

Business Item

Community Development Committee



Committee Meeting Date: April 15, 2024

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: 2024-104

Amend Project Summary of The 2843 Building LCDA Development Grant (SG-18079)

District(s), Member(s):	District 6, Robert Lilligren
Policy/Legal Reference:	Minn. Stat. § 473.253
Staff Prepared/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 amend The 2843 Building (SG-18079) Livable Communities Demonstration Account Development grant project summary (Attachment B) to update the project overview.

Background

The Metropolitan Council awarded the City of Minneapolis a \$500,000 Livable Communities Demonstration Account (LCDA) Development grant in December of 2022 (Business Item [2022-327](#)) for The 2843 Building project. The project was a partnership between Seward Redesign, Du Nord Distillery, and Healthy Roots. They intended to redevelop the 2843 Building to house a distillery and a culinary education and production space open to the public to serve as a training and launch site for inventors and entrepreneurs of color. The grant funds a green roof for stormwater management and a public plaza “pocket park” with furnishings and landscaping to improve the pedestrian experience.

On December 4, 2023, the City of Minneapolis requested an amendment to update the project overview section of the project summary approved by the Met Council. They explained that Healthy Roots had exited the partnership and Du Nord Distillery would expand into the entire first floor of the building. This expansion would allow them to keep their current 5 full-time employees (FTE) and add 10 more FTEs to their growing business. However, the business would grow beyond micro distillery status and could no longer serve at the production site due to state regulations. As a result, the education and production space would no longer be financially feasible. Without Healthy Roots as a co-tenant or other entrepreneurs using the space as a training or launch site, the anticipated jobs associated with the project decreases from 52 to 15.

Minneapolis reported no other changes to the project summary. They emphasized the green roof and plaza are still essential components of the project, and that the project still “creates new economic opportunity for local entrepreneurs of color” because Du Nord Distillery is founded and owned by a person of color who grew up in the neighborhood. They also emphasized that Seward Redesign is still a part of the project and is a local emerging nonprofit developer.

Rationale

Council staff determined the request significantly changes the project due to the loss of the education and production spaces and the reduction in jobs created. However, it still meets minimum scoring requirements for the LCDA Development program in the 2022 Livable Communities Act Fund Distribution Plan (Business Item [2022-50](#)). The LCDA Development scoring criteria considers housing, jobs (economic opportunity), compact connected development, environment and livability, project process, and the project team. This project meets the minimum score because it:

- 1) Produces living wage jobs
- 2) Furthers equity outcomes in access to economic opportunity
- 3) Preserves and enhances an existing building
- 4) Supports a local emerging nonprofit developer and a local entrepreneur of color
- 5) Provides environment and livability benefits through a green roof stormwater management system and improving the pedestrian experience with a new “pocket park”

Council staff considered reducing the award amount due to the reduction of benefits but recommend continuing to fully fund the project, both because there is no change to the grant-funded activities and because of the competitiveness of the project’s funding round. Council staff reviewed the 2022 LCDA Development funding round (Business Item [2022-327](#)) and noted all projects which met the minimum scoring requirements were funded with extra funds remaining. To utilize the remaining funds, the Council removed the 40% cap for funds going to Minneapolis and Saint Paul so that all projects meeting the minimum scoring requirements would be fully funded. After fully funding all the projects that met minimum requirements, there were still funds remaining. The Council reallocated those funds to the LCDA-TOD account to support additional projects, including two suburban projects that would not otherwise receive funding.

Therefore, after scoring the revised project and reviewing the competitiveness of its funding round, staff recommend the amendment be approved, as requested.

Thrive Lens Analysis

LCDA Development funded projects respond to several Thrive outcomes:

- LCDA funding will “advance the Council’s mission of fostering orderly and economical development” and “promotes residential development patterns that protect natural resources, the quality and quantity of our water resources, and our water supply.” (Stewardship and Prosperity)
- This investment “encourages redevelopment and infill development” (Prosperity), adding a diversity of land uses, housing types, and jobs supporting economic competitiveness over the other regions.
- Funded projects “help close the gap between the region’s affordable housing need and the supply, especially in areas underserved by affordable housing.” (Equity)
- LCDA projects “provide housing and transportation choices for a range of demographic characteristics and economic means.” (Livability)

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 on Livable Communities multi-year grants.

Attachments

Attachment A. Grantee Grant Amendment Request

Attachment B. Revised Project Summary



Attachment A. Grant Amendment Request



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

December 4, 2023

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

RE: Notification of Project Changes for SG-18079 - 2843 Building LCDA

Dear Sam,

On December 14, 2022, the City of Minneapolis was awarded \$500,000 from LCDA on behalf of the 2843 Building project. As envisioned, the renovated building would be redeveloped in partnership between Seward Redesign and two successful local Black entrepreneurs, Chris Montana (Du Nord Distillery) and Lachelle Cunningham (Healthy Roots). Ms. Cunningham has since exited the partnership and is creating other food-related experiences in Minneapolis. Du Nord Distillery will move their operations into the 2843 Building, where they will be able to meet demand for their product. The Du Nord production facility will occupy the entire first floor of the building. The relocation and expansion will allow Du Nord to retain their 5 current FTEs and add 10 FTEs to the payroll. Due to their success, Du Nord has moved beyond micro distillery status; they can no longer serve their product at its production site. Therefore, the envisioned food-related component is no longer feasible (but gives Du Nord enough space to expand to meet current and future needs). This reduces the anticipated FTE count for the project from 47 projected in the grant application (which may have been optimistic) to 15.

The development team will be working with their architect over the next few months to finalize the design and budget for the building. The green roof and plaza are still essential components of the project, and we are not requesting any budget changes. The project still "creates new economic opportunity for local entrepreneurs of color" and increases access to greenspace with sustainable landscaping and best-practices stormwater management techniques on a constrained urban site.

I have reviewed the Grant Administration Guide to try to determine if these changes are "significant" according to the rubric. Because we do not see the application scoring rubric and detailed scores, we have no way of knowing how the changes outlined above might impact the grant award. Therefore, this notification also serves, if need be, as a request to amend the grant agreement.

Enclosed materials include a letter from Redesign and a marked-up Project Summary. If you have questions about these materials, or if additional information would be helpful, please contact me at (763) 438-5635 and I will make sure you get the information you need.

Sincerely,

Paula Mazzacano
Development Grants Coordinator

Cc: Emily Stern, CPED
Taylor Smrikarova, Redesign
Courtney Overby, Finance

Enclosures



City of Minneapolis
505 Fourth Ave. S., Room 320
Minneapolis, MN 55415

Redesign, Inc.
2619 E Franklin Ave
Minneapolis, MN 55406

November 28, 2023

Update to The 2843 Building

Hello,

I want to inform you all that Lachelle Cunningham, Healthy Roots, has decided to exit the project. Chris Montana, Du Nord Distilling, will be the main tenant and sole owner. Du Nord distilling production has moved beyond the micro distillery license and therefore Du Nord alcohol cannot be served at the site based on state statute and regulations. This complicates having a viable event space or food business within the site as many food-based businesses rely on alcohol sales to make a profit. The original plans included Healthy Roots occupying $\frac{1}{3}$ of the first floor. Du Nord Distilling will occupy the entire first floor.

The project will continue to meet/exceed expected goals around high quality, living wage jobs near transit, now 15 full time jobs. The project is still a redevelopment a fenced blighted building (damaged during the uprisings) into a vibrant high quality space and community job creator, a wealth building for entrepreneur of color and capacity building for an emerging developer. The project will continue to increase access to greenspace through a pocket park as well as including sustainable landscaping, green roof, and stormwater management practices. The project continues to meet the mission and goals of the redevelopment of this important commercial node on the Lake Street corridor.

We are working through the new design/layout and construction budget. We will share when available. We understand if the grant approved needs to be adjusted or ascended. Please let me know of any specific requests or questions.

A handwritten signature in black ink, appearing to read 'Taylor Smrikárova', written over a horizontal line.

Taylor Smrikárova | Real Estate Development Director

Redesign, Inc. – 2619 East Franklin Avenue – Minneapolis, MN 55406 – 612-338-8729

Community Developers

Cooper • Hiawatha • Howe • Longfellow • Seward

Attachment B. Revised Project Summary

Revised Project Summary

Grant # SG-18079
Type: LCDA Development
Applicant: City of Minneapolis
Project Name: 2843 Building
Project Location: 2843 26th Ave S
Council District: 8 - Muse

Project Detail	
Project Overview	The 2843 Building will be redeveloped by Black Mountain Holdings, LLC, a partnership between Seward Redesign and Chris Montana (Founder/Owner of Du Nord). The building will provide expansion space for a growing Black-owned business, Du Nord Distillery. The project will retain 5 full-time employees and create 10 new full-time jobs.
Total Jobs	15
Job Type	Full-time: 15
Living Wage Jobs	15
Total Housing Units	0
Affordable Units	0
Anticipated # Bedrooms	NA
Support for Award	<ul style="list-style-type: none"> The project is creating new living wage jobs and new economic opportunity for a local black-owned business. Increasing access to greenspace through a pocket park as well as including sustainable landscaping and stormwater management practices.
Other LCA Funding	None
Use of Funds	
\$500,000	Total
\$400,000	Stormwater Management Deliverable: Green roof
\$100,000	Pedestrian Experience Deliverable: Public plaza, furnishing, landscaping

