



Community Development Committee

Business Item

Item: 2009-72

Meeting date: March 2, 2009

ADVISORY INFORMATION	
Date:	February 27, 2009
Subject:	City of Columbia Heights Request to Amend Grand Central Lofts LCDA Project Grant No. SG006-166
District(s), Member(s):	District 2, Columbia Heights, Tony Pistilli
Policy/Legal Reference:	473.253 Livable Communities Demonstration Account
Staff	Guy Peterson, Director, Community Development Division 651-602-1418
Prepared/Presented:	Beth Reetz, Housing and Livable Communities Director 651-602-1060 Paul Burns, Manager, Livable Communities Program 651-602-1106
Division/Department:	Housing and Livable Communities/Community Development

Proposed Action

That the Community Development Committee approve the Review Panel recommendation to authorize staff to amend the project description shown as Attachment A of Livable Communities Demonstration Account (LCDA) Grant #SG006-166 to reduce the size of the parking ramp to be partially funded with the LCDA grant from 230 stalls to 180 stalls, reduce the size of the commercial space from 47,690 square feet to 35,000 square feet, and to reduce the amount of the grant from \$974,369 to \$762,551, a decrease in the grant amount that is proportionate to the reduction in the size of the parking ramp.

If it chooses, the City may decline to agree to the authorized amendment, and continue to proceed under the terms of the original grant agreement, which expires December 31, 2009.

Background

In 2006 the Council awarded the City of Columbia Heights a \$974,369 LCA Demonstration Account grant to help fund a two-story, 230-space publicly-owned parking ramp which would support 47,698 square feet of retail, office and restaurant space in two buildings. In December 2008, the grant agreement was amended to extend the expiration date to December 2009. In October 2008, staff also approved a change in ownership of the ramp from public to private, with an executed easement agreement guaranteeing public use of the ramp.

Due to changing market conditions, the developer and the City have now proposed down sizing the development to 35,000 square feet of retail/commercial/office space with a 180 stall-parking ramp. A copy of the original project description (Attachment A to the Grant Agreement) is attached. On January 30, 2009, the City requested an amendment to the grant agreement that would permit the City to use the grant funds for the down-sized project as currently proposed.

Rationale

A Review Panel, composed of Council Members Steffen, Bowles and Pistilli, met at 2:30 P.M. on February 17, 2009 to consider the City's request. Livable Communities program staff summarized the request and their staff review report, which is included in the attached Review Panel memorandum. Council and City staff explained the differences between the proposed change from the time the grant originally was awarded and how the proposed changes conform to the criteria in the three-step process for considering requests for end projects changes.

The Review Panel met again on February 25 to continue the discussion. After discussion, Council Member Bowles moved, seconded by Council Member Pistilli to recommend to the Community Development Committee to authorize staff to amend the project description shown as Attachment A of Livable Communities Demonstration Account (LCDA) Grant #SG006-166 to reduce the size of the parking ramp to be partially

funded with the LCDA grant from 230 stalls to 180 stalls, reduce the size of the commercial space from 47,690 square feet to 35,000 square feet, and to reduce the amount of the grant from \$974,369 to \$762,551, a decrease in the grant amount that is proportionate to the reduction in the size of the parking ramp. The Review Panel acknowledged that the City could choose to decline to accept the amendment under the conditions included in the Committee's recommendation and continue to proceed with the project as originally proposed and funded under the original grant agreement. The motion passed unanimously.

The rationale for the Review Panel decision was based on:

- The degree/percentage of decrease in the size/scope of the funded project (21.739% reduction in the number of parking stalls in the ramp) with no offsetting increase in other project-related activities
- The reduction in the non-Council contributions to the cost of the ramp, in conjunction with the change in the ownership of the ramp from public to private, with a public easement

Funding

The grant amount, as awarded, is \$974,369. If accepted by the Committee, the modified grant amount will be \$762,551.

Known Support / Opposition

The City is supporting their proposal. No known opposition.

Applicant: Columbia Heights

Recommended Funding Amount: \$974,369

Project Name: Grand Central Lofts

Project Description in Application:

The objectives of this 15-acre redevelopment of a vacant Kmart store site are to:

1. Provide a diversity housing choices and new commercial development to promote job creation.
2. Support urban housing densities along with performance standards to create long-term value to support neighborhood services and business.
3. Promote an attractive urban neighborhood that includes housing amenities such as decks, open spaces, gathering, recreational amenities, pedestrian ways landscaping and green spaces.
4. Successfully integrate the new neighborhood into the surrounding older established neighborhoods.
5. Require high quality community design standards.
6. Implement strategies to reduce parking requirements, including reducing parking ratios, shared parking, mass transit, structured parking, and trails/sidewalks.

Advisory Committee Comments on Demonstration, Innovation, Catalyst Elements of this Project:

This project demonstrates redevelopment of an aging corridor to maximize commercial development in a small community and connect commercial uses with housing. The funding request is the right catalyst to move the project forward.

Funding Requested/Funding Recommended:

Total Requested: \$974,369

Total Recommended: \$974,369

Amount Requested	Amount Recommended	Use of Funds
\$974,369	\$974,369	Construction of public parking ramp – 230 stalls

Previous LCDA Grants Received For This Or Related Project:

None.

Development Timeline:

Task	Start Date	End Date
Construction of public parking ramp	January 2007	June 2008

DATE: February 25, 2009

TO: Community Development Committee Review Panel

FROM: Guy Peterson, Director, Community Development Division 651-602-1418
 Beth Reetz, Housing and Livable Communities Director 651-602-1060
 Paul Burns, Manager, Livable Communities Program 651-602-1106

SUBJECT: City of Columbia Heights Request to Amend Grand Central Lofts LCDA Project Grant (SG006-166)

Summary

The Council received an email from the City of Columbia Heights on January 29, 2009, requesting a change to the end use to the Grand Central Lofts LCDA development project which was awarded \$974,369 in 2006 to fund approximately 42% of the cost of a two-story, 230-space publicly-owned parking ramp to support 47,698 square feet of retail, office and restaurant space in two buildings. An administrative amendment to extend the grant for one year, to 12/31/09, was executed on 12/5/08. The Council requires that parking facilities funded with LCDA grants be available to the public, not necessarily publicly owned. In light of this standard, in October of 2008, staff also agreed to the conversion of ownership of the ramp from public to private with an executed easement agreement guaranteeing public use of the ramp.

Due to the economy, the developer has now proposed down sizing the development to 35,000 square feet of retail/commercial/office with a 180 stall-parking ramp. The City has indicated that in order for this project to remain economically feasible, the original grant amount is still needed, even with the reduced size of the overall project.

Background

On September 26, 2007 the Metropolitan Council directed staff to implement proposed grant administration procedures to address requests for revisions to end projects originally proposed as the development or redevelopment outcome in proposals assisted by the Livable Communities grant awards. The procedures establish a three-step process to be used by the Community Development Committee to determine whether to approve such requests. This memo applies those procedures to the Columbia Heights' request.

Funding History

The Grand Central Lofts development was awarded an LCDA Grant in 2006. The project description is listed below:

Year	LCA Fund Account	Project Name	Amount Awarded
2006	Livable Communities Demonstration Account (LCDA)	Grand Central Lofts	\$974,369

LCDA funds are requested for the second phase of the 15-acre redevelopment of the vacant K-Mart site located at the intersection of 47th Avenue N. E. and Central Avenue in Columbia Heights. The second phase, expected to begin in 2007, includes construction of 47,698 square feet of new retail, office and restaurant space in two buildings. The largest building includes space for a restaurant, dry cleaner and coffee shop on the first floor and office space on the second. The second building will house two tenants: a grocery store and a caterer. LCDA funds are designated for construction of a publicly owned, two-story (230 space) parking ramp. The estimated total cost of the ramp is \$2.9 million. The city is funding 50 percent of the cost, 17 percent will be paid by the developer, and LCDA funds will fund the remainder, about 33 percent of the total.

Description of the scoring process and salient characteristics of the Grand Central Lofts project

Original Grant-Funded Development Proposal in 2006	Revised Grant-Funded Development Proposal	Change
230 parking stalls	180 parking stalls (LCDA funds to cover 1/3 of the cost of the parking ramp)	50 fewer parking stalls – a 22% reduction
\$2,311,134 total cost of the parking ramp, including land costs (the total in the application included additional soft costs)	\$2,798,000 current total cost of the parking ramp, including land costs	\$486,866 increase in the total cost of the parking ramp, including land costs (21% increase—due to increased land cost)
\$1,826,250 parking ramp construction cost	\$1,874,000 current parking ramp construction cost	\$47,750 increase in parking ramp construction cost (2.6% increase)
\$484,884 parking ramp land cost	\$924,000 parking ramp land cost	\$439,116 increase in parking ramp land cost (90.5% increase)
\$12,695 total cost per parking stall	\$15,544 total cost per parking stall	\$2,849 increase in total cost per parking stall (22% increase)
\$484,884 in Private Investment for the cost of the parking ramp	\$323,631 Private Investment in the parking ramp	\$161,253 Decrease in Private Investment in the parking ramp
\$1,460,631 City TIF Investment in the parking ramp	\$1,500,000 City Investment in the parking ramp	No Change

Original Overall Project Development Proposal in 2006	Revised Overall Project Development Proposal	Change
47, 698 sq. ft. commercial, retail, restaurant and office space	35,000sq. ft. commercial, retail, restaurant and office space	28,000 sq. ft. reduction in space (27% reduction)
\$8,167,664 total project cost	\$10,454,644 total project cost	\$2, 286,980 increase in total project cost (28% increase)
\$5,732,664 Total Private Investment in the project	\$9,480,644 Total Private Investment in the project	\$3,747,980 Increase in Private Investment in the project (65% increase)
119 new full-time equivalent jobs	115 new full-time equivalent jobs	4 fewer new FTE jobs(3% fewer jobs)
6 affordable housing units	6 affordable housing units	No Change
153 housing units	153 housing units	No Change

Summary Points:

- The original grant request was for a publicly-owned parking ramp. In 2008 staff agreed to a change from public ownership of the parking ramp to private ownership, via the execution of an easement agreement guaranteeing public use of the ramp. Council policy has been that parking facilities funded with LCDA grants be available to the public, not necessarily in public ownership.
- Cost per stall for the parking ramp was not a significant scoring or evaluation criteria when this project was reviewed.
- Actual land costs were significantly higher than the estimate at the time of the application.

Application of Amendment Procedures

The Council’s process for amending LCA grants to change end development/redevelopment projects involves three steps, as follows:

Step One – Determine whether the requested amendment is a significant change.

LCA grant administration procedures are excerpted below, with the pertinent criteria identified, along with the aspect of the proposed change that applies to that criteria described.

A proposed amendment is <i>significant</i> if it does any of the following:	Staff Assessment
Proposes to replace the end project as originally proposed with a completely different end project, or	Although the proposal does not replace the originally proposed project with a “completely different end project,” the size of project is reduced sufficiently to be considered “significant” and convene a Review Panel.
Proposes to substantially change the mix and type of land uses originally proposed in a way inconsistent with program objectives, or substantially change the nature of the project originally proposed, or	No
Will reduce the overall project density below the density guidelines for developments in the project location, or 20 percent below the density originally proposed (whichever is higher), or	No
Proposes to reduce by 10 percent or more, or by 50 units, (whichever is higher) the total number of housing units, or	No
Proposes to reduce the total number of affordable housing units by 20 percent or more from the project as originally proposed.	No

Step Two – Evaluate the proposed amendment

The CDC may authorize an amendment to the project description included in the grant agreement provided that the end project, as revised, will produce the intended results described in the Livable Communities Act and meets additional account-specific conditions, as listed below.

Requirement	Staff Assessment
<ul style="list-style-type: none"> • Interrelate development or redevelopment and transit; interrelate affordable housing and employment growth areas; • intensify land use that leads to more compact development or redevelopment; • involve development or redevelopment that mixes incomes of residents in housing, including introducing or reintroducing higher value housing in lower income area to achieve a mix of housing opportunities; • or encourage public infrastructure investments which connect urban neighborhoods and suburban communities, • attract private sector redevelopment investment in commercial and residential properties adjacent to the public improvement, and provide project area residents with expanded opportunities for private sector employment; <i>and</i> 	The proposed amendment to the project would not have a significant impact on these factors. The proposed amendment would reduce planned intensity, but still would intensify land use significantly more than currently exists.
Meets the account eligibility criteria; <i>and</i>	The proposed amendment to the project would not have an impact on these factors.

Requirement	Staff Assessment
<p>If an examination of the record of review for the grant award indicates that the end development/redevelopment, as amended, would still include the demonstration and innovation elements that contributed to the Livable Communities Advisory Committee’s selection of the project for funding, <i>and, in addition,</i></p>	<p>All the elements of the original proposal would still be included, but at a smaller scale.</p> <p>The original recommendation from the Livable Communities Advisory Committee (LCAC) indicated that the project:</p> <ul style="list-style-type: none"> • “Demonstrates redeveloping an aging corridor to maximize commercial development and connect to housing • Public parking structure is the catalyst to move the project forward” <p>The proposed reduction in scale of the project would still include those elements.</p> <p>The project scored sixth of ten projects. It scored 34.8 points in a range of 39.8 to 30.8 among funded projects.</p>
<p>If the revised end development/redevelopment project would score similarly (i.e., would score at least 20 points [the threshold level] in the Step One evaluation) to the original end project in the staff technical evaluation.</p>	<p>The original proposal scored 32 points in the Step One Evaluation process, significantly higher than the 20 point threshold; and scored 4 of 8 points in the ‘use land efficiently’ category, the category most pertinent to the proposed changes in this project. The revised proposal may have scored slightly fewer points in the ‘use land efficiently’ category, due to the lower intensity of development in the revised project. The revised proposal would not likely have scored significantly lower, if at all, in other evaluation categories. Therefore, the revised proposal would score similarly to the original proposal, and would score above the 20 point threshold.</p>

Step Three – Convene the CDC Review Panel

As required by the amendment procedures, a Community Development Committee (CDC) Review Panel has been appointed to consider the request to revise the City of Columbia Heights Grand Central Lofts project. The panel will take into account the information provided by the representatives of the City of Columbia Heights and the staff assessment included in this memorandum to prepare a recommendation for action by the CDC during its February 17 meeting.

The committee’s action will occur within 45 days of receipt of the City of Columbia Heights email requesting the amendments.