

Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: November 18, 2008

To: Council Member Lisa Goodman, Chair, Community Development Committee

Referral to: Council Member Paul Ostrow, Chair, Ways and Means Committee

Subject: Broadway Plaza YWCA Project Great Streets Grant

Recommendation: Authorize \$432,000 grant to Great Neighborhoods Development Corporation for the Broadway Plaza YWCA project to assist with project costs.

1. Amend the 2008 General Appropriation Resolution by increasing the appropriations in the Community Planning and Economic Development agency funds:

- a) 01CBY – South Nicollet Mall Fund (01CPR-8900320) by \$432,000 from available fund balance; and
- b) 01CAZ – Common Project - Uncertified Fund (01CAZ-8900320) by \$432,000; and

2. Increase the 2008 Revenue Budget for the Community Planning and Economic Development agency Fund 01CAZ – Common Project – Uncertified Fund (01CAZ-8900900-382801) by \$432,000

Previous Directives: On August 22, 2008, City Council approved the Empowerment Zone Governance Board’s recommendation to provide a \$136,000 loan to support the project. On November 2, 2007, City Council approved the Empowerment Zone Governance Board’s recommendation to provide a \$300,000 grant to AINDC for predevelopment costs of the space at 718-800 West Broadway.

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Approved by: Catherine A. Polasky, Dir. Of Econ. Policy and Dev.	_____
Charles T. Lutz, Deputy CPED Director	_____
Michael D. Christenson, CPED Director	_____
Presenters in Committee: Michael D. Christenson	

Financial Impact

Action is within the Business Plan

Community Impact

Neighborhood Notification: Hawthorne Area Community Council supports this project.

City Goals: A safe place to call home – “Get Fit” and make healthy choices; Equal Access, Equal Opportunity; Lifelong learning second to none; Connected Communities

Sustainability Targets: Addresses Healthy Weight indicator, Homicides indicator,

Permeable Surface indicator, Workers Earning a Livable Wage/Unemployment rate of City Residents Compared to Metro Average indicator.

Comprehensive Plan: Complies

Zoning Code: Will comply

Living Wage/Business Subsidy Agreement Yes__X___ No_____

Job Linkage Yes__X___ No_____

Supporting Information

This proposed Great Streets performance grant to Great Neighborhoods Development Corporation (“GNDC” formerly known as American Indian Neighborhood Development Corporation) for \$432,000 will support the development costs of the \$70 million Broadway Plaza project (“Project”) at 718-800 West Broadway (Ward 3, Hawthorne Neighborhood). This project is a key catalytic investment for the city’s Northside similar to such transformative commercial development projects as the Midtown Exchange and the Chicago Avenue Fire Arts Center. The total investment in this project will further the goals of the Great Streets program to move West Broadway out of the intervene category and into the support category for City investment in revitalizing and sustaining neighborhood commercial districts.

Together with the already-committed \$136,000 Empowerment Zone loan, this grant brings \$568,000 in City funds for project costs, and will keep the project on track and moving towards the planned opening in fall of 2011. The proposed Great Streets grant will leverage other funds at a critical stage in the development. This proposed grant is one of a number of committed public, private, and philanthropic sources. Public sector grant commitments include funds from the US government (Department of Health and Human Services), the State of Minnesota (Department of Employment and Economic Development), the Metropolitan Council, and Hennepin County. GNDC has secured private loans for the project from Franklin Bank, US Bank, Wells Fargo Bank, and LISC. Foundation support is committed from the Bush, General Mills, Jay & Rose Phillips, McKnight, Otto Bremer, US Bancorp, Wells Fargo, and Xcel Energy foundations.

Project Details

Broadway Plaza is a \$70 million redevelopment straddling Aldrich Avenue North at West Broadway in the Hawthorne neighborhood. A new 24-hour 121,000 square foot YWCA, expected to be the largest in the nation, will anchor this development. In addition to the YWCA, a reuse of the former automobile showroom will house approximately 15 businesses in the 41,000 square foot building. Supporting these two facilities are a 300 vehicle parking structure, a Police Department safety center, and pedestrian and streetscape improvements throughout.

Grant Details

Amount – \$432,000

Disbursements – Full disbursement to GNDC at time of grant agreement execution, on or before December 31, 2008.

Employment Goals – GNDC will agree to employment goals for both construction and permanent jobs of Northside residents. GNDC will participate in the SUBP, affirmative action, and living wage programs of the City. GNDC will require job linkage clauses in tenant leases.

Recapture – The grant will be secured by a mortgage and subject to grant repayment if GNDC fails to reach employment goals or if it abandons the project and sells its property holdings at the project site for more than 150% of current appraised value.

Leverage - The Project has a projected private-to-public ratio of 3 to 1. The City fund leverage would be 120 to 1.

Source – Funds allocated to the Great Streets Program from the Common Project are the source of this grant. Use of these funds for this project complies with the requirement to direct them to an eligible commercial corridor within the Common

Project. The activities funded will be tax-increment eligible real estate development costs.

Catalytic Investment

The Project is located on West Broadway Avenue, one of two “intervene” areas designated by the City through the Great Streets program. The recent creation and adoption of the City’s West Broadway Alive plan provides the road map for revitalizing the area’s “Main Street”. The plan outlines an integrated community development strategy that includes rehabilitation of existing storefronts, increasing housing density, improvements to the pedestrian environment, providing technical support to new and existing businesses, and attracting retail and commercial services to the area.

The proposed Great Streets grant to the Project seeks to reinforce the momentum of recent development activity and reduce the need for future public sector financial investment. As we have seen in other areas of the City, significant multi-faceted public investments have resulted in market traction. When an area establishes this traction, the private market takes the lead in future development activity. In Minneapolis we have two recent examples of public investments yielding private market activity: Franklin Avenue and Lake Street. On Franklin Avenue public investments in infrastructure (e.g. Franklin Avenue Reconstruction), housing (e.g. Many Rivers Housing), and office/commercial activity (e.g. Ancient Traders Market and PPL Headquarters) have translated into private investments including the development of the City-County Federal Credit Union, Roger Beck Florist, expansion of Franklin Street Bakery, and the purchase of the Franklin Business Center by a for-profit entity. On Lake Street, public sector leadership at the Midtown Exchange and the Phillips Partnership has led to housing investments and the construction of health care campuses at Abbott Northwestern and Children’s Hospitals.

The expected impact of a 24-Hour YWCA

One key finding of the West Broadway Alive plan is the need for an anchor business that will draw residents and visitors to that Avenue. A 24-hour YWCA will be the anchor for development. Investment in a YWCA has shown positive market impacts in other locations. These impacts can include improvements to home values, decreases in crime, and increases in market demand. We expect similar transformative results will occur on West Broadway with the development of this YWCA facility.

Most importantly, there is a sound market rationale to site a YWCA at this location. According to the McComb Group, Ltd study commissioned by the YWCA, the Project will serve an untapped market. The trade area around the Project exhibits many similarities to the demographics of the existing YWCA location in Downtown, Midtown, and Uptown, (see below). Moreover, surveys of existing YWCA members show that more than 1,800 live in the trade area with a large proportion living on the Northside.

“The proposed West Broadway YWCA is an outstanding opportunity to bring a full service exercise facility to north Minneapolis. The population of this area is underserved by existing exercise facilities, [sic] a limited service YMCA on West Broadway. Residents of this area have an exercise participation profile similar to that of south Minneapolis where several full service exercise facilities are located. The YWCA had 1,882 members in the trade area, a penetration rate of 2.0 percent compared to 11.9 percent penetration in south Minneapolis. The new YWCA

facility is expected to have a market penetration similar to the Midtown YWCA in south Minneapolis. The new YWCA is estimated to attract about 6,800 new members, increasing exercise participation by about 350 percent. The proposed YWCA is expected to serve about 8,700 families and will bring a new modern fitness facility to the underserved north side. The proposed YWCA is an opportunity for north side residents to improve their health and for the YWCA to expand its mission.” [McComb YWCA Market Study Executive Summary]

Great Streets Program Qualifications

The Project addresses the Great Streets program goal of revitalizing and sustaining commercial districts. The addition of a 24-hour YWCA provides a critical anchor for the Northside’s largest commercial district. The scope of the Project and character of the Project’s tenants will provide a catalyst to a commercial corridor that lags behind other commercial areas within the city. West Broadway’s designation as the only “intervene” commercial corridor in the city, shows the need for City intervention to prime the pump to bring market interest and activity.

GNDC is a 501(c)3 non-profit corporation with a proven history of developing successful, transformative commercial real estate in challenged areas. GNDC’s recent developments are along East Franklin Avenue, the organization’s primary area of focus. These include Franklin Business Center, Franklin Circles Shopping Center, Ancient Traders Market, and Franklin Street Bakery.

CPED has focused resources to respond to areas of most need, the “intervene” category. Leading with strategic development investments is typical in intervene areas for a time period. CPED, and its predecessor the MDCA, has performed this role in other areas of the City, including the development in the Saint Anthony West area, the central riverfront, Midtown Exchange, and the Hiawatha corridor. Catalytic public investments, such as this one, in key areas of critical need draw private market investment. The Project will have a positive impact on estimated market value of the area, reduced crime rates, improved building conditions, and reduced commercial vacancies.

Additional Public Benefits and Public Support for the Project

The project has additional public benefits. It will create more than 200 new living-wage permanent jobs and more than 450 construction jobs. A portion of the project will have a green roof and will seek LEED certification. Redevelopment of the property and activating the area will help decrease crime in the immediate neighborhood, improve the appearance of West Broadway, and strengthen potential market interest in the immediate area. Most importantly, the project will provide a destination anchor on West Broadway that will have positive economic impacts on adjacent businesses and residents.

Strong support for this project exceeds that of the direct financiers. GNDC has received written support from the following organizations: Ryan Companies, YWCA of Minneapolis, Science Museum of Minnesota, Wellington Management, Inc., Basilica of St. Mary and Ascension Church, Minneapolis Police Department, Hawthorne Area Community Council, Holding Forth the Word of Life Church, Cub Foods on West Broadway, West Broadway Coalition, and Plymouth Youth Center.

Overview of project and funding timeline

Site Acquisition	Completed
Demolition/Environmental Remediation	Fall-Winter 2009
Start Site Construction	Spring 2010
Start Building Construction	Summer 2010
End Construction	Fall 2011

Total development costs are estimated at \$70 million. A majority of these funds (an estimated \$40 million) will come from a capital campaign from corporate, foundation, and individual donors. The remainder is a mix of New Markets Tax Credits, and debt. After the preliminary analysis of the potential donors, Bentz Whaley Felssner (GNDC's capital campaign consultant) has determined that the goal for the project is achievable.