

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

Date: December 2, 2008
To: Council Member Lisa Goodman, Community Development Committee
Council Member Paul Ostrow, Ways & Means / Budget Committee

Subject: Funding Allocations for the Franklin Station Project Site Acquisition

Recommendation:

1. Accept \$500,000 funding award from the Metropolitan Council LAAND (Land Acquisition for Affordable New Development) Program for the Franklin Station Project.
2. Increase the 2008 Revenue Budget for the Community Planning and Economic Development agency Fund 01600 – Other Grants – State and Local (01600-8900900-321513) by \$500,000.
3. Amend the 2008 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900220) by \$500,000.
4. Authorize the appropriate City staff to execute loan, subrecipient and/or disbursement and related agreements for the LAAND award.
5. Set aside \$600,000 from the Minneapolis Hiawatha LRT Corridor Transit Oriented Development Program for property acquisition for the Franklin Station Project.

Previous Directives: On June 25, 1999 the City Council approved allocating \$4,000,000 from the Common Project Reserve for the Hiawatha LRT Corridor Transit Oriented Development Program set-aside. On December 23, 2005 the City Council approved application by Seward Redesign to the Metropolitan Council Hiawatha Corridor Land Assembly Fund for the Franklin Station Project. On April 14, 2006 the City Council approved application by Seward Redesign to the Hennepin County Transit-Oriented Development Program for the Franklin Station Project. On September 1, 2006, the City Council approved Modification No. 109 to the Common Plan as well as the expansion of the Franklin LRT Station Redevelopment Project to include additional properties, including the Brystrom Brothers property. On October 10, 2008 the City Council authorized a City application to the Metropolitan Council's Land Acquisition for Affordable New Development (LAAND) Program for the Franklin Station Project.

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Approved by: Catherine A. Polasky, Director, Economic Development _____ Thomas Streitz, Director, Housing Policy and Development _____
Presenters in Committee: Mark Garner, Senior Project Coordinator, and Amy Geisler, Senior Project Coordinator

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 - Not applicable.
- City Goals – A safe place to call home, One Minneapolis, Connected communities, Enriched environment, Premier destination.
- Sustainability Targets – Affordable housing units – increases number of affordable rental units; downtown transportation mode split - increases number of housing units along Hennepin County Transit Corridors.
- 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 area appropriate responses to neighborhood conditions and market demand; and 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.
- Zoning Code – The project will comply.
- Living Wage/Business Subsidy Agreement Yes No
- Job Linkage Yes No
- Other

Supporting Information

Overview

On November 12, 2008, the Metropolitan Council awarded the Franklin Station project \$500,000 in LAAND funds. These funds are awarded directly to the City, will require City acquisition of a portion of the Bystrom Brothers site, and eventual sale for mixed-income housing development. Staff is recommending acceptance of the award and appropriation of the funds.

Staff is also recommending that the City allocate an amount not to exceed \$600,000 from the Minneapolis Hiawatha LRT Corridor TOD Program set-aside for acquisition of the Bystrom Brothers property. It is anticipated that the funding will be structured as an interest-bearing, secured loan to Seward Redesign, who plans to acquire the site and partner with other developers on the redevelopment. The loan will require full repayment at the time the secured parcel is sold for development, allowing City funds to be repaid within 10 years. This recommendation is contingent upon negotiation of business terms consistent with CPED underwriting, appraisal, and acquisition policies, to be undertaken in early 2009. Staff plans to bring full business terms associated with the loan before Council for final approval in

February or March 2009. The funds would only be available at closing, for purposes of acquiring the property, consistent with the approved business terms.

Background

Since late 2005, Seward Redesign has been working with Hillcrest Development, the owner of the Bystrom Brothers property, to acquire this 3.8-acre site located along the Hiawatha LRT line in the Seward neighborhood. The site is located at the intersection of 22nd St and Minnehaha Ave. Seward Redesign is proposing a catalytic transit-oriented development (TOD) project near the Franklin Avenue LRT Station. Seward Redesign has been awarded significant public funds to date for acquisition, from the Metropolitan Council, Minnesota Housing, and Hennepin County (more detail is included in the attachment).

Site and infrastructure planning for the redevelopment of the Bystrom Brothers property is currently underway. LHB and Stonebrooke Engineering are leading the pre-development planning process; participants include Seward Redesign, Hillcrest Development, Project for Pride in Living, Minneapolis CPED and Public Works, and Hennepin County Community Works and Transportation. A first-phase housing project has been jointly proposed by PPL and Seward Redesign. A community engagement process is underway, and is being coordinated by Seward Redesign with neighborhood stakeholders through the Franklin Avenue Commercial Revitalization planning process. The site is expected to yield five to six development sites, to be built over the next 5-10 years.

Status of Acquisition

Over the past three years, Seward Redesign (in partnership with the City) has secured a total of \$3,250,000 in acquisition loans and grants from the Metropolitan Council, Hennepin County, and Minnesota Housing. \$1,500,000 in funding commitments has been secured from public agencies during the past three months alone. Under the terms of these commitments, Seward Redesign must execute the negotiated option agreement with Hillcrest Development by the end of December 2008, acquisition by August 1, 2009, and commencement of construction by March 31, 2010. Seward Redesign is in the process of securing the final public and private financing commitments necessary to acquire the property on this schedule.

LAAND funds

On November 12th, the Metropolitan Council approved the City's application for \$500,000 from the Land Assembly for New Development (LAAND) Program. This award requires that the City use the funds to acquire a portion of the Bystrom Brothers property for mixed-income housing development, and that the property be held for at least one year before being sold for development. The LAAND funds are an interest-free loan that must be repaid upon sale of the property. The site and infrastructure analysis currently being led by LHB will be utilized to identify the property to be acquired with these funds.

Transit-Oriented Development (TOD) Program

In August 2008, Seward Redesign submitted an application to Minneapolis CPED requesting City funding for acquisition of the Bystrom Brothers property. Staff has reviewed this request jointly with Seward Redesign as additional public funding commitments have been secured during the past three months, which have reduced the acquisition funding gap. A City investment of \$600,000 would leverage \$3,250,000 in other public funds already committed to acquisition of the project, for a ratio of 1:5.42.

The Hiawatha LRT Corridor Transit-Oriented Development (TOD) Program was established in 1999 and has already provided partial funding to six projects in the LRT Corridor. The proceeds from the sale of the Downtown East parking ramp were applied in part to the repayment of the interim loan from the TOD program to the Downtown East LRT Station Project. The available balance in the TOD program is currently \$2,700,000.

Anticipated Future City Council Actions

Several additional requests for City Council action will be necessary during the first quarter of 2009 to complete the Bystrom Brothers site acquisition:

1. Modification of the adopted Franklin LRT Station Area Redevelopment Plan and Common Plan, to place the property into acquisition status.
2. Final approval of the business terms associated with the TOD funding loan (described above), along with appropriation of the funds.

Apart from land use and development permit applications, it is also anticipated that additional funding requests and applications to competitive pollution remediation and affordable housing programs will be proposed to the City as individual phases move forward. Separate City Council actions will also be required for any City street or infrastructure projects associated with this project.

Adjacent Infrastructure Design Work

The Franklin Station Project is also being coordinated with joint CPED, Public Works and Hennepin County efforts to evaluate design alternatives to reconfigure several nearby intersections to improve multimodal transportation and facilitate additional redevelopment surrounding the station area. Redevelopment of the Bystrom Brothers property will allow for the dedication of street right-of-way for this proposed project, which includes the realignment of East 22nd Street at the north end of the Bystrom Brothers property. The City received a federal transportation grant in 2005 for this project and a capital budget request will be submitted for the 2009 CLIC process.

Attachments:

- Aerial view of Franklin Station Area and Bystrom Brothers Site
- Acquisition Sources and Uses