

Watertown EDA

May 25, 2023

Agenda Item: Carver County CDA Community Growth Partnership Grant – Jefferson Ave. LLC**Request for Action: Adopt Resolution #2023-03EDA, Authorizing Application to CGPI****Employee/Dept.: Jake Foster, City Administrator****Background:**

The new owner of 701-709 Jefferson Ave. SW, Parker Smith, is continuing to work through his redevelopment project at the site. Mr. Smith has converted the existing building into a multi-tenant leasable workspaces. Currently, there are 25 individual work spaces that are/will be leased to small to medium sized businesses that work in light-industrial business spaces. The new property owner envisions a wide variety of potential uses including, but not limited to: Plumbers, electricians, builders, repair shops, light manufacturing, wood working, etc. Each unit will be 1,000 sf or larger, with the largest being 20,000 sf and currently occupied by "Hooked on Classics" (HOC).

In addition to the interior improvements, the developer has or will be adding parking, addressing current parking issues, and paving parking lots in the front and back of the building(s), addressing stormwater issues, building roadways around the site, and updating lighting, landscaping, and making some facade improvements. Mr. Smith also owns the immediately surrounding properties and envisions additional development in the longer term.

The overall cost of the redevelopment is expected to cost approximately \$5,000,000, including property acquisition, utility and building upgrades, and sitework. The Watertown EDA approved their application for the Carver County CDA's Community Growth Partnership Initiative in 2022, and they were ultimately awarded a grant from the program of \$100,000. Mr. Smith and Jefferson Ave. LLC have again requested the \$100,000 in grant funds from the CGPI for 2023. Staff supports this application, and recommends the EDA approve Resolution #2023-03 EDA Authorizing the application to the CGPI program through the Carver County CDA. When Mr. Smith applied for the CGPI grant in 2022, he informed staff and the EDA that there may be subsequent applications for the grant due to the size, cost, and multi-year nature of the project.

This project is expected to result in retaining/adding approximately 30 jobs with wages of \$17/hour, or more, to the City of Watertown.

As in past applications, the EDA is the applicant and then passes through the funds to the developer once the development is substantially complete, or costs are incurred, and documentation is provided. No funds are expended by the EDA in this arrangement other than the administrative costs borne by staff.

Budget Impact:

None.

Funding Source:

Carver County CDA/CPGI Grant Program
EDA Fund>Wages & Legal Services

Recommendation:

Staff recommends that the City of Watertown EDA adopt Resolution #2023-03EDA authorizing the Community Growth Partnership application be submitted to the Carver County CDA.

Motion Type:

Simple majority vote of members present.

Requested Action/Motion:

"I move to adopt Resolution #2023-03EDA authorizing the CGPI grant application for the Jefferson Ave, LLC project be submitted to the Carver County CDA."

Attachments:

Jefferson Ave. CGPI Application

Resolution #2023-03DA



2023 Community Growth Partnership Initiative

Request for Proposals Guide

Applications Available	April 17th, 2023
Applications due to CDA	May 26th, 2023 @ 4:30pm
Scoring Committee Mtg	June 5th, 2023 @ 3:00pm
CDA Board Meeting	June 15th, 2023

PURPOSE

The Community Growth Partnership Initiative Grant Program (CGPI) started in January 2016 with the goals to increase the tax base and improve the quality of life in Carver County through three specific strategies:

Affordable Housing: The program is intended to promote the development of affordable workforce and supportive housing. The need for affordable housing continues to grow in Carver County and opportunities for affordable housing development are becoming increasingly difficult. Affordable housing provides benefits beyond the housing itself, such as assisting area workers and providing housing for our future workforce.

Community Development: The CGPI is intended to assist cities in the area of job creation and community development as Carver County cities continue to work towards creating “Communities for a Lifetime”.

Redevelopment: The program is intended to assist with cities’ implementation of Redevelopment Plan goals. Blighted and under-utilized areas do not maximize their potential economic value, can negatively impact the livability of a community, and can be expensive to remedy.

PROGRAM INFORMATION

Funding Available: Up to \$400,000 in grant funds is available during 2023. The CDA will reserve ten percent (10%) for Pre-development grants. The maximum Pre-development grant amount is \$7,500. The remaining funds will be available for Community Development grants, with a maximum individual award amount of \$100,000.

Eligible Applicants: Eligible applicants for this program are Carver County cities. Only one application per city per year will be accepted for Pre-development grants. A maximum of \$100,000 in Community Development requests will be accepted per city per year either through one project or a combination of projects.

Application Instructions: It is the applicant’s responsibility to be aware of the submission requirements needed to prepare a complete application in accordance with this guide. The application consists of the program application and all required attachments. Applications may be submitted via email to chucks@carvercda.org or sent to the Carver County CDA; Attention: Chuck; 705 North Walnut Street; Chaska, MN 55318.

Pre-development grants are accepted on a pipeline basis, with applications due on the 1st of every month. Community Development grants are accepted up to twice per year if the funds are not expended in the first round.

Applications determined by the CDA to be incomplete will not be accepted and will be returned to the applicant. No applications, attachments or documentation will be accepted after the application due date unless requested by the CDA. The CDA retains the right to refuse the application in whole or in part for any reason. Contact Chuck Swanson, (952) 556-2778 or chucks@carvercda.org, if you have questions. Applicants are strongly encouraged to discuss their project prior to submission.

DEFINITIONS

Activity: Component(s) of the Project for which funds are requested.

Housing Affordability: “Affordable” is defined as (a) rental—available to households at or below 50% of the area median income; (b) owner—available to households at or below 80% of the area median income.

Living Wage Jobs: defined as \$17 per hour or more.

Project: Development component for which Community Development grant funds are requested.

Redevelopment: is defined as the reconstruction, re-use or change in use of any developed property that improves the economic use and value of property. Redevelopment is usually characterized by the partial or complete clearance of existing structures and new construction. The new use(s) may be residential, commercial, retail, industrial, office or other uses the city supports.

Redevelopment Plan: as defined by Minnesota Statutes 469.002 Subd. 16: *“Redevelopment plan” means a plan approved by the governing body, or by an agency designated by the governing body for the purpose of approving such plans or authorized by law to do so, of each city in which any of a redevelopment project is to be carried out, which plan provides an outline for the development or redevelopment of the area and is sufficiently complete (1) to indicate its relationship to definite local objectives as to appropriate land uses; and (2) to indicate general land uses and general standards of development or redevelopment.*

The Redevelopment Plan will identify a redevelopment area, activities to be undertaken within the area, as well as city objectives, land use requirements, and development or redevelopment standards. The city’s comprehensive plan or other city-wide planning documents do not qualify as Redevelopment Plans under the CGPI Program unless the area is specifically identified and documented in detail in the plan.

PRE-DEVELOPMENT GRANTS

Pre-development grant funding is restricted to activities directly related to a current or future project, including but not limited to:

Market Analysis	Concept Design
Site Design	Zoning Studies
Small Area Plans	TIF/Abatement Analysis
Engineering Studies	Stormwater Management Plans
Soil Testing	Blight Analysis
Certified Shovel Ready Site Documents	Environmental Studies/Assessments

Pre-development grants may also be used to fund activities that are required to establish a Redevelopment Plan. As such, the Redevelopment Plan is not required to be in place to be eligible for a Pre-development grant.

The application must meet the following threshold criteria to be scored:

- The application must be approved by the respective city council via resolution that includes the Required Resolution Provisions (sample resolution is attached to application).
- The city must be supportive of affordable housing and the CDA’s mission. The adopted resolution must contain the following required provision: *The City is supportive of affordable housing and of the CDA’s mission, to improve the lives of Carver County residents through affordable housing and community development.*

- There is a minimum leverage rate of \$1 of other funds (public or private) for every \$1 of Pre-development grant funds.

COMMUNITY DEVELOPMENT GRANTS

Community Development funding is restricted to the Eligible Activities, defined below, necessary to prepare for the development.

Eligible Activities

Grant funding is restricted to the following activities:

1. Property acquisition (see “Other Requirements” below for additional stipulations)
2. Relocation payments to occupants of property acquired with program funds
3. Clearance and demolition expenses related to site assemblage for redevelopment and consistent with the Redevelopment Plan
4. Clean up of pollution or other contaminants on the impacted site
5. Historic preservation (rehabilitation of properties with national or local significance in order to preserve that significance)
6. Necessary public improvements including, but not limited to, public parking structures, sewer and water, utilities, sidewalks, lighting, streetscape, street reconstruction, and stormwater
7. Corrections to soil conditions with extraordinary remediation expenses
8. Rehabilitation/expansion/new construction of a facility that is linked to job creation of living wage jobs or affordable housing units

Ineligible Activities

Grant funding cannot be used for the following activities:

1. Costs not included in the application
2. House moving
3. Administration expenses
4. Public facilities (non-parking)

Threshold Criteria

Applicants must first meet the threshold criteria to be considered for funding.

1. The proposed project must be identified in the Redevelopment Plan (if it is a redevelopment project).
2. The application must be approved by the respective city council by resolution that includes the Required Resolution Provisions (sample resolution is attached to application attached).
3. The city must be supportive of affordable housing and the CDA’s mission. The adopted resolution must contain the following required provision: *The City is supportive of affordable housing and of the CDA’s mission, to improve the lives of Carver County residents through affordable housing and community development.*
4. The application must demonstrate a minimum leverage of \$2 of other funds for every \$1 of Community Development grant funds.
5. Demonstration of the project’s public purpose and financial need that other funding sources cannot fill.

Competitive Criteria

If the application meets all threshold criteria, it will be reviewed and ranked on the following competitive criteria.

1. **Leverage and Financial Need:** Applications should include other funding sources committed to the project. Examples include TIF/Abatement, DEED, Metropolitan Council, or other public and private resources. Evidence of funding commitments must be submitted with the application. The project should also show a financial need and demonstrate that other funding sources are not sufficient. [15 Points Maximum]
2. **Readiness to Proceed:** The applicant should be ready to proceed with the identified project upon funding award (e.g. city entitlements, site control secured, financing commitments in place). [10 Points Maximum]
3. **Housing Affordability:** To receive points for Housing Affordability, the project must be either a Tax Credit Development or receiving some other type of funding that requires income and/or rent restrictions (affordability compliance) with a federal, state or local agency. If the project is a rental project, the owner must be willing to accept Tenant Based Rental Assistance (Housing Choice Voucher/other tenant based rental assistance). Compliance reporting required by the federal, state or local agency will also need to be submitted to the CDA annually. [25 Points Maximum]
4. **Economic Benefit:** The project should have a defined impact on the local economy. This impact is measurable through growth in property taxes and new/retained Living Wage Jobs. [25 Points Maximum]
5. **Environmental Improvement:** Projects that will clean-up, prevent and protect from environmental hazards are encouraged. Applicants should work with state and local agencies and professional consultants to identify the optimum remedy and create sustainable redevelopment. [10 Points Maximum]
6. **Removal of Blight:** Points will be awarded to projects that demolish or clean up blighted properties and/or properties with obsolete structures beyond their useful life. [8 Points Maximum]
7. **Livability Concepts:** Redevelopment Plans and Projects should consider the need for public transit, reduced/shared parking, walkable neighborhoods, resiliency, green space, increased density, and mixed land uses that build a strong sense of community. [7 Points Maximum]

Other Requirements

Property Acquisition and Relocation

Property acquisition may be undertaken by a public, private or non-profit entity as part of a redevelopment project. In all instances, the CDA will provide grant funds to the city as grantee, which in turn, can provide those funds to another acquiring entity if necessary. The corresponding grant agreement will specify conditions whereby the acquiring entity will have no recourse to the CDA in matters related to the acquisition of real property.

If federal funds are used in whole or in part for a project, including property acquisition, clearance and/or construction, all provisions of 49 CFR 24.101 (the Uniform Relocation Act or URA) must be followed. With all funding sources, the cost of property acquisition must be based on a determination of fair market value as derived from an independent appraisal and/or county assessed value. If the final acquisition price exceeds the appraised value, the grant funds requested must be less than this value with the additional cost being paid by other funds.

Minnesota Statutes 117.50 et. seq. and related case law also requires that in all acquisitions undertaken by an acquiring entity without federal participation, the authority must provide relocation assistance as a cost of acquisition. Additionally, the Minnesota Supreme Court held that an authority may be responsible for certain relocation costs when the property is acquired by a private developer if the activities of the authority and the developer are so intertwined to produce a joint acquisition of the project.

Financial Need

As noted previously, leverage of other funding sources is required for a CGPI grant. In addition to identifying leverage, the applicant shall also explain how they have exhausted other resources.

Fair Housing

The Fair Housing Act prohibits discrimination in all housing related transactions based on race, color, religion, national origin, sex, familial status and disability. Projects shall comply with all federal laws, executive orders, and implementing rules and regulations. Projects shall also comply with Minnesota law and local city ordinances.

Reimbursement

The Community Development grant program works on a reimbursement basis. In order to be reimbursed, documentation must be submitted showing the criteria has been met. For example, if scoring is received in growth or retention of Living Wage Jobs, documentation must be submitted to support the number listed in the application.

SELECTION

Applications must be completed and received by the due date. Applications will be reviewed by CDA staff, and those meeting the threshold criteria and scoring highly on the competitive criteria will be submitted to the CDA Board of Commissioners. After selection and approval by the CDA Board of Commissioners, the CDA will issue a letter of commitment and enter into a grant agreement with the city.

GRANT AGREEMENT

CDA staff will work with the city and enter into a Grant Agreement. This agreement will detail the terms and conditions of the grant and allow for the release of funds to the city. The grant agreement will require funds to be spent within 18 months of the date of the agreement. Waivers and extensions to any provision in the agreement requested by the grantee will be considered on a case-by-case basis depending on the merits of the request. Grants will be paid on a reimbursement basis. Grantees will also be required to submit semi-annual progress reports and final report once the project is completed.

Community Growth Partnership Initiative 2023 Community Development Grant Application

Project name: Watertown Warehouses

Applicant: City of Watertown

Contact name: Jake Foster

Contact email and phone: jfoster@watertownmn.gov – 952-955-2690

Authorized official for contract execution (name and title): Jake Foster, Executive Director/City Administrator

Project Summary

The site at 701-709 Jefferson Ave. SW has recently changed ownership. The new owner intends to further convert the existing building into a multi-tenant workspace. After the redevelopment is completed, there will be 25 individual spaces that will be leased to small to medium sized businesses that work in the light-industrial spaces. The new property owner envisions a wide variety of potential uses including, but not limited to: Plumbers, electricians, builders, repair shops, light manufacturing, wood working, etc. Each unit will be 1,000 sf or larger, with the largest being 20,000 sf and currently occupied by "Hooked on Classics" (HOC).

In order to make the proposed updates to the existing building(s), the developer has/will need to bring several items up to City standards. In addition to the interior improvements, the developer has, or will be, adding parking, addressing current parking issues and paving parking lots in the front and back of the building(s), addressing stormwater issues, building roadways around the site, and updating lighting, landscaping, and making some facade improvements.

The new owners are brothers and third generation developers. A number of the properties they owned were developed by their grandfather and father, and are still in their portfolios. That have successfully deployed this, "small space for small business" model in other communities, and firmly believe it will continue to be a success in Watertown. Furthermore, they intend to hire local contractors where they are able.

1. Request Details

1a. Request Amount:

1b. Proposed activities/use of CGPI funds (check all applicable boxes)

- Acquisition
- ☉ Lighting
- ☉ Landscaping
- ☉ Streetscaping
- ☉ Parking
- Other (list)
- Utilities
- Site Work
- ☉ Roadways
- Soil Remediation
- Relocation
- Sidewalks/Trails
- Demolition
- Stormwater
- Environmental cleanup

2. Readiness Details

Milestone	Commitment date or anticipated date	Amount
<i>Construction Timeline</i>		
Market/feasibility study		Not Applicable
Land use approvals (including any zoning, comprehensive plan amendments, variances, etc.)	Spring 2022	\$15,000
Environmental approvals	Spring 2022	Not Applicable
Construction bids		Not Applicable
Permits	Spring 2022	\$3,000
Site control	Spring 2022	Not Applicable
Financial closing	Fall 2021	\$3,000,000 (mortgage)
Clean up/demolition		Not Applicable
Begin construction	Spring 2022	Not Applicable
Project completion	2023	Not Applicable
<i>Project Funding Sources</i>		
First mortgage	11/24/21	\$3,000,000 (all parcels)
General partner cash/other equity	1/1/22	\$1,500,000
Syndication proceeds		
Deferred loans		
TIF		
Sales tax/energy rebates		

Deferred developer fee		
Met Council TOD/LCDA/TBRA		
DEED Redevelopment/Cleanup		
DEED MIF/JCF		
Carver County CDA CGPI		100,000 (2022)
City		
Other:		
Other:		

2a. Total development cost: \$5,000,000.00 Percentage of funds committed: 95%

2b. List other sources of funds requested or considered but not obtained for the project and explain why.

3. Project Details

3a. Site address(es) 709 Jefferson Ave SW, Watertown, MN

3b. Site size 7 Acres

3c. Number of parcels 1

3d. Parcel ID(s): 850080100

Housing

3e. Are there any existing housing units on the site: Yes **No**

 If so, how many?

 Are any of the units vacant? Yes No N/A

3f. Are any of the existing units affordable? N/A Yes No

3g. Housing Units (*Indicate the number of housing units planned in the project*)

	Total Units	New Units	Retained Units	Owner-Occupied	Rental Units	Market Rate	Affordable Units	Affordability Level (% AMI)
Single Family								
Townhome								

Apartments/ Condos								
Duplexes								
Other (Specify)								

3h. Is there a mechanism to ensure long term affordability? N/A

3i. If yes, please describe the type and length of affordability.

3j. Who is the target population for these units (seniors, families, etc.)? N/A

3k. If the project is a rental project, is the owner willing to accept Tenant Based Rental Assistance (Housing Choice Voucher or other tenant based rental assistance)?

N/A

Commercial

- 3l. Are there existing commercial buildings on the site: Yes No If so, how many? 1
 Are any of the units vacant? Yes No N/A

3m. Commercial square footage (Indicate the square footage and jobs planned for the project)

	Total square footage	New square footage	Retained square footage	New FTEs	Retained FTEs	Jobs with wages \geq \$17/hour
Retail/commercial						
Industrial	67,520					30
Office						
Other (Specify)						

- 3n. List and describe any businesses that will be located on the site. Identify any that are Small Business Enterprises (SBE), Women Business Enterprises (WBE), Minority Business Enterprises (MBE) or Veteran owned.

Since development has began, last fall, we have rented around 80% of the finished units. They are mainly service businesses; Hooked on Classics, a Fence company, plumbers, HVAC, water purification... etc. The rest of the units are used for temporary and long-term storage. As we continue to develop the building more businesses will fill the completed spaces. HOC is veteran owned and I believe a few other businesses have either veteran employees or are veteran owned.

4. Project Costs

4a. Current taxable market value of the site: 1,200,000

4b. Anticipated taxable market value after redevelopment: 2,000,000 (specific to subject parcel)

4c. Development costs

Acquisition cost: \$1,500,000 Total development cost: 1,000,000

4d. Proposed cost of activities/use of CGPI funds

Activity	Total Cost	CGPI Request
Acquisition	\$1,500,000	
Utilities		
Sidewalks/Trails		
Lighting		
Site Work		
Demolition		
Landscaping	\$20,000	

Roadways	\$200,000	\$100,000
Stormwater	See Roadways	
Streetscaping		
Soil Remediation		
Environmental cleanup		
Parking	See Roadways	
Other		
Other		

5. Narrative

5a. Describe how this project fits into the city's goals and the Redevelopment Plan, its public purpose, any extraordinary costs, and the community's need for the project. Describe other projects completed/underway as part of the Redevelopment Plan or in the area and how this project may catalyze additional (re)development.

This project provides an avenue for local small and medium sized businesses to grow, and creates/retains jobs within the community. Without this project, the City does not have leasable workspaces that can house light manufacturing jobs. The jobs will also offer an opportunity for residents to live and work in Watertown. Additionally, the increased property value will significantly support the City's tax base.

5b. Provide a brief history of the site including previous uses, slum or blight, activities, contamination, and other attempts at redevelopment.

This site was originally used as a tackle box manufacturing plant, and eventually sold to Hooked on Classics. The previous owners neglected any maintenance or bringing the building up to City standards. They relied heavily on being "grandfathered in" on many of these standards, and avoided any improvements to continue to hold these statuses and be legal-nonconforming properties. As part of the proposed project, the new owner will be improving the property to meet all City standards.

5c. How does your project create a more livable community? Include information about the mix of uses, proximity to transit, reduced/shared parking, resiliency, walkable neighborhoods, green space, increased density, benefits to businesses/organizations, and community building elements.

This project creates a significant opportunity to house businesses with a great variety of mixed uses. It creates a location for residents to live and work in Watertown, and an opportunity to grow local small and medium-sized businesses. The developer has also volunteered his parking lot to serve as overflow parking when there are games/events at the adjacent Highland Park. His project would provide better, paved, parking for those instances.

5d. Describe any contamination on the project site or in the redevelopment plan area. Was a Response Action Plan developed? Will the project be cleaning up any contaminated soil, hazardous waste or other elements? If so, describe the type of clean up.

N/A

5e. Describe how the project is maximizing the potential of the site.

This project is maximizing the current building by improving/modernizing each unit, increasing access to each unit (installing garage doors, service doors, and improving lighting and parking). This building was only 20%

occupied when it was purchased. Due to the improvements the developer has made this far, it is now approximately 80% occupied. This project is better utilizing the existing building. Furthermore, Mr. Smith purchased the immediately adjacent properties and has plans to develop the remaining buildable land. The long-term plan is anticipated to include additional commercial development and housing.

5f. Will any existing residents, tenants or businesses be temporarily or permanently relocated as a part of this project? If so, please describe how relocation will occur.

No.

5g. Describe the biggest challenges or extraordinary costs facing your project and explain why the project is not feasible without CGPI funds. Please include any challenges not previously described such as status of site control, financing, rents and returns, tenants/leasing and other items pertinent to a successful project.

Due to the shear size of this project, the costs are also very large. The site is now generating revenue for the developer, but there are still significant costs that remain. The 2023 CGPI funds will allow the developer to continue upgrading the site at a much faster rate, rather than having to wait for lease revenue to reinvest in the site.

Attachments

1. City Resolution (sample is attached and must contain all provisions listed)
2. Location map
3. Site plan and elevations (if available)
4. Existing conditions photos
5. Redevelopment plan (if it is a redevelopment project)
6. Relocation plan (if applicable)

7. Copies of any funding commitments
8. Evidence of site control
9. Development pro forma that includes such things as sources and uses, financing assumptions of any debt, debt service coverage ratio, loan to value, loan to cost, percent equity and cash on cash return.

**CITY OF WATERTOWN
ECONOMIC DEVELOPMENT AUTHORITY
RESOLUTION NO. 2023-03EDA**

**A RESOLUTION APPLICATION FOR COMMUNITY GROWTH PARTNERSHIP
INITIATIVE GRANT PROGRAM**

WHEREAS, the City of Watertown Economic Development Authority (“the EDA”) has identified a proposed project within the city that meets the Carver County Community Development Agency (CDA) Community Growth Partnership Initiative Grant Program’s purpose and criteria; and

WHEREAS, the EDA has identified a project from Jefferson Avenue, LLC, that will create living wage jobs; and

WHEREAS, the EDA has the capacity and capability to ensure the proposed project will be completed and administered within the Community Growth Partnership Initiative program guidelines; and

WHEREAS, the EDA has the legal authority to apply for financial assistance; and

WHEREAS, the EDA is supportive of affordable housing and of the CDA’s mission to improve the lives of Carver County residents through affordable housing and community development.

NOW THEREFORE BE IT RESOLVED that the City of Watertown Economic Development Authority approves the application for funding from the Carver County CDA Community Growth Partnership Initiative Grant program.

BE IT FURTHER RESOLVED that if the application is approved by the Carver County CDA, Jake Foster, the EDA Executive Director, is hereby authorized to execute such agreements as are necessary to receive and use the funding for the proposed project.

Adopted by the Economic Development Authority of the City of Watertown this 25th day of May 2023.

Ken Grotbo, President

ATTEST: _____
Margaret Reisdorf, Secretary