communities Demonstration Account (LCDA)**

**Recommendation:**

Approve the attached resolution 1.) Authorizing submission and priority ranking of grant applications to the Metropolitan Council Livable Communities Demonstration Account (LCDA); and 2.) Authorizing appropriate City staff to execute such agreements as may be necessary to implement the Metropolitan Council Livable Communities Demonstration Account (LCDA) Grant Program.

**Previous Directives:** None

Prepared by: Amy Geisler, Senior Project Coordinator (612) 673-5266  
Approved by: Tom Streitz, Director, Housing Policy & Development \_\_\_\_\_  
Presenters in Committee: Amy Geisler, Senior Project Coordinator

**Reviews**

Permanent Review Committee (PRC): Approval n/a Date \_\_\_\_\_  
Policy Review Group (PRG): Approval n/a Date \_\_\_\_\_

**Financial Impact**

- No financial impact
- Action requires an appropriation increase to the Capital Budget \_\_\_\_\_ or Operating Budget \_\_\_\_\_
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

**Community Impact**

Neighborhood Notification: n/a  
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.

Zoning Code: n/a

Living Wage/Business Subsidy Agreement      Yes \_\_\_\_\_      No  X

Job Linkage      Yes \_\_\_\_\_      No  X

Other: n/a

### **Supporting Information**

The Livable Communities Demonstration Account was established by the Livable Communities Act [Minnesota Statutes section 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. Demonstration Account funds are intended to be used for projects that demonstrate innovative and new ways to achieve and implement these statutory objectives. See Attachment A for a detailed LCDA Program Summary.

### **City Application Review Process**

In 2007, two Minneapolis projects (Longfellow Station and West Broadway Curve) were awarded LCDA funds totaling \$1,825,000. In 2008, the City has been requested to sponsor eight (8) projects totaling approximately \$9.3 million. Each city may submit up to five applications, which must be ranked by each city prior to submission to the Metropolitan Council.

A five-member, multi-disciplinary staff review committee reviewed and ranked all submitted applications based upon a combination of LCDA program criteria and City priorities. City priority was based largely upon overall readiness, including development review status, any City funds already committed to the project, and compliance with existing City plans and policies. This is the same process that was used in 2007 and prior years; a description of the ranking criteria can be found in Attachment B.

### **2008 LCDA Applications and Recommended Ranking**

Rank	Project	Applicant	Ward	Address	Amount Requested	Total Points (500 possible)
1	Creekside Commons	Plymouth Church Neighborhood Foundation	6	Stevens Ave/ 54 <sup>th</sup> St E	\$211,764	440
2	Bystrom Bros./Franklin Station Redevelopment	Seward Redesign	2	Franklin Ave and Hiawatha Ave	\$550,000	423
3	Linden Yards West	City of Minneapolis	7	Van White Blvd and Linden Ave	\$1,500,000	418
4	Franklin Steele Commons	Aeon	6	1900 Portland Ave	\$1,760,750	411
5	Jackson Street Northeast Artists Affordable Housing	Northeast Community Development Corp.	1	Jackson St NE/ 18 ½ Ave NE	\$1,445,877	381
6	Salem English Lutheran Church	Brighton Development	6	28 <sup>th</sup> St and Lyndale Ave	\$850,000	376
7	Broadway Plaza	Great Neighborhoods! Dev Corp	3	West Broadway and Aldrich Ave	\$1,500,000	355
8	Prospect Station	Hartford Group/CommonBond	2	29 <sup>th</sup> Ave and 4 <sup>th</sup> St	\$1,492,500	347

### **Metropolitan Council Application Review Process**

The City must submit a 3-page “Pre-Application” for its top five ranked projects by June 16<sup>th</sup>. Metropolitan Council staff will provide feedback on the pre-applications by June 27<sup>th</sup> on 1) eligibility of items requested for funding, 2) how well the proposal is targeted to the program criteria, and 3) whether any required information is missing from the application. If the City receives feedback from the Metropolitan Council indicating a project will not score high enough to be competitive, the City may substitute another project application (as a result, the accompanying resolution includes project rankings 1 through 8 and the City may elect to submit the next highest ranking project for consideration).

Based on this report, and any feedback received from Metropolitan Council staff, the City will submit its top five final applications on July 21, 2008.

A Metropolitan Council staff evaluation team will review and score eligible proposals using LCDA Step One evaluation criteria and guidelines:

- Uses land efficiently;
- Develops land uses linked to the local and regional transportation systems;

- Connects housing and centers of employment, education, retail and recreation uses;
- Develops a range of housing densities, types and costs;
- Conserves, protects and enhances natural resources through development that is sensitive to the environment; and
- The extent to which the application includes tools and processes to ensure successful outcomes.

Applications must score 20 or more points out of a possible 50 points on the Step One criteria to advance to the Step Two evaluation process.

A 13-member Metropolitan Council Livable Communities Advisory Committee will score applications according to the evaluation and selection criteria in Step Two:

- Innovation and demonstration – the extent to which the project shows innovative elements, and demonstrates or shows potential to demonstrate new development concepts or elements in one or more of the scoring factor areas; and
- The extent to which the element for which funding is requested will be a catalyst to implement the project of which it is a part.

Applications must score 30 or more points out of a possible 50 points on the Step Two criteria, or be supported by a two-thirds vote of the advisory committee.

The Step Three selection criteria assess readiness as: 1) status of implementation tools, 2) status of funding commitments to ensure construction start by December 2010, and 3) whether grant funds have been expended or progress made on a prior LCDA award.

In addition to City priority, staff has considered all three Metropolitan Council step criteria in soliciting, evaluating and ranking City applications.

### **Project Summaries (alphabetical)**

**Broadway Plaza** (Great Neighborhoods! Development Corporation, requesting up to \$1,500,000). Broadway Plaza is a 165,000-square-foot mixed use development which would include a YWCA fitness center, retail/office building, a Community Safety Center (in collaboration with the Minneapolis PD), and a public parking ramp. The site is located on West Broadway Ave and Aldrich Ave N. LCDA funding is being requested for stormwater improvements, demolition, street re-construction, and parking ramp construction.

**Bystrom Bros/Franklin Station Redevelopment** (Seward Redesign, requesting up to \$550,000). This project proposes large-scale redevelopment of an existing industrial area adjacent to the Franklin Avenue LRT station. The first phase of redevelopment would include 10,000 square feet of new commercial space and 30 rental units. LCDA funding is being requested for right-of-way acquisition to facilitate the re-configuration of East 22<sup>nd</sup> Street.

Creekside Commons (Plymouth Church Neighborhood Foundation, requesting up to \$211,764). PCNF is proposing a 30-unit, mixed-income workforce housing project on a portion of the Mayflower Congregational Church parking lot on Stevens Ave at 54<sup>th</sup> St E. The project would include a range of unit types and levels of affordability. LCDA funding is being requested to relocate a city water main, stormwater improvements, pedestrian improvements, and design work.

Franklin Steele Commons (Aeon/Hope Community, requesting up to \$1,760,750). This is the fourth and final phase of the Franklin-Portland Gateway project. Franklin Steele will consist of approximately 91 housing units (85 rental and 6 ownership) for a mix of low-, moderate-, and medium-income households. LCDA funding is being requested for site work, stormwater improvements, streetscape improvements, utility work, underground parking, and design work.

Jackson Street Northeast Artist Affordable Housing – The Jac Flats (Northeast Community Development Corporation, requesting up to \$1,445,877). NE CDC is proposing a 43-unit condominium building (21 units affordable at 50% AMI), a 3,200-square-foot arts production building, and a 10-unit townhome project. The project site is located on Jackson St NE just off Central Ave NE. LCDA funding is being requested for acquisition, pedestrian improvements, utility construction, and design work.

Linden Yards West (City of Minneapolis, requesting up to \$1,500,000). Linden Yards West is the first phase of the Bassett Creek Valley, a large-scale redevelopment project at Van White Blvd and Linden Ave. The overall project envisions up to 6,000 new housing units, several million square feet of commercial space, and 45 acres of open space associated with the stream corridor restoration of Bassett Creek. LCDA funding is being requested for soil correction, stormwater improvements, and design work.

Prospect Station (Hartford Group/CommonBond, requesting up to \$1,492,500). This application proposes redevelopment of an industrial site at 29<sup>th</sup> Ave and 4<sup>th</sup> St, located on the University of Minnesota transitway, and near the future Central Corridor LRT line on University Avenue. The project would include 184 housing units (50 affordable and 134 student units). LCDA funding is being requested for acquisition, demolition, site work, pedestrian improvements, and design work.

Salem English Lutheran Church Redevelopment (Brighton Development, requesting up to \$850,000). Brighton is proposing a new mixed-use development of 62 affordable rental housing units and 15,258 square feet of commercial space adjacent to Salem English Lutheran Church at 28<sup>th</sup> and Lyndale. The church would also be concurrently renovated and preserved. LCDA funding is being requested for site acquisition and demolition of a 1960s addition to the original church.

**LCDA FUNDING CRITERIA AND SELECTION PROCESS (summary)**

**ELIGIBLE APPLICANTS**

Application is open to cities participating in the Metropolitan Livable Communities Housing Incentives Program, on behalf of proposals in their communities; metropolitan-area counties or development authorities (e.g., housing and development authorities, economic development authorities, port authorities) on behalf of projects located in LCA participant communities.

**FUNDING GOALS**

The legislative objectives are supported by the 2030 Regional Development Framework policies. LCDA funding will support projects that demonstrate innovative ways of meeting Framework goals and strategies to achieve connected, efficient land-use patterns in communities throughout the region:

- Develop land uses in centers linked to the local and regional transportation systems.
- Efficiently connect housing, jobs, retail centers and civic uses.
- Develop a range of housing densities, types and costs.
- Conserve, protect and enhance natural resources by means of development that is sensitive to the environment.

In Developed Communities, the emphasis of these goals will be consistent with Framework direction on maintaining and improving infrastructure, buildings and land to provide developments that integrate land uses.

**PROJECT ELIGIBILITY CRITERIA**

- The proposal involves new development, redevelopment or infill development addressing the program goals. Proposals involving rehabilitation are eligible when the project has other components that address one or more of the program goals.
- Proposed project is located within the Council-identified developed area, developing area or a rural growth center (urbanized area).
- Proposed project is consistent with the local comprehensive plan that has been reviewed by the Metropolitan Council or will be made consistent; and is consistent with any area, neighborhood, corridor or other local plan adopted by the municipality in which the project is located.
- The proposed project helps achieve one or more of the affordable and life cycle housing goals adopted by the applicant city (or the city in which the project is

located if the applicant is a county or county development authority) under the Local Housing Incentives program of the Livable Communities Act. A local resolution from the applicant city, county or development authority

- 1) authorizing the application for grant funds;
- 2) identifying the need for LCDA funding,
- 3) prioritizing applications if the applicant is submitting more than one application; and
- 4) representing that the applicant has undertaken reasonable and good faith efforts to procure funding for the project components for which LCDA funding is sought, including reasons and supporting facts, is received by July 21, 2008.

- The application is complete.

## **EMINENT DOMAIN**

No applicant for a Metropolitan Council Livable Communities Act (LCA) grant shall be eligible for LCA grant funds from the Metropolitan Council if the project for which an LCA grant is requested requires the exercise of eminent domain authority over private property for purposes of economic development as defined by Council policy.

## **NUMBER OF APPLICATIONS**

No more than five applications may be submitted for projects in a single city in any application cycle. Applicants submitting more than one application per cycle (year) must prioritize them according to the applicant's internal priorities, prior to submittal.

## **ELIGIBLE AND INELIGIBLE USES OF FUNDING**

Eligible Uses of Funds: Grant funds may be used for basic public infrastructure and site assembly to support development projects that meet the funding goals. Funded elements must directly contribute to completion of built or finished projects that meet the funding goals. Requests will be evaluated in the context of individual projects.

### **1. Basic public infrastructure items include and are defined as:**

#### *a) Local public streets*

- new streets, street realignment, reconstruction of existing street grid, street extensions or connections
- street lighting and street signs, when requested in conjunction with one of the eligible items in 1(a), or to retrofit an existing street with these elements, as part of a proposal that meets the funding goals
- permanent public pedestrian features, including sidewalks and benches, when requested in conjunction with one of the eligible items in 1(a), or to retrofit an existing street with these elements as part of a proposal that meets the funding goals

b) *Other infrastructure*

- public-use parking structures (above- or underground), or the public-use portion of parking structures that will be for shared public–private use
- extensions or modifications of local public sewer and water lines, or telecommunications lines

c) *Other public connecting elements*

- sidewalks and trails connected to transit
- site-integrated transit shelters, permanent bike racks
- Bridge construction for vehicle or pedestrian use

d) *Storm water management improvements*

- new or expanded stormwater ponds, rain gardens, infiltration swales, pervious pavement, underground stormwater retention/infiltration structures, native vegetation for infiltration and erosion control, that are integral to the development

e) *Design and engineering for items listed in 1(a) through 1(d)*

**2. Site assembly for lands to be used for construction of buildings; streets; sidewalks; parks, plazas and other public spaces; or trails, that are integral to future development.**

**Eligible items are:**

- Land acquisition
- Demolition and removal of obsolete structures, pavement, curb and gutter, sewer and water pipes, on sites the city has already acquired or will acquire
- Site preparation—site grading and soil correction to enable construction.

**Ineligible Uses of Funds:**

- County road improvements: all items relating to county roads listed in “eligible uses,” Item 1(a).
- Traffic signals for local and county roads.
- Private parking structures.
- Surface parking.
- Trees, sod, landscape plantings.
- For parks, plazas and other public areas: lighting; retaining walls, seat walls; sidewalks; paths; furnishings and equipment including but not limited to benches, trash receptacles, bike racks, signs, kiosks; playground equipment; water features; entry features; public art; shelters, gazebos, pergolas, bell towers; recreation buildings, amphitheaters.
- Site assembly of lands to be used for transit infrastructure or capital investments, e.g. transit stations, station platforms, park-and-ride facilities (unless park-and-ride spaces will be used for shared parking).
- Building construction.
- Building rehabilitation and improvements, exterior and interior.
- Housing “affordability gap” and “value gap” financing.
- Pollution cleanup and related expenses.

- Applicant's administrative overhead.
- Project coordination.
- Activities prior to the date of the grant award.
- Architect, developer, legal and other fees.
- Local permits, licenses or authorization fees.
- Travel expenses.
- Costs associated with preparing grant proposals.
- Operating expenses.
- Prorated lease and salary costs.
- Marketing costs.
- Comprehensive plan preparation costs.
- Costs associated with master plans or redevelopment plans, design workshops, design standards, market studies, zoning and land use implementation tools.

### **AMOUNT OF AWARDS**

No minimum or maximum award levels for projects have been established. The Metropolitan Council reserves the right to award less than the amount requested and to award less than the available funding in the grant cycle.

### **DISTRIBUTION OF FUNDS**

The Livable Communities Advisory Committee may recommend up to 40 percent of the total funds available in a grant cycle for projects located in Minneapolis and St. Paul. The Metropolitan Council reserves the right to subsequently consider awarding more than 40 percent of the total available funds in the grant cycle to projects located in Minneapolis and St. Paul, provided these conditions are met:

1. The consideration will adhere to the project evaluation and scoring process outlined in these criteria and to the project rankings; and,
2. Minneapolis and St. Paul projects that, if granted funds, would result in a total that exceeds 40 percent of the available funding in the current grant cycle:
  - a. Are exemplary demonstrations of the program criteria, as measured by these projects having scored 30 of 50 points in the Step Two advisory committee evaluation process; and
  - b. Have satisfactorily met the evaluation assessment for readiness, as determined in the advisory committee evaluation.

## ATTACHMENT B

### CPED 2008 LCDA APPLICATION RANKING TOOL

(Metropolitan Council LCDA Program)

1. **Uses land efficiently** (8 points)
2. **Develops land uses linked to the local and regional transportation system** (8 points)
3. **Connects housing and centers of employment, education, retail and recreation uses** (8 points)
4. **Develop a range of housing densities, types and costs** (8 points)
5. **Conserves, protects and enhances natural resources through development that is sensitive to the environment** (8 points)
6. **Tools and Processes to Ensure Successful Outcomes** (5 points)
7. **Community Support** (5 points)
8. **Developability and Readiness** (20 points)
9. **Financing** (10 points)
10. **City Priority** (20 points)
11. **Unspent Prior Years LCDA Funding** (-10 points)

## RESOLUTION

### OF THE CITY OF MINNEAPOLIS

#### **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 2008 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 agreement; and

**Whereas**, the City agrees to act as legal sponsor for the projects contained in the grant applications to be submitted on July 21, 2008; 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 five projects during each funding cycle 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 not occur within two years after the grant award unless 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:

Priority Ranking	Project Name	Grant Amount Requested
(1)	Creekside Commons	\$211,764
(2)	Bystrom Bros/Franklin Station Redevelopment	\$550,000
(3)	Linden Yards West	\$1,500,000
(4)	Franklin Steele Commons	\$1,760,750
(5)	Jackson St NE Affordable Artist Housing	\$1,445,877
(6)	Salem Lutheran Church Redevelopment	\$850,000
(7)	Broadway Plaza	\$1,500,000
(8)	Prospect Station	\$1,492,500

4. Represents that the City has undertaken reasonable and good faith efforts to procure funding for the project component 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 two years and states that this representation is based on the following reasons and supporting facts:

Creekside Commons: The applicant has applied for and secured funding for the project from the City of Minneapolis, the Minneapolis Public Housing Authority, Federal Home Loan Bank, as well as a substantial contribution from the congregation of Mayflower Congregational Church. This last remaining project component (relocation and expansion of existing water main) is critical to the project's overall implementation and actual construction. Available public funding for this type of infrastructure work is limited.

Bystrom Bros./Franklin Station Redevelopment: A portion of the project is already recommended for funding as part of the City's capital process. Seward has no NRP funds remaining in either phase except a small amount directed to housing. Public road improvements are not eligible under the Affordable Housing Trust Fund program guidelines that target funds for specific affordable housing units but not associated public improvements. Elements are not eligible for CDBG or HOME funding. The Transit for Livable Communities 2007 grant for the LRT pedestrian/bike path Franklin to Midtown Greenway section was not funded. Federal sources have already been used to capacity. Over \$ 4.2 million has already been received from Federal sources through TEA-21 TIPEDD, STP and TE funding of portions of the Franklin Station.

Linden Yards West: General Obligation bonds are only available in a limited amount. Special assessments will be used to fund a portion of the project costs, but adds to the considerable land and site costs for development in the area. Tax increment financing (TIF) is needed to fund development gaps within the various phases of the project; while eligible to fund the various public improvements proposed, use of TIF in this manner would widen the financial gaps already facing the first development phase. Tax exempt housing revenue bonds and CPED Affordable Housing Trust Fund proceeds cannot be used to finance public improvements as described in this application. Low-income housing tax credits, Federal Home Loan Bank, Minnesota Housing and Hennepin County Affordable Housing Incentive Fund programs may only be used in connection with the building construction costs for each development phase. Hennepin County Transit Oriented Development funding will be applied for in the spring of 2009.

Franklin Steele Commons: General Obligation bonds are only available in a limited amount. Special assessments are not feasible in this area, as it places additional hardship on current struggling property owners and provides a disincentive for future investment in the area. Tax increment financing (TIF) is needed to fund development gaps within the various phases of the project; while eligible to fund the various public improvements proposed, use of TIF in this manner would widen the financial gaps already facing development phases. Tax exempt housing revenue bonds and CPED Affordable Housing Trust Fund proceeds cannot be used to finance public improvements as described in this application. Low-income housing tax credits, Federal Home Loan Bank, Minnesota Housing and Hennepin County Affordable Housing Incentive Fund

programs may only be used in connection with the building construction costs for each development phase.

Jackson Street Northeast Artist Affordable Housing: The applicant has considered and applied for every avenue of funding that seemed appropriate for this project. Project sources include an appropriate and aggressive mix of city, state, county, Federal, and private grant and subsidy sources.

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 its Finance Officer or designee to execute such agreements as may be necessary to implement the projects on behalf of the City.