



## Request for City Council Committee Action from the Department of Community Planning & Economic Development

**Date:** July 24, 2012  
**To:** Lisa Goodman, Chair, Community Development Committee  
**Referral to:** Betsy Hodges, Chair, Ways and Means/Budget Committee  
**Subject:** Metropolitan Council TBRA Investigation Grants  
(August 1 Grant Round)

### Recommendation:

1. Authorize application to the Metropolitan Council's Tax Base Revitalization Account [TBRA] Investigation Grant Program for environmental investigation/assessment funding for the following projects: Heritage Park (Outlot C), Minneapolis Preservation Portfolio Project, and The Commons @ Penn Avenue.
2. Approve the attached resolution authorizing appropriate City staff to submit the aforesaid applications to the Metropolitan Council's Tax Base Revitalization Account [TBRA] Investigation Grant Program.

### Previous Directives:

**Heritage Park (Outlot C)** (1108 Van White Memorial Boulevard): On June 15, 2012, the City Council authorized the termination of the existing Redevelopment Contract in exchange for cooperation from Heritage Housing, LLC with a voluntary foreclosure and winding-down of activities and appropriate funds for foreclosure and property maintenance costs. On December 16, 2011, the City Council authorized pursuing foreclosure proceedings for properties owned by Heritage Housing, LLC in the Heritage Park redevelopment area and executing appropriate documents. On May 16, 2008, the City Council authorized the execution of the Fifth Amendment to the Heritage Park Redevelopment Contract, Phases 1 and 2 with Heritage Housing, LLC. reducing the total number of units to be developed from 174 units to 169 units, extending the build out performance deadline to June 1, 2010, and extending the turn-back of the triangle parcel to April 2010. On October 5, 2007, the City Council authorized the execution of the Fourth Amendment to the Heritage Park Redevelopment Contract, Phases 1 and 2 with Heritage Housing, LLC. reducing the total number of units to be developed from 180 units to 174 units.

On April 13, 2007, the City Council authorized the sale of Outlots I & J to Heritage Housing, LLC and authorized the Second Amendment to the Land Conveyance Agreement with Minneapolis Public Housing Authority. On March 30, 2007, the City Council approved the Third Amendment to the Heritage Park Redevelopment Contract with Heritage Housing, LLC increasing the total number of units; extending the completion timeframes; expanding the middle income limit; revised the timing for developer reimbursement of land sale proceeds for soil correction; increased payments to the public improvement cost note; and assigned a new Town Architect for the project. On May 26, 2006, the City Council approved to provide up to \$500,000 of Residential Finance Mortgage program income to Heritage Housing, LLC to be used as affordability loans for the Heritage Park Redevelopment Project; and authorized amending the 2006 Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund SRF-Residential Finance Mortgage Fund by \$500,000. On April 29, 2005, the City Council approved the Second Amendment to the Heritage Park Redevelopment Contract with Heritage Housing, LLC extending the commencement and completion timeframes; amending Section 5.05 Construction Plans and Specifications, and amending Section 11.02 Phases 3 and 4 Improvements. On May 28, 2004, the City Council approved an amendment to the Heritage Park Redevelopment Contract with Heritage Housing, LLC increasing the total number of for-sale units to be developed in Phases 1 and 2 and provide an option to develop a commercial component. On December 29, 2003, the City Council approved the terms of an amendment to the Land Conveyance Agreement with Minneapolis Public Housing Authority for the Heritage Park For-Sale Development Project, Phases 1 and 2. On August 22, 2003, the City Council authorized the appropriate MCDA officials to execute the Land Conveyance Agreement with Minneapolis Public Housing Authority for the Heritage Park For-Sale Development Project, Phases 1 and 2. On August 8, 2003, the City Council approved the business terms and conditions for the Phases 1 and 2 Heritage Park Development Agreement with Heritage Housing, LLC; increased the appropriation in Fund SDA by \$668,000; and increased the revenue in Fund SDA by \$668,000. On July 29, 2003, the MCDA Board of Commissioners authorized the sale of property to Heritage Housing, LLC; approved the business terms and conditions; and authorized the execution of a Development Agreement with Heritage Housing, LLC. On May 2, 2003, the MCDA Board of Commissioners authorized staff to enter into negotiations with Heritage Housing, LLC based on their proposed Scope of Services, returning with a term sheet within 90 days.

**Minneapolis Preservation Portfolio Project** (eight addresses; see project description below): There have been multiple prior City Council actions related to the original affordable housing financing for most or all of the Aeon properties in question.

**The Commons @ Penn Avenue** (2201-2213-2217-2221 Golden Valley Road and 1823 Penn Ave. N.): On June 29, 2012 the City Council approved an exclusive development rights agreement between the City and Building Blocks Non-Profit, Inc.

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|---|-------|
| Prepared by: Kevin Carroll, Principal Project Coordinator, 612-673-5181                   |       |
| Approved by: Charles T. Lutz, Deputy Director, CPED                                       | _____ |
| Catherine A. Polasky, Director of Economic Policy & Development                           | _____ |
| Presenter in Committee: Kevin Carroll, Prin. Project Coordinator, Bus. Dev., 612-673-5181 |       |

## Financial Impact

X Other financial impact: There is no direct financial impact at this time. However, this quarterly TBRA investigation grant program requires a commitment of local match funds, to be provided by the developer or other non-City funding sources. The City of Minneapolis is sponsoring these grant requests, acting as a pass-through and conduit for any awarded environmental cleanup funds. Sponsoring these grant applications does not commit (or imply a commitment of) City funds as the required match. Partial compensation for City staff time required to review and process grant applications, and to administer any pass-through grants that are awarded, will be obtained through application fees and grant administration fees that were approved by the City Council on April 16, 2010.

## Community Impact

Neighborhood Notification:

**Heritage Park (Outlot C)** (1108 Van White Memorial Boulevard): The Heritage Park Neighborhood Association was notified prior to the December 16, 2011 Council action authorizing foreclosure proceedings involving Heritage Housing, LLC.

**Minneapolis Preservation Portfolio Project** (eight addresses; see project description below): The Elliot Park Neighborhood issued a letter of support on June 11, 2012. Aeon has also notified the Loring Park neighborhood group of its plans. In addition, there were multiple past notifications related to project financing for some or all of these Aeon affordable housing projects.

**The Commons @ Penn Avenue** (2201-2213-2217-2221 Golden Valley Road and 1823 Penn Ave. N.): The developer met with the Northside Residents Redevelopment Council in May and in June to discuss this project.

City Goals: Livable Communities, Healthy Lives; Eco-Focused. Cleanup of contaminated land supports sustainability goals and some projects include "green" design and construction elements.

Sustainability Targets: Brownfield Sites

Comprehensive Plan: The proposed projects generally comply with the "land reclamation" and "providing a healthy environment" elements of *The Minneapolis Plan for Sustainable Growth*.

Zoning Code: The proposed projects either are in compliance or will comply.

Living Wage/Business Subsidy Agreement: Yes\_\_\_\_ No\_X\_\_\_\_

Job Linkage: Yes\_\_\_\_ No\_X\_\_\_\_

Other: Environmental remediation/investigation assistance is generally exempt from the City's Living Wage Ordinance and the State's Business Subsidy Act.

## Background/Supporting Information

The three applications that are being recommended for submission to the Metropolitan Council's TBRA Investigation Grant Program are as follows:

| Project Name                               | Grant Requests*  |
|--|------------------|
| Heritage Park (Outlot C)                   | \$50,000         |
| Minneapolis Preservation Portfolio Project | \$35,667         |
| The Commons @ Penn Avenue                  | \$22,500         |
| <b>TOTAL:</b>                              | <b>\$108,167</b> |

\*Amounts shown are based on pre-applications submitted to the City. The final amounts shown on grant applications submitted to the grantors by their respective application deadlines may differ, due to project cost updates prepared after the submission of the pre-applications.

The TBRA Investigation Grant Program referred to herein is a recent expansion of a longstanding brownfield grant program maintained by the Metropolitan Council. That program's history began with the Metropolitan Livable Communities Act, which was enacted in 1995 and which designated the Metropolitan Council as the administrator of the Tax Base Revitalization Program. Since that time, the TBRA program has conducted semi-annual grant rounds (with application deadlines of May 1 and November 1 of each year) and has approved corresponding semi-annual grant awards to investigate and/or clean up contaminated land for subsequent redevelopment, job retention, and job growth in areas that have lost some of their commercial/industrial base.

In an effort to address recurring demand for investigation grant funding between the aforementioned May 1 and November 1 brownfield grant rounds, the Metropolitan Council approved (in 2011) the creation of up to two additional rounds of investigation grant funding per year, with August 1 and February 1 application deadlines. A maximum of \$125,000 in grant funding is available for the impending February 1 round, and the maximum amount that can be awarded to any individual project or applicant is \$50,000.

Interactions with the Metropolitan Council during the last twelve semi-annual TBRA grant rounds have clarified and reinforced the fact that their internal processes for reviewing, scoring and ranking applications give no weight to any city's prioritization of the applications that it submits to the TBRA program. The analyses conducted by their staff members, and the decisions that they make in awarding grants, are based on statutory criteria and adopted guidelines that do not include the (relative) preferences of municipal applicants. Accordingly, and in keeping with the practice that has been followed by the City in the last few years, the recommendation of City staff is that the City Council not rank or prioritize the applications referred to herein. However, projects that are not supported by the City are not recommended for submission.

### Details of Proposed Projects:

[The summary descriptions that appear below are based upon information provided by the developers or by others familiar with the details of the projects in question.]

**Heritage Park (Outlot C)** (1108 Van White Memorial Boulevard)

*Projected Metropolitan Council TBRA Request: \$50,000*

This project site is a 1.71 acre vacant lot. It is currently owned by Heritage Housing, LLC but the City is in the process of reacquiring it through a foreclosure proceeding. The City is seeking grant funding to assess possible contaminants contained within 12,000-17,000 cu. yds. of excess topsoil that was moved to this site between 2003 and 2007 from nearby residential development sites. This pile of soil will have to be moved before the site can be developed. A developer for the site is expected to be chosen by the City through a post-foreclosure RFP process in 2013. Envisioned uses for the property include townhomes or a multi-story rental building (15+ units). The zoning code shows this parcel as R4. The comprehensive plan shows Van White as a Community Corridor. Community Corridors are primarily residential with intermittent commercial uses clustered at intersections in nodes. Housing is medium density (20-50 du/ac) transitioning to low density in surrounding areas. The Near Northside Master Plan shows this area as residential townhomes. A medium-density multifamily development would be in conformance with the comprehensive plan at this location. The parcel is a little over an acre in area and 38 units would be allowed under the R4 zoning. The new housing would need site plan review and approval with a public hearing before the City Planning Commission. Also, because the lot is an Outlot it would need to be replatted as a lot. The specific development may need additional land use applications depending on the actual proposal.

**Minneapolis Preservation Portfolio Project**

*Projected Metropolitan Council TBRA Request: \$35,667*

This project involves the following eight buildings:

- The Adams: 500 s. 10<sup>th</sup> St.
- The Barrington: 911 Park Ave.
- Elliott Court: 1132 S. 8<sup>th</sup> St.
- The Elms: 1401 Portland Ave.
- The Heritage: 624 S. 9<sup>th</sup> St.
- The Maryland: 1346 LaSalle Ave.
- Paige Hall: 727 S. 5<sup>th</sup> Avenue
- The Roselle: 910 Portland Ave.

Overall, the “Minneapolis Preservation Portfolio Project” involves ten separate fully-occupied affordable downtown apartment buildings owned by Aeon. Nine are in the Elliott Park neighborhood and one is in the Loring Park neighborhood. These buildings currently include a total of 566 rental units. Aeon intends to “renovate and recapitalize” these properties to “ensure their viability.” This process will add 13 new rental units. Several policies from *The Minneapolis Plan for Sustainable Growth* support this application including the following:

- 3.3.2 Utilize city housing resources and partnerships to preserve the affordability of existing affordable housing.
- 3.7.9 Reduce exposure to environmental health hazards such as lead-based paint And asthma triggers through enforcement of the property maintenance codes, and programmatic initiatives and partnerships.
- 8.6.2 Identify financial assistance for historic properties such as loans and grants targeted to historic properties.
- 8.6.4 Ensure maintenance of properties through regulatory enforcement of the City Code, specifically as it relates to historic resources.

Eight of the ten buildings (i.e., the eight properties listed above, comprising a total of 3.72 acres) were constructed between 1886 and the early 1900's, and Aeon's renovation of them will include assessments of asbestos and lead based paint. Grant funding is being sought for these assessments and/or hazmat surveys.

**The Commons @ Penn Avenue** (2201-2213-2217-2221 Golden Valley Road and 1823 Penn Ave. N.)

*Projected Metropolitan Council TBRA Request: \$22,500*

"Building Blocks Non-Profit, Inc." intends to develop a three story, 45-unit multifamily apartment building with 4500 sq. ft. of ground floor commercial space on five contiguous parcels (.78 acre in total) in July of 2013. Three of the parcels are currently owned by Building Blocks' for-profit development partner, George Group Inc.; the other two parcels are currently City owned and are the subject of an exclusive development rights agreement between the City and Building Blocks that was approved by the City Council on June 29, 2012.

The only approved plan for this immediate area is the comprehensive plan. The comprehensive plan shows this stretch of Penn Avenue as a Community Corridor. Community Corridors are primarily residential with designated intermittent commercial uses clustered at intersections in nodes. While there is commercial zoning at the four corners of the intersection of Penn and Golden Valley Road, it is not a neighborhood commercial node. Housing on community corridors is medium density (20-50 du/ac) transitioning to low density in surrounding areas. Multi-family residential with ground floor commercial (as proposed here) is in conformance with the goals of the comprehensive plan. The 45 units would actually be high-density (at the low end of high-density category), but still within the amount allowed by the C1 District (the site is zoned C1).

The general concept of multifamily with ground floor commercial is in conformance with the plan, although more specific information on the proposed commercial uses will be needed to determine whether they will be in conformance with the comprehensive plan. The new residential building would require a site plan review (other applications may be necessary depending on the actual uses), which is a public hearing before the City Planning Commission. Grant funding is being sought for Phase I and Phase II site assessments and Response Action Plan [RAP] preparation.

**Authorizing application to the Metropolitan Council Tax Base Revitalization Account [TBRA] for various projects.**

Whereas, the City of Minneapolis (the "City") was and is a participant in the Livable Communities Act's Housing Incentives Program as determined by the Metropolitan Council, and is therefore eligible to make application for funds under the Tax Base Revitalization Account; and

Whereas, the City has identified the following investigation projects within the City that preliminarily appear to meet the Tax Base Revitalization Account's purposes and criteria: Heritage Park (Outlot C), Minneapolis Preservation Portfolio Project, and The Commons @ Penn Avenue; and,

Whereas, the City intends to act as the legal sponsor for the above-referenced projects, which will be more completely described in Tax Base Revitalization Account grant applications to be submitted to the Metropolitan Council on or by August 1, 2012, subject to final staff verification of each such application's compliance with the TBRA grant program's purposes and criteria; and

Whereas, the City has the institutional, managerial and financial capability to ensure adequate project and grant administration; and

Whereas, the City certifies that it will comply with all applicable laws and regulations as stated in the contract grant agreements; and

Whereas, the City finds that the contamination investigation will not occur through private or other public investment within the reasonably foreseeable future without Tax Base Revitalization Account grant funding; and

Whereas, the City represents that it has undertaken reasonable and good faith efforts to procure funding for the activities for which Livable Communities Act Tax Base Revitalization Account funding is sought but was not able to find or secure from other sources funding that is necessary for investigation completion;

Now, Therefore, Be It Resolved By the City Council of the City of Minneapolis:

That the City Council authorizes the Director of the Department of Community Planning and Economic Development or other appropriate City staff to apply on behalf of the City of Minneapolis to the Metropolitan Council for Tax Base Revitalization Account funding for one or more of the above-referenced projects. The City acknowledges that for each grant awarded to the City, the City will be the grantee and will act as legal sponsor, and will administer and be responsible for grant funds expended for the project referred to in the applicable grant application.