

Business Item

Community Development Committee



Committee Meeting Date: October 16, 2023

For the Metropolitan Council: NA*

*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.

Business Item: 2023-253

Extend Term & Amend Budget to Expand Scope of Jema River LCA Pre-Development Grant (SG-17681)

District(s), Member(s):	District 6, Robert Lilligren
Policy/Legal Reference:	Minn. Stat. § 473.253
Staff Presented:	Samuel Johnson, Principal Grants Administrator, 651-602-1757
Division/Department:	Community Development / MTS Finance and Admin/Livable Communities

Proposed Action

That the Community Development Committee approve amending the Jema River LCA Pre-Development grant (SG-17681) project summary (Attachment B) to:

1. Shift funds from site/public realm plans and financial feasibility study budget line-items to new affordable housing architectural design budget line-item; and
2. Extend the grant agreement by one-year from June 30, 2024, to June 30, 2025.

Background

The Metropolitan Council awarded the City of Minneapolis a \$150,000 Livable Communities Account Pre-Development grant in June of 2022 (Business Item [2022-157](#)) for the Jema River project. The project consists of predevelopment work related to the reconstruction of a damaged property on the Lake Street corridor to replace affordable commercial/retail and add 6 new units of affordable housing. The grant funded developer mentoring, site and public realm planning, and financial feasibility research.

On August 11, 2023, the City of Minneapolis requested to amend the budget and expiration date of the grant (Attachment A). They explained that the property owner/developer of the project is new to the profession and has found significant success for the project through mentorship and technical assistance programs. As a result, the project has secured multiple grants from Lake Street Council and Hennepin County to complete site/public realm planning and financial feasibility studies. Those activities are now close to completion.

The City sees an opportunity to maximize all the grants provided to the project by shifting the Council's Livable Communities Act (LCA) Pre-development grant from site/public realm planning & financial feasibility activities to architectural design for affordable housing. Additionally, they request to extend the grant term by one year to cover the design phase of the project. The site/public realm and financial feasibility deliverables will still be completed as articulated in the project summary. No other changes are requested.

Rationale

The amendment request to move grant funds from two budget line-items (site/realms planning & financial feasibility) to a new activity (affordable housing – architectural design) does not constitute a significant change because the deliverables for site/realms planning and financial feasibility are still being completed. The shift in funding equals a 33% shift of total grant funds between eligible activities. Committee approval is required for any project scope change or budget shift above 20%.

Council staff recommend the Committee approve amending the project summary as shown in Attachment B and extending the grant by one year to June 30, 2025.

Thrive Lens Analysis

Projects that demonstrate efficient and effective use of public financial resources further the Thrive Stewardship Outcome.

Projects that redevelop and increase density further the Thrive Prosperity outcome of “encouraging redevelopment and infill development across the region.”

Projects that provide a mix of housing affordability levels further the Thrive Equity outcome of “creating real choices in where we live, how we travel, and where we recreate for all residents, across race, ethnicity, economic means, and ability.”

Projects that introduce more housing types and affordability levels in existing neighborhoods further the Thrive Livability outcome of “providing housing and transportation choices for a range of demographic characteristics and economic means.”

Funding

Funds are available in the Livable Communities authorized 2022 budget and Livable Communities reserve accounts to award these grants. Reserves may need to be amended into a future annual budget to meet cashflow needs for Livable Communities multi-year grants.

Attachments

Attachment A. Grant Amendment Request

Attachment B. Revised Project Summary





Finance and Property Services Department
Development Finance Division
505 4th Avenue S - Room 620
Minneapolis, MN 55415
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August 11, 2023

Samuel Johnson
Livable Communities Program
Metropolitan Council
390 Robert Street
St. Paul, MN 55101-1805

RE: Request to Modify Grant Scope and Extend Grant Term by One Year for SG-17681 for Jema River Predevelopment

Dear Sam,

On June 22, 2022, the City of Minneapolis was awarded a \$150,000 Predevelopment grant for the Jema River project. As you know, Jema River is a Lake Street recovery project. The City applied for funds on behalf of Alem Mezgebu, a BIPOC property owner/emerging developer in Minneapolis. Ms. Mezgebu is working closely with NEOO Partners to receive the mentorship and support she needs in order to implement the project. She has also participated in the City's Developer Technical Assistance Program (DTAP), which offers free training and project assistance to emerging developers in Minneapolis. In 2023, she completed 12 hours of real estate training through the program, providing her with a foundational knowledge of the development process and additional information about working with The City of Minneapolis.

NEOO has made significant progress on the site fit test, feasibility study and developing a funding strategy. NEOO has assisted Ms. Mezgebu with vetting architects and general contractors. A general contractor has been selected who will provide wrap-around architecture, design, engineering, and other services in-house, to make the predevelopment process more cost-effective for her.

Predevelopment grant funds totaling \$50,000 were awarded for the site/public realm planning and financial feasibility study. After the grant agreement was executed, Ms. Mezgebu identified and secured multiple grants from Lake Street Council and Hennepin County, which she is using to fund the site/public realm planning and financial feasibility study. To date, the feasibility study is complete and included with this request. Her site/public realm plan is underway using the Hennepin County Predevelopment grant. Through Hennepin County's program, she has been matched with an architect (Design by Melo) and will receive additional technical assistance as she navigates the design process as an emerging developer.

The City would like to request an expansion of the grant scope to reallocate \$50,000 awarded for Site & Public Realm Plans (\$25K) and Financial Feasibility Study (\$25K) to Architectural Design Services for Affordable Housing. The deliverable for the new scope is "Schematic or design development plans for 7 affordable housing units". If we are able to expand the Predevelopment grant scope as requested, Ms. Mezgebu will be able to maximize the use of the bundle of grants she has secured (\$50,000 from LCDA, \$50,000 from Lake Street Council, and \$30,000 from Hennepin County) to fund ~\$112,000 for design / engineering to advance the project.

We understand that a 33% budget reallocation cannot be approved administratively, and ask that if **approved, the eligible date for reimbursement of this new work scope can be August 11, 2023** (the date of this request). The deliverables for the site/public realm planning and financial feasibility study remain deliverables for the Predevelopment grant.



Jema River Predevelopment	Predev Original Budget	Predev REVISED Budget	Line Item Budget Change
Funding Items	Amount	Amount	Amount
Developer mentoring	\$100,000	\$100,000	\$0
Site & public realm plans	\$25,000	\$0	(\$25,000)
Financial feasibility study	\$25,000	\$0	(\$25,000)
Affordable housing - architectural design	\$0	\$50,000	\$50,000
Total	\$150,000	\$150,000	\$0

The grant will expire on June 30, 2024. We would also like to request an extension of the grant term to June 30, 2025, to give Ms. Mezgebu enough time to complete the expanded scope of the Predevelopment grant.

If you have questions or would like additional information, please contact me at (763) 438-5635 and I will make sure you get the information you need.

Sincerely,

Paula Mazzacano

Paula Mazzacano
Development Grants Coordinator

Enclosures:

- Updated Project Summary
- Updated line-item budget spreadsheet
- Est cost for architectural design services
- Development feasibility and implementation plan (Deliverable)

Cc: Brigid Higgins, CPED
Alem Mezgebu



REVISED PROJECT SUMMARY

Grant Number: SG-17681
Type: LCA Pre-Development
Applicant: City of Minneapolis
Project Name: Jema River
Project Location: 713 E Lake Street, Minneapolis, MN 55407
Council District: 7 - Lilligren

Project Detail	
Future Development Project Overview	The reconstruction of a damaged property on the Lake Street corridor to replace 7 affordable ground floor commercial/retail spaces for local entrepreneurs and add additional density with at least 6 units of affordable housing. The project provides an opportunity for displaced businesses to return to the area and intensify the site with additional housing.
Project Comments	<ul style="list-style-type: none"> • The project uses equitable development principles and is focused on the restoration of majority BIPOC small affordable commercial spaces that were displaced. • The project will bring back local jobs to a now underutilized space that was once a vibrant commercial hub in the racially diverse Lake Street corridor.
Funding	
Grant Amount	\$150,000
Use of funds	
\$150,000	Total
\$100,000	Developer Mentoring Deliverable: Development feasibility and implementation plans
\$50,000	Architectural Design Deliverable: Schematic or design development plans for 7 affordable housing units

