Business Item

Community Development Committee

Committee meeting date: November 17, 2025 **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: 2025-296

Amend the scope of Upper Harbor LCDA Development Grant (SG-18080)

District(s), member(s):	District 7, Robert Lilligren
Policy/legal reference:	Minn. Stat. § 473.253
Staff prepared/presented:	Kelly Nezworski, Grants Administrator, 651-602-1757
Division/department:	Community Development / MTS Finance and Admin/Livable Communities

Proposed action

That the Community Development Committee approve the amendment to the project details of the project summary and grant term for the Upper Harbor (SG-18080) Livable Communities Demonstration Act Development Grant Award, as shown in Attachment 2.

Background

In 2022, the Council awarded a $2,000,000 Livable Communities Demonstration Account (LCDA) Development Grant (Business Item 2022-327) to the City of Minneapolis for the Upper Harbor project, located at 3700 Washington Avenue North. This project is a new construction, mixed-use and mixed-income housing project. The proposed development includes a seven-story apartment building providing 190 units of affordable housing with associated above-ground structured parking. Additionally, the broader Upper Harbor development was planned to include approximately 9,300 square feet of commercial space, 18 affordable for-sale townhomes, and 4 market-rate for-sale townhomes. The project site has also previously received two additional Livable Communities Act (LCA) grants: a Pre-Development Grant awarded in 2019 and a TBRA SEED Grant awarded in 2015.

On September 26, 2025, the City of Minneapolis submitted a request for a two-year administrative extension—from December 31, 2025, to December 31, 2027—as well as for changes to the project's outcomes. As outlined in the correspondence submitted by the City of Minneapolis and the project developer (Attachment 1), the amendment request is requested due to challenges in the current development funding climate.

To ensure financial feasibility, the development scope has been revised. The proposed changes include the elimination of the for-sale townhomes, a reduction in apartment units from 190 to 136, and a decrease in commercial space from 9,300 square feet to 5,000 square feet. Despite these modifications, the revised project continues to propose 136 deeply affordable housing units and to maintain a commercial component that supports the overall mixed-use vision of the development. The project is anticipated to secure all remaining financing by spring 2026.

Rationale

The total adjustment to the project represents a change greater than 20% to the overall housing units, which requires CDC approval under the LCA amendment policy. Staff re-scored the project and determined that it would still have received full funding with the proposed changes. The staff findings include:

- The project still delivers a significant number of deeply affordable housing units.
- The project has retained a considerable portion of the three-bedroom units.
- The changes in job numbers have not affected the scoring of the project.
- The 24-month grant term extension is allowed as an administrative adjustment per the Council's LCA Grant Amendment Policy.

Therefore, Council staff recommend that the Committee approve amending the budget amounts as outlined in the project summary (Attachment 2).

Thrive lens analysis

On February 12, 2025, the Council adopted Imagine 2050, which builds on policy direction in Thrive MSP 2040. Under the Thrive lens

- 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 1: Correspondence from the City of Minneapolis Requesting Grant Amendment

Attachment 2: Revised Project Summary

Minneapolis
City of Lakes

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

September 26, 2025

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

RE: Request to Extend Grant Term and Update Scope for Upper Harbor Terminal Parcel 6A (SG-18080)

Dear Kelly,

On December 14, 2022, the City of Minneapolis was awarded $2,000,000 on behalf of the Upper Harbor Terminal Parcel 6A project from the 2022 LCDA grant round. We are requesting a 2-year extension of the grant term to December 31, 2027.

The City's subrecipient developer, Building Blocks, Inc. has worked over the time since award to make the project financially feasible in the face of several challenges while retaining the core project components that were identified using the extensive community participation described in the application. While they have had to reduce the number and variety of housing units as well as the commercial space and number of jobs anticipated, the updated project they presented preserves deeply affordable units along with other community amenities. Please see the attached updated project summary for details.

The project will not close on funding and commence construction within the term of the grant. However, Building Blocks, Inc. has provided information to the City showing the project is substantially funded and will reach full funding in the spring of 2026. They intend to begin construction in the summer of 2026 and complete construction along with all grant funded activities in the fall of 2027. Please see their attached letter for more details. To substantiate how close they are to being fully funded, they have also provided a project workbook showing exactly what funding sources are committed to the project and what remains to be secured over the next six month before they close and commence construction.

If you have any questions about our request, please contact me at Samuel.johnson@minneapolismn.gov.

Sincerely,

Samuel F. Johnson

Sam Johnson
Development Grants Coordinator

Cc: Haley McSparron, CPED
Courtney Overby, Development Finance
Devean George, Building Blocks Inc
Dan Walsh, Trellis

Attachment 2: Revised Project Summary

Livable Communities Project Summary

Grant # SG-18080
Type: LCDA Development
Applicant: City of Minneapolis
Project Name: Upper Harbor Redevelopment – Parcel 6A
Project Location: 3700 Washington Avenue North
Council District: 7 - Lilligren

Project Detail	
Project Overview	Upper Harbor Redevelopment Parcel 6A is a new construction, mixed-use and mixed-income housing project. Parcel 6A includes a new construction, ~~7~~6-story apartment building with associated above-ground, structured parking. The project will include ~~190~~ 136 units of housing affordable at 30%, 50% and 60% AMI, with a number of units anticipated to be subsidized through MPHA Project-based Vouchers and Housing Supports via Hennepin County. Parcel 6A will also include approximately ~~9,300~~ 5,000 square feet of commercial space.~~, 18 affordable for-sale townhomes, and 4 market rate for sale townhomes developed in partnership with Twin Cities Habitat for Humanity.~~
Total Jobs	~~26~~ 13
Job Type	Full-time: ~~14~~ 7 | Part-time: ~~12~~ 6
Living Wage Jobs	~~1~~ 2.5
Total Housing Units	~~212~~ 136
Affordable Units	~~208~~ 136 total units | <30% AMI: ~~55~~ 44 | 31-50% AMI: ~~72~~ 44 | 51-60% AMI: ~~63~~ 48 | ~~80% AMI (ownership only): 18~~
Anticipated # Bedrooms	One BR: ~~49~~ 66 | Two BR: ~~125~~ 47 | Three BR: ~~32~~ 23 | 4 Four+ BR: ~~6~~ 0
Support for Award	• The project is bringing deeply affordable housing options to the area • The project includes affordable ownership options • Environmental sustainability features are included throughout the project
Other LCA Funding	$32,200 from TBRA Pilot in 2015, $100,000 from LCDA Pre-Development in 2019
Use of Funds	
$2,000,000	**Total**
$516,000	**Stormwater Management** Deliverable: Landscaping related to stormwater management
$382,000	**Pedestrian Experience** Deliverable: Landscaping, Seating/Furnishings, Sidewalks/Paths, Wayfinding, Playground, Outdoor Amenity
$315,000	**Site Preparation** Deliverable: Demolition and grading/soil corrections
$787,000	**Affordable Housing Site** Deliverable: Playground, outdoor amenity, landscaping, community garden, bike facilities.