

MINNESOTA

Board Action Request

23-HCHRA-0023

Item Description:

2023 TOD funding recommendations - neg 6 TOD agmts, 06/13/23-12/31/26, NTE \$2,200,000; neg Amd 1 to 9 agmts

Resolution:

BE IT RESOLVED, that the 2019 Transit Oriented Development (TOD) award to the City of Eden Prairie for the Eden Prairie Town Center TOD Employment Access project (Agreement PR00001154; Resolution 19-HCHRA-0021) in the not to exceed amount of \$150,000 be rescinded; that repayment proceeds from the 2011 TOD award to Lyndale Gardens LLC for the Lyndale Garden Center Project (Agreement A111093; Resolution 11-HCHRA-0027S1) in the amount of \$446,169 be received; that the remaining budget authority from the 2020 TOD award to Bader Development LLC for the West Lake Quarter project (PR00002812; Resolution 20-HCHRA-0049) in the amount of \$2,191 be received, all for a combined rescinded and received total of \$598,360; that \$200,000 be reallocated for predevelopment consulting as described herein, and the balance (\$398,360) be available for future TOD capital and/or predevelopment programming; and that the Controller be authorized to accept and disburse funds as directed; and

BE IT FURTHER RESOLVED, that the Executive Director be authorized to negotiate the following TOD Grant Agreements during the period June 13, 2023 through December 31, 2026:

- PR00005395 with NE Minneapolis Properties LLC, or affiliated entity, for the Equity Matters project, with the amount not to exceed \$300,000;
- PR00005396 with VY Management, LLC, or affiliated entity, for the LOMA project, with the amount not to exceed \$500,000;
- PR00005397 with Grassroots, LLC, or affiliated entity, for the UNITY project, with the amount not to exceed \$150,000;
- PR00005398 with Black Mountain Holdings, LLC, or affiliated entity, for the 2843 Building (also known as the 7-Sigma project), with the amount not to exceed \$500,000;
- PR00005399 with Alatus, LLC, or affiliated entity, for the Opportunity Site project, with the amount not to exceed \$400,000;
- PR00005400 with Alatus, LLC, or affiliated entity, for the 325 Blake Road project, with the amount not to exceed \$350,000;

that following review and approval by the County Attorney's Office, the Chair be authorized to sign the agreements and related documents on behalf of the authority; and that the Controller be authorized to disburse funds as directed; and

BE IT FURTHER RESOLVED, that the Executive Director be authorized to negotiate Amendment 1 to Agreement PR00003359 with Newport Midwest, for the Agra project, changing the development entity from Newport Midwest to Wellington Management, LLC, or affiliated entity, with no change in the not to exceed amount of \$300,000; that following review and approval by the County Attorney's Office, the Chair be authorized to sign the amendment and related documents on behalf of the authority; and that the Controller be authorized to disburse funds as directed; and

BE IT FURTHER RESOLVED, that the Executive Director be authorized to negotiate Amendments 1 to Agreements PR00003362 with Project for Pride in Living, Inc, or affiliated entity, for the Simpson Community Shelter and Housing project; PR00003369 with Saturday Properties, or affiliated entity, for the Wooddale Station project; PR00002810 with Ideal Development Group, or affiliated entity, for the Baldwin Square project; and PR00002811 with George Group North, or affiliated entity, for the Village Creek project; extending the contract periods to December 31, 2024 with no change in the not to exceed amounts; that following review and approval by the County Attorney's Office, the Chair be authorized to sign the amendments and related documents on behalf of the authority; and that the Controller be authorized to disburse funds as directed; and

BE IT FURTHER RESOLVED, that the Executive Director be authorized to negotiate Amendments 1 to predevelopment consulting Agreements PR00004666 with Design by Melo LLC, PR00004665 with Element Commercial Real Estate, PR00004668 with NEOO Development LLC, and PR00004667 with Van Meter Williams Pollack LLP to provide predevelopment assistance to eligible emerging local developers, extending the contract periods to December 31, 2024 and increasing the total combined not to exceed amount by an additional \$200,000 for a new total combined not to exceed amount of \$400,000; that following review and approval by the County Attorney's Office, the Chair be authorized to sign the amendments on behalf of the authority; and that the Controller be authorized to disburse funds as directed.

Background:

Investing in Transit Oriented Development (TOD) projects has been a mainstay of Hennepin County's community development efforts since 2003 because of the wide-ranging benefits TOD generates. For the people who live and work in transit-oriented developments and communities, TOD helps reduce disparities by lowering combined housing and transportation costs, reduces the need to drive or own a car, and improves connections between housing, employment, and other destinations. By providing gap funding for projects that otherwise would not be feasible, the TOD Program generates investments in low-income communities and communities of color that have historically experienced disinvestment.

TOD Program investments support Hennepin County's Climate Action Plan through more efficient use of land and infrastructure, preservation of open space, reduced vehicle miles traveled (VMT) and reduced emissions through increased walking, biking, and transit ridership. TOD-funded projects contribute to improved public health by making communities more walkable and bikeable.

Since 2003, the HCHRA has awarded approximately \$42.3 million to over 155 TOD projects, creating or retaining over 11,000 housing units and 3,300 jobs, and leveraging more than \$2 billion in development.

Funding for 2023 TOD Program distribution proposed in the current action includes \$2.2 million in the 2023 HCHRA budget, plus \$200,000 from a prior TOD Program-funded project's loan repayments, reallocation from a project that did not move forward, and unspent funds from a completed project.

Capital Recommendations

In February 2023, a competitive request for proposals garnered twenty-two capital applications requesting a total of over \$13.8 million in funding. Seventeen projects in Minneapolis requested \$9.8 million and five projects in suburban Hennepin County requested \$4 million. A multi-agency panel consisting of staff from Hennepin County, Ramsey County, Metro Transit, and urban design professionals evaluated the applications. An independent financial consultant conducted an in-depth financial analysis assessing feasibility and verifying the funding gap.

Attachment A provides a summary of the six projects recommended for funding.

Recommended funding for the six projects below will provide 462 housing units, over 109,800 square feet of commercial space, and 325 total new or retained jobs supporting transit-oriented communities. The total

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investment value of these projects is approximately \$189 million.

- PR00005395 - Northeast Minneapolis Properties LLC - Equity Matters - \$300,000
Minneapolis; 6 live/work housing units; 2,600 square feet commercial space; 7 jobs created; located within METRO D Line BRT Emerson & 26th Ave station area and served by local bus routes
- PR00005396 - VY Management LLC - The LOMA - \$500,000
Minneapolis; 62 affordable housing units; 6,200 square feet commercial space; 19 jobs created or retained; served by local high-frequency bus routes
- PR0005397 - Grass Roots LLC - UNITY Building - \$150,000
Minneapolis; 16,200 square feet commercial space; 5,000 square feet community event space; 73 jobs created or retained; located adjacent to METRO B Line BRT station, within METRO Orange Line I35W & Lake Street station area and served by local high-frequency bus routes
- PR00005398 - Black Mountain Holdings LLC - 2843 Building - \$500,000
Minneapolis; 37,000 square feet industrial space; 6,000 square feet public space; 50 jobs created; located within METRO B Line BRT and METRO Blue Line Lake Street/Midtown station area and served by local bus routes
- PR00005399 - Alatus, LLC - Opportunity Site Phase 1 - \$400,000
Brooklyn Center; 278 housing units; 17,500 square feet commercial and community space; 114 jobs created; public infrastructure to facilitate 18-acre mixed use development; located within METRO C Line BRT and METRO D Line BRT Brooklyn Center Transit Center station area and served by local bus routes
- PR00005400 - Alatus, LLC - 325 Blake Road - \$350,000
Hopkins; 116 affordable housing units; 30,000 sq ft commercial/retail space; 2 jobs created; located adjacent to the METRO Green Line Extension Blake Road Station

TOD guidelines require that the municipality in which the project is located approve the project seeking TOD funding, and that the project be located within a redevelopment area or district adopted in accordance with Minnesota Statutes, Section 469.

TOD Predevelopment Support

Resolution 22-HCHRA-0032 (adopted August 9, 2022) initiated predevelopment support within the TOD program for projects proposed by new, less established, and emerging developers within TOD-eligible areas. The purpose of the predevelopment initiative is to address barriers faced by new and emerging developers, especially developers who are people of color and women, in accessing capital and the technical background that are critical to success in development.

The TOD predevelopment initiative involves three components:

- emerging developers are selected via an open application process. Eligible developers are locally based, actively pursuing transit-oriented development projects in Hennepin County, have completed fewer than three prior development projects, and are seeking support for a specified set of predevelopment activities not yet completed or funded by other sources.
- predevelopment consultants are selected through a competitive process to provide a range of predevelopment services, including financial feasibility analyses, conceptual architectural renderings, proforma development and analysis, and/or assistance with the entitlement process.
- selected emerging developers are then matched with one or more of the predevelopment consultants to provide unique scopes of predevelopment work tailored to the needs of each developer and their project. The average value of predevelopment consulting assistance ranges from \$10,000 to \$30,000 per developer.

In 2022, four predevelopment consultants were selected via a competitive process (Design by Melo LLC (\$80,000), Element Commercial Real Estate (\$44,000), NEOO Development LLC (\$35,000), and Van Meter

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Williams Pollack LLP (\$32,400)). To date a cohort of nine emerging developers have been served, 33% were women and 89% were Black, Indigenous, and people of color. Eight of the nine projects were located in low-income communities. Six of nine developers received predevelopment assistance focused on development financials, including feasibility analysis, investment briefs, proforma development, and financing strategy. Five developers received design services that advanced one project through the conceptual design phase and three projects through schematic design. One project has advanced through city land use approvals with the support of their predevelopment assigned architect, and is sufficiently ready and feasible for development financing, including capital funding through the TOD Program.

To continue addressing the need for predevelopment support and to advance equity in the local development landscape, staff recommends amending predevelopment consulting Agreements PR00004666 with Design by Melo LLC, PR00004665 with Element Commercial Real Estate, PR00004668 with NEOO Development LLC, and PR00004667 with Van Meter Williams Pollack LLP extending the contract periods to December 31, 2024 and increasing the total combined not to exceed amount by an additional \$200,000 for a new total combined not to exceed amount of \$400,000. Five new local emerging developers have already been identified for program participation.

Administrative Items: The current action includes an amendment to Agreement PR00003359 to recognize a new development entity that will complete the Agra project as originally proposed. The current action also includes amendments to four prior TOD Program award agreements to extend the contract end dates to accommodate pandemic-related project delays.

Current Request: Authorize receipt and reallocation of \$598,360 in prior years TOD Program budget authority and proceeds; negotiate six agreements during the period June 13, 2023 through December 31, 2026 with a total combined not to exceed amount of \$2,200,000; amend five Agreements with no change in the not to exceed amount; negotiate amendments to four predevelopment consulting agreements extending the end date to December 31, 2024, and increasing the NTE by \$200,000.

Impact/Outcomes: Six projects receiving awards will leverage approximately \$189 million in total investment value to create 462 housing units, over 109,800 square feet of commercial space supporting more than 25 businesses, 325 new or retained jobs, and improved connections to support TOD in current and planned light rail transit, bus rapid transit, and within the high-frequency bus network.

Disparity Domains: This request supports Hennepin County disparity reduction efforts in income, employment, housing, and transportation by supporting a range of investments that create employment opportunities, affordable housing, community services and amenities in areas well-served by public transit, including low-income communities and communities of color.

Recommendation from County Administrator: Recommend Approval