

Community Development Committee

Meeting Date: April 5, 2021

Per Livable Communities Act Grant Amendment Process (Business Item [2012-296](#) and [2014-182](#)) the Community Development Committee is the final authority on this item.

Subject: Project Change for Stonehouse Square Contamination Cleanup Grant (SG-12848)

District(s), Members(s): 8, Abdirahman Muse

Policy/Legal Reference: Minn. Stat. § 473.252

Staff Prepared/Presented: Josiah Waderich, Senior Project Administrator (651-602-1297)

Division/Department: CD/MTS Finance and Admin/Livable Communities

Proposed Action

That the Community Development Committee:

1. Approve the project change as detailed in this report for the Stonehouse Square grant as detailed in this report (SG-12848) awarded to the City of Minneapolis; and
2. Authorize the Community Development Director to execute the amendment reflecting the changes on behalf of the Council.

Background

Livable Communities grants are awarded through a competitive process. To maintain the fairness of the scoring process, grantees are required to notify Council staff of any changes to the funded project that would have impacted how it was initially scored. When Council staff are notified of a change, the project changes are reviewed against guidelines that have been established by the Community Development Committee (CDC). If the changes are considered significant, Council staff rescore the project to compare with other scores from the initial funding round in which the grant was awarded. The results are then presented to the CDC, which must then approve the change in order for the grantee to retain the grant.

The City of Minneapolis was awarded a \$140,700 Tax Base Revitalization (TBRA) Cleanup grant in the Fall 2019 funding cycle ([Business Item 2020-15](#)) for an abatement plan, soil remediation, and related environmental oversight. The project as originally proposed included the renovation and preservation of 71 units affordable at or below 80% of the area median income (AMI). The City submitted a request for a project change on November 18, 2020, informing staff the unit mix is changing to include more units in the 51-60% AMI range (from 13 to 31 units) and less in the 61-80% AMI range (from 29 to 11 units). A major driver of the change was to balance the requirements of receiving tax credits with the desire avoid displacing existing residents who exceed the income limits. The developer stated that they “offered a voluntary relocation package for over-income tenants who wished to move, which resulted in enough voluntary moves to make the deal work from a tax credit perspective.”

The shift to more affordable units reduced the projected Net Tax Capacity increase from \$19,425 to \$1,994, which is a significant change that requires approval by the CDC. No changes are expected in the total cleanup costs.

Rationale

The impact of the project change was determined by rescoring the new project based on the criteria approved in the LCA Grant Amendment Process. The criteria used for evaluation are jobs created, tax base increase, and the number of affordable housing units produced. The score is then compared against the other projects it was competing against in the original grant round to estimate if it still would have been funded.

The original score for the project was 88 and the overall ranking was 6. The revised score was 77 and the overall ranking dropped to 11. This placed the project below the next highest-ranking Minneapolis project, Bimosedaa, which did not score enough points to receive funding in the initial funding round. While the rescoring of the Stonehouse project did not yield enough points on to recommend funding on its own, other factors lead staff to recommend approval of the project change. The City of Minneapolis later reapplied and received full funding for the Bimosedaa project in fall of 2020. Since the City has already received funding for Bimosedaa, staff believes it would unfair to deny the City funding for Stonehouse when the project that would have received funding in its place received funding in a later round. Therefore, staff request that the project change be approved.

Thrive Lens Analysis

The Equity outcome is met through funding the preservation of 71 affordable units that were at risk of being converted to market-rate units. Cleaning up contamination to encourage new residential choices supports stewardship of prior infrastructure investments, increases Prosperity and Livability, and encourages redevelopment and infill.

Funding

There is no impact to funding. The proposed changes affect only the project scope and have no impact on the award amount given to the project.

Known Support / Opposition

The City is supportive of the project, and there is no known opposition.