Business Item

Community Development Committee

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: 2023-215

Amend Project Scope and Extend Term of Agra TBRA Cleanup Grant (SG-15785)

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-15785) TBRA Cleanup grant project summary (Attachment B) to reflect 1) the reduced net tax capacity, 2) removal of the hydroponic food production facility from the project, 3) changes to the project's FTEs, and the number and level of affordable housing units, and 4) extend the grant term by one-year to December 31, 2024.

Background

The Metropolitan Council awarded the City of Minneapolis a $378,000 Livable Communities Tax Base Revitalization Account (TBRA) Contamination Cleanup grant in July 2021 (Business Item 2021-158) for the Agra project. The original grant was for cleanup of a 1-acre site along Franklin Avenue in the Seward neighborhood of south Minneapolis. The project was to include a development with 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. This grant was to fund the Phase II environmental site assessment, development of a Response Action Plan, asbestos survey, transport and disposal of contaminated soil, and related environmental oversight.

On August 14, 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 was reduced in size and the hydroponic operation was eliminated from the plan. The estimated net tax capacity increase was reduced, in large part, due to the unforeseen decrease to the 4d property classification rate for affordable properties from 0.75% to 0.25% during the 2023 legislative session.

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 reduce the net tax capacity is considered substantial according to the LCA grant policy for TBRA because the reduction is greater than 20% and therefore requires approval by the Community Development Committee. The other changes to the project summary for this grant do not require CDC approval.

Had the original application included the lower net tax capacity, the project would have received an evaluation score of 87 and would still have been recommended for funding in the May 2021 TBRA funding cycle. Given this, Council staff recommends the amendment be approved, 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 2021 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

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

Minneapolis
City of Lakes

August 14, 2023

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

RE: Request to Accept Project Changes and Extend Term for SG-15785 Agra TBRA

Dear Sam,

On July 14, 2021, the City of Minneapolis was awarded $378,000 in the May TBRA funding round for the Agra project on behalf of Newport Partners. 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.

The project to be built reflects the following changes:

- Decreasing dwelling units (DUs) from 172 to 155. This is not a "significant change" – the decrease 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 from 3,500 sq ft to ~718 sq ft on the ground floor
- FTE creation drops from 12 to 9, for a reduction of 3 FTEs
- Updating EMV calculation of completed project from $27.7M to $31M (even with the loss of an additional 17 DUs given current comparable multifamily real estate valuations) yields a Net Tax Capacity increase of $62,270. The application projected a NTC increase of $186,550. The revised projection must take into account the unforeseen decrease in the 4d property classification rate for affordable properties from .75% to .25%, which was completely unforeseen until the end of the 2023 legislative session.
- 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.
- **Because Agra remains a residential project, the response actions approved by the MPCA have not changed.**

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 will follow up with a Dropbox link to all of the environmental documents prepared to date

The change in partnership delayed the project start, so we are also **requesting a one-year extension of the grant term, from June 30, 2024 to June 30, 2025**, so that TBRA funds can be used to reimburse RAP Implementation reporting and MPCA costs after remediation is completed. 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 environmental cleanup funds.

It would be helpful for us to understand the process and timeline for consideration and approval of our request. We have submitted a similar request for the Agra LCDA 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

Project Summary

Grant #	SG-15785
Grant Type	Contamination Cleanup
Applicant	City of Minneapolis
Project Name	Agra
Project Location	901 27th Avenue South, Minneapolis
Council District	8 – Jamal Osman
Project Detail	
Contaminant history	The 1-acre site includes a vacant restaurant. Historically, the site included a variety of commercial tenants in buildings that were razed before the construction of the restaurant. Contaminants of concern include metals (arsenic, lead, and mercury) and debris in the shallow soil
Redevelopment project to start construction by the end of the grant term	Expected benefits include 155 affordable apartments and 718 sq. ft. of ground floor, affordable commercial space.
Jobs (FTEs)	9
Net tax capacity increase	$62,270 based on $31M TMV at new 4d property classification rate (application/award increase based on $27.7M TMV)
Acres cleaned	1
Total housing units	155
Affordable units	155 (46 at 30% Area Median Income (AMI) or below; 47 at 31%-50% AMI; and 62 at 51%-60% AMI)
Funding	
Grant Amount	$378,000
Funding partner requests	$248,420 from DEED and $116,710 from Hennepin County
Previous LCA funding	$1,250,000 LCDA-TOD in 2020
Use of Funds	
Eligible Uses (to be completed by the end of the grant term)	For Phase II Environmental Site Assessment, development of a Response Action Plan, asbestos survey, transport and disposal of contaminated soil (including stabilization of lead-soils, if needed), and related environmental oversight.
Comments	Phase I ESA and asbestos abatement, and costs related to geotechnical work are <u>not</u> eligible for grant funding.