Business Item

Community Development Committee

METROPOLITAN COUNCIL

Committee Meeting Date: September 18, 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: 2023-214

Amend Project Scope of Agra TOD Grant (SG-14463)

District(s), Member(s): District 8, Jamal Osman

Policy/Legal Reference: Minn. Stat. § 473.253

Staff Prepared/Presented: Nicole Clapp, Acting Grants Manager (651-602-1723)

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

Proposed Action

That the Community Development Committee approve amending the Agra (SG-14463) TOD Development grant project summary (Attachment B) to revise the project overview to reflect the change in developer, decrease in units of housing but increase to the number that are deeply affordable, and the removal of the hydroponic food production facility from the project.

Background

The Metropolitan Council awarded the City of Minneapolis a $1,250,000 Livable Communities Demonstration Account Transit Oriented Development (TOD) grant in October of 2020 (Business Item 2020-259) for the Agra project. The project was to be a new affordable housing construction project along Franklin Avenue in the Seward neighborhood of south Minneapolis. The project was to include a mix of sizes of affordable units at various levels of affordability, and a greenhouse and growing facility to provide space for hydroponic food production as well as a stormwater management system for reuse in the hydroponic system and/or site irrigation. The grant funds site acquisition.

On August 7, 2023, the City of Minneapolis requested to amend multiple components of the grant (Attachment A). They explained that the original developer, Newport Partners exited the project and Wellington Management stepped in. During this transition the project became smaller, and the hydroponic operation was eliminated from the plan. However, the new developer, Wellington Management, worked hard to structure the project to include much larger and more deeply affordable housing units. To honor the intent of the original project, Wellington Management is pursuing a community-based food related use for the smaller commercial space.

Rationale

The amendment request to remove the hydroponic operation constitutes the removal of a prominent feature of the project originally approved by the Council. The request also reduces the density of the affordable housing. The requested amendment would reduce the number of FTEs for the project from 10.5 to 9. These aspects, taken together, constitute a significant change to the project and therefore require CDC approval.

The project scope changes, particularly the elimination of the hydroponic operation, would have changed the scoring results for this TOD application. In the 2020 TOD program there was a $2M award limit per city. The City of Minneapolis submitted three applications, including Agra. Agra ranked second, and the other two Minneapolis applications ranked first and third. After fully awarding the first ranked project Agra was partially funded, to stay within the $2M cap.

Through examining the rescoring of steps one and two this project would likely have been recommended for a smaller funding amount and Minneapolis' third ranked project, Malcom Yards, would have been funded. Malcom Yards has recently been completed so there is no opportunity to award funds to this project. The City of Minneapolis supports this amendment request and the project's housing affordability changes have greater alignment with LCA priorities, specifically, the inclusion of more project-based vouchers. In either case, the City of Minneapolis would have received the full $2M available to them during this funding round. Given that, the staff recommendation is to approve the amendment, as requested.

Thrive Lens Analysis

LCDA-TOD funded projects respond to several Thrive outcomes:

- Projects that leverage regional infrastructure investments by helping increase densities and provide a mix of uses further the Thrive Stewardship outcome.
- Projects that redevelop and increase density, especially near transit stations, further the Thrive Prosperity outcome of "[e]ncouraging redevelopment and infill development across the region."
- Projects that help produce jobs near transit further the Thrive Equity outcome of "using our influence and investments to build a more equitable region."
- Projects located near transit and that include a mix of housing and jobs further the Thrive Livability outcome of "[a]ligning resources to support transit-oriented development and walkable, urban places."

Funding

Funds are available in the Livable Communities authorized 2020 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 on Livable Communities multi-year grants. The awarded funding is not impacted by this amendment.

Attachments

Attachment A. Grant Amendment Request

Attachment B. Revised Project Summary

Minneapolis
City of Lakes

Finance and Property Services Department
Development Finance Division
505 4th Avenue S - Room 620
Minneapolis, MN 55415
www.minneapolismn.gov

August 7, 2023

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

RE: Notification of Project Changes for SG-14463 Agra LCDA -TOD

Dear Sam,

On October 14, 2020, the City of Minneapolis was awarded $1,250,000 in the LCDA-TOD funding round for the Agra project on behalf of Newport Partners. On May 3, 2021, the City submitted a request to amend the Project Summary in the grant agreement. The request was approved on July 9, 2021, and the grant agreement was executed. Changes at that time included:

- Decreasing dwelling units (DUs) from 175 to 172
- Decreasing commercial square footage to 2,000
- Updating EMV calculation of future project from $27.5M to $27.7M (even with the loss of 3 DUs and some commercial space)

In January 2022, Newport Partners exited the project and Wellington Management stepped in; this has been previously disclosed to Livable Communities staff. Agra is now a smaller project and the commercial hydroponic operation is no longer part of the plan. However, Wellington has worked very hard to structure the project to include much larger and more deeply affordable housing units for families in Minneapolis, filling a desperate need in the community and advancing the goals of the City and Metropolitan Council. In the spirit of the original project, Wellington is pursuing a community-based food-related use for the smaller commercial space. Further changes include:

- Decreasing dwelling units (DUs) from 175 to 172 to 155. This is not a "significant change" – the decrease from 175 to 155 DU = 11.43%, and from 172 to 155 = 9.88%. The project remains 100% affordable, with deeper affordability (as outlined in the enclosed letter from Wellington).
- Decreasing commercial square footage to 2,000 to ~718 sq ft
- Updating EMV calculation of completed project from $27.5M to $27.7M (even with the loss of 3 DUs and some commercial space) to $31M even with the loss of an additional 17 DUs (given current comparable multifamily real estate valuations)
- The hydroponics operation proved infeasible, but Wellington is committed to using the small commercial space to benefit building residents and the community through a food-related community use.

We have included the follow materials for your consideration:

- Letter from Wellington Management explaining project changes
- Hand-marked update of the Project Summary
- Word version of the revised Project Summary
- Current rendering and floor plans

Wellington is working towards closing by the end of October. **We would very much appreciate receiving approval of the project changes by mid-September** if at all possible, so that none of the lenders have grounds for concern about the availability of these very critical site acquisition funds in October. We plan to submit the grant draw in October so that these funds can be available at the closing.

It would be helpful for us to understand the process and timeline for consideration and approval of our request. We will be submitting a similar request for the Agra TBRA grant.

If you have questions about any of these materials, or believe you are missing 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

Cc: Linnea Graffunder-Bartels, CPED
Casey Dzieweczynski, Wellington Management
Cameron Olson, Wellington Management

Attachment B. Revised Project Summary

Livable Communities Project Summary

Grant # SG-14463
Type: LCDA-TOD Development
Applicant: City of Minneapolis
Project Name: Agra
Project Location: 901 27th Avenue South, Minneapolis, MN 55406
Council District: 8 –Jamal Osman

Project Detail	
Project Overview	The Agra project is a new affordable housing construction project along Franklin Avenue in the Seward neighborhood of south Minneapolis being developed by Wellington Management. The project includes 155 units of studio, 1, 2, 3, and 4-bedroom units intended for families. Eight (8) units will be set aside for people with disabilities and 10 units will be set aside for homeless families. The project also includes solar ready roof/infrastructure, EV stations for residents, a third-floor rooftop garden, outdoor play area, and stormwater re-use cistern for irrigation. The building will also be Energy Star certified.
Jobs (FTEs)	9 FTE total, 5 permanent FTE at a living wage
Total housing units	155
Affordable units	46 @ <30% AMI, 47 @ 31-50% AMI, 62 @ 51-60% AMI
Anticipated # bedrooms	309
Other LCA Funding	None
TOD metrics	Floor-area ratio: 3.87 Dwelling units per acre: 155 Distance to station/stop: 756 feet Residential parking ratio: 0.74 stalls/unit Commercial Parking ratio: 4 stalls/1,000sqft
Project Highlights	This is a high-density project that provides housing choice for low-income families in an amenity and transit rich neighborhood There is value in the integration of affordable family housing and affordable retail space for a local, small business.
Funding Request	
$1,250,000	**TOTAL**
$1,250,000	Site acquisition: prior to award for affordable housing

Metropolitan Council