

Community Development Committee

Meeting date: December 20, 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: Second Project Change for Stonehouse Square Contamination Cleanup Grant (SG-12848)

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

Policy/Legal Reference: Minn. Stat. § 473.252

Staff Prepared/Presented: Sam Johnson, Senior Grants Administrator (651-602-1757)

Division/Department: Community Development / MTS Finance and Admin/Livable Communities

Proposed Action

That the Community Development Committee approve the second project change as detailed in this report for the Stonehouse Square grant (SG-12848) awarded to the City of Minneapolis.

Background

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 originally included the renovation and preservation of 71 units affordable at or below 80% of the area median income (AMI). The Committee approved a project change on April 5, 2021 ([Business Item 2021-82](#)), in which the amount of affordable units in the 51-60% AMI range increased from 13 to 31 units and the amount of units in the 61-80% AMI range decreased from 29 to 11 units. The shift to more affordable units reduced the projected Net Tax Capacity increase from \$19,425 to \$1,994.

The developer was unable to secure a tax credit investor for an Average Income project. As a part of their continued effort to secure funding for the project, they changed the final 11 units in the 61-80% AMI range to market rate. In response to this change, the City of Minneapolis is requesting a second amendment to the project. All other project deliverables are unchanged. The project remains the renovation of 71 housing units in the Stonehouse Square building. The affordability of the other units, the amount of jobs created, and the projected Net Tax Capacity (detailed in Table 1) are unchanged.

Table 1. Differences in Project Outcomes from the Original Proposal through the Changes

	Original	First Change	Second Change
Project Overview	Renovation and preservation of 71 affordable housing units	Renovation and preservation of 71 affordable housing units	Renovation and preservation of 71 (60 affordable) housing units
Jobs (FTEs)	2.5	2.5	2.5
Net Tax Capacity Increase	\$19,425	\$1,994	\$1,994
Total Housing Units	71	71	71
Affordable Units	29 at 31% - 50% AMI 13 at 51% - 60% AMI 29 at 61% - 80% AMI	29 at 31% - 50% AMI 31 at 51% - 60% AMI 11 at 61% - 80% AMI	29 at 31% - 50% AMI 31 at 51% - 60% AMI

Rationale

Livable Communities grants are awarded to projects through a competitive process. To maintain the fairness of the scoring process, grantees are required to notify Council staff of any changes to the project that would have impacted how it was initially scored.

Council staff rescored the project based on the TBRA Contamination Cleanup grant award process outlined in the 2019 Fund Distribution Plan ([Business Item 2019-33](#)) and compared to other project applications from the Fall 2019 funding cycle. As compared to the original application received in November 2019, the revised project described in the second amendment request would result in a lower future net tax capacity (\$1,994) increase (although still a net increase from the baseline) and lower number of rent-restricted affordable units (60 units). The revised project presented by the City of Minneapolis in this second amendment request would have scored 83 points as compared to 88 points in the original funding cycle. The original ranking for the project against all project applications was 6. Based on this rescoring, the revised ranking is 8. The two projects originally ranked below this project that now rank above it received funding. The revised project would still have been recommended for award in the fall 2019 TBRA funding cycle. Therefore, Council staff recommend the CDC approve the same level of funding for the updated project as awarded in 2019.

Thrive Lens Analysis

The Equity outcome is met through funding the preservation of 60 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.