



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

Date: October 23, 2012
To: Lisa Goodman, Chair, Community Development Committee
Referral to: Betsy Hodges, Chair, Ways and Means/Budget Committee
Subject: Environmental Remediation Grant Applications (Fall 2012)

Recommendation:

1. Authorize application to the Minnesota Department of Employment and Economic Development [DEED] Contamination Cleanup and Investigation Grant Program for environmental remediation and/or investigation funding for the following projects: 4250 Upton, f/k/a Linden Hills; Harris Machinery Site [former]; Mill & Main, Phase II (conditional recommendation); Natural LLC, The, f/k/a Hobbs BBQ; Station at Washington, The; Surly Brewing a/k/a Malcolm Midway Site; Valspar a/k/a VAST Phase I [Valspar Applied Science and Technology Center]; WaHu Student Housing a/k/a Arby's Site; and Washburn Center for Children; and,
2. Authorize application to the Metropolitan Council's Tax Base Revitalization Account [TBRA] Grant Program for environmental remediation and/or investigation funding for the following projects: 4250 Upton, f/k/a Linden Hills; City Place Lofts; GAV Development, The; Harris Machinery Site [former]; Mill & Main, Phase II (conditional recommendation); Surly Brewing a/k/a Malcolm Midway Site; Valspar a/k/a VAST Phase I [Valspar Applied Science and Technology Center]; WaHu Student Housing a/k/a Arby's Site; and Washburn Center for Children; and
3. Authorize application to the Hennepin County Environmental Response Fund [ERF] for environmental remediation and/or investigation funding for the following projects: 4250 Upton, f/k/a Linden Hills; City Place Lofts; GAV Development, The; Mill & Main, Phase II (conditional recommendation); Sheridan Memorial Park (Veterans Memorial); Surly Brewing a/k/a Malcolm Midway Site; WaHu Student Housing a/k/a Arby's Site; Washburn Center for Children; and ERF Brownfield Grant Financing Program; and
4. Approve the attached resolutions authorizing appropriate City staff to submit the aforesaid applications to the Minnesota Department of Employment and Economic Development [DEED] Contamination Cleanup and Investigation Grant Program, the Metropolitan Council's Tax Base Revitalization Account [TBRA] Grant Program, and the Hennepin County Environmental Response Fund [ERF], and approving the investigation and cleanup projects to be

funded by the Hennepin County's ERF program and by the ERF Brownfield Grant Financing Program administered by Minnesota Brownfields.

5. Approve the proposed modification of the City's brownfield grant award administration fee.

Previous Directives:

519 Central Ave. NE, f/k/a Totino's (519-523 Central Ave. NE): None.

2700 Hennepin Ave.: None.

4250 Upton, f/k/a Linden Hills (4250-4264 Upton Ave. S.): On October 30, 2009, the City Council accepted an investigation grant from DEED in the amount of \$31,353 that had been awarded to the project. On August 20, 2010, the City Council accepted cleanup grants from DEED (\$323,133), the Metropolitan Council (\$35,900) and Hennepin County (\$35,907) that had been awarded to the project; these three grants were subsequently relinquished when the project did not progress at the pace that was originally anticipated. On March 8, 2012, the City Council upheld an appeal (by a group of Minneapolis residents) of the Planning Commission's approval (on February 5, 2012) of an earlier version of this project.

City Place Lofts (730 Hennepin Ave.): On February 25, 2011, the City Council accepted cleanup grants from the Metropolitan Council (\$212,600) and Hennepin County (\$100,000) that had been awarded to the project; these two grants were subsequently relinquished when the project did not progress at the pace that was originally anticipated. On June 17, 2011, the City Council approved a loan of up to \$945,000 in 2010 Supplemental Affordable Housing Trust Funds to City Place Developer LLC for the development of the City Place Lofts project. On July 1, 2011, the City Council provided preliminary approval of up to \$5,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the City Place Lofts project. On August 5, 2011, the City Council gave final approval of up to \$5,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the City Place Lofts project.

ERF Brownfield Grant Financing Program: None.

GAV Development, The (1307 Glenwood Ave.): On March 8, 2012 the City Council accepted an investigation grant from DEED in the amount of \$41,250 that had been awarded to the project. On August 3, 2012, the City Council accepted a cleanup grant from DEED in the amount of \$156,000 that had been awarded to the project.

Harris Machinery Site [former] (501 30th Ave. SE): None.

Integral Group Redevelopment, The (2225/2312 River Road W. and 70 22nd Ave. N): None.

Lonoke, The (1926 3rd Ave. S.): None.

Mill & Main, Phase II (425 Main St. SE and part of 100 3rd Ave. SE): On August 119, 2011, the City Council accepted cleanup grants from DEED (\$416,850), the Metropolitan Council (\$217,700) and Hennepin County (\$36,127) that had been awarded in connection with Phase I of this project.

Natural LLC, The, f/k/a Hobbs BBQ (600 5th St. N.): On March 8, 2012 the City Council accepted a cleanup grant from DEED in the amount of \$129,826 that had been awarded to the project.

Sheridan Memorial Park (Veterans Memorial) (1300 Water Street): None.

Station at Washington, The (616/630 Washington Ave. SE and 308 Walnut St. SE): None.

Station on 4th, The, f/k/a/ Fountain Residential (2635 4th St. SE): None.
Superior Plating Site [former] (315 1st Ave. NE and 108-116-120 5th St. NE and 101-115-119 4th St. NE): None.
Surly Brewing a/k/a Malcolm Midway Site (520-522½-526½-543 Malcolm Ave. SE and 3171-3201 5th St. SE): None.
Valspar a/k/a VAST Phase I [Valspar Applied Science and Technology Center] (1101 3rd St. S.): None.
WaHu Student Housing a/k/a Arby's Site (1016-1024-1032 Washington Ave. SE and 2408 University Ave. SE and 1025 Delaware Ave. SE): None.
Washburn Center for Children (1104-1118-1128 Glenwood Ave. and 275 Dupont Ave. N.): None.

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: Kristin Guild, Manager, Bus. Dev., 612-673-5168

Financial Impact

Action is within the business plan.
 Other financial impact: There is no direct financial impact. However, some of the grant requests have been identified as requiring a commitment of local match funds, to be provided in most cases by the developer or other non-City funding sources. The City of Minneapolis is sponsoring these grant requests, acting in some cases as a pass-through and conduit for environmental investigations and cleanup. 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 with recommended modifications to those fees addressed in this report.

Community Impact

Neighborhood Notification:

519 Central Ave. NE, f/k/a Totino's (519-523 Central Ave. NE): None.
2700 Hennepin Ave.: None.
4250 Upton, f/k/a Linden Hills (4250-4264 Upton Ave. S.): The developer has met with the Linden Hills Neighborhood Council on several occasions, including August 16, 2012 (and the Council's Zoning Committee on August 20, 2012).
City Place Lofts (730 Hennepin Ave.): The Downtown Minneapolis Neighborhood Association issued a letter of support dated January 12, 2010.
ERF Brownfield Grant Financing Program: None.
GAV Development, The (1307 Glenwood Ave.): The Harrison Neighborhood Association has issued a letter of support dated April 24, 2012.
Harris Machinery Site [former] (501 30th Ave. SE): None.

Integral Group Redevelopment, The (2225/2312 River Road W. and 70 22nd Ave. N): None.

Lonoke, The (1926 3rd Ave. S.): The Steven Square Community Organization issued a letter of support dated May 24, 2012.

Mill & Main, Phase II (425 Main St. SE and part of 100 3rd Ave. SE): The Marcy-Holmes Neighborhood Association prepared a letter of support dated June 25, 2012.

Natural LLC, The, f/k/a Hobbs BBQ (600 5th St. N.): None.

Sheridan Memorial Park (Veterans Memorial) (1300 Water Street): The Sheridan Neighborhood Organization issued a supportive email on June 4, 2012.

Station at Washington, The (616/630 Washington Ave. SE and 308 Walnut St. SE): The Prospect Park East River Road Improvement Association [PPERRIA] prepared a letter of support dated May 21, 2012.

Station on 4th, The, f/k/a/ Fountain Residential (2635 4th St. SE): The developer met with the Prospect Park East River Road Improvement Association [PPERRIA] on June 14, 2012 to discuss this project.

Superior Plating Site [former] (315 1st Ave. NE and 108-116-120 5th St. NE and 101-115-119 4th St. NE): The Nicollet Island East Bank Neighborhood Association [NIEBNA] formed a "Superior Plating Task Group" that included representatives from NIEBNA and several nearby neighborhood groups (STAWNO, SAENA, MHNA, NEBA). The group met on March 14, 2012 to hear a presentation by the developer and its consultants. The minutes of that meeting include a summary that indicates (among other things) that "any design similar [to] the preliminary design concepts presented at the meeting is very unlikely to meet neighborhood requirements," but that "discussions are on-going."

Surly Brewing a/k/a Malcolm Midway Site (520-522½-526½-543 Malcolm Ave. SE and 3171-3201 5th St. SE): The Prospect Park East River Road Improvement Association [PPERRIA] prepared a letter of interest (on "Prospect Park 2020" letterhead) dated February 23, 2012.

Valspar a/k/a VAST Phase I [Valspar Applied Science and Technology Center] (1101 3rd St. S.): A meeting with the Downtown Minneapolis Neighborhood Association is currently planned for November 13, 2012. The East Downtown Council has also been contacted and may consider the project at its November meeting.

WaHu Student Housing a/k/a Arby's Site (1016-1024-1032 Washington Ave. SE and 2408 University Ave. SE and 1025 Delaware Ave. SE): The developer and the Prospect Park East River Road Improvement Association [PPERRIA] entered into a six page Memorandum of Understanding on June 26, 2012.

Washburn Center for Children (1104-1118-1128 Glenwood Ave. and 275 Dupont Ave. N.): The Harrison Neighborhood Association and the Bassett Creek Valley Redevelopment Oversight Committee prepared separate letters of support dated September 4, 2012.

City Goals: Jobs and Economic Vitality; 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: Any business that occupies a remediated site may be asked to sign a Job Linkage Agreement that includes five year hiring goals (with an emphasis on living wage jobs for Minneapolis residents) and seeks to connect the business with a neighborhood workforce organization.

Background/Supporting Information

The twelve projects and the twenty-six related grant applications that are being recommended for submission to DEED, the Metropolitan Council and Hennepin County in the fall brownfield grant round are as follows (the “ERF Brownfield Grant Financing Program” is being recommended by City staff but is not included in the table below; for more information, see the project description that appears elsewhere in this report):

Projects RECOMMENDED For Submission to the Grantors				
Project Name	GRANTORS			Total Grant Requests*
	DEED	Met Council TBRA	Henn. County ERF	
4250 Upton, f/k/a/ Linden Hills	174,111	75,458	75,220	324,789
City Place Lofts		308,351	75,000	383,351
GAV Development, The		15,000	15,000	30,000
Harris Machinery Site [former]	21,000	21,000		**21,000
Mill & Main, Phase II [conditional recommendation]	752,350	65,205	65,205	882,760
Natural LLC, The, f/k/a Hobbs BBQ	144,737			144,737
Sheridan Memorial Park			33,500 [Direct]	33,500
Station at Washington, The	170,625			170,625
Surly Brewing, a/k/a/ Malcolm Midway Site	1,500,000	550,000	450,000	2,500,000
Valspar a/k/a VAST Phase I [Valspar Applied Science and Technology Center]	343,990	940,615		1,284,605
WaHu Student Housing, a/k/a Arby's Site	335,160	174,722	80,000	589,882
Washburn Center for Children	254,805	22,684	21,483	298,972
TOTALS:	3,726,748	2,173,035	815,408	6,664,221

*Amounts shown are based on pre-applications submitted to the City by September 6, 2012. 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 September 6, 2012.

**The Harris Machinery project has total grant needs of \$21,000. It is seeking some or all of the needed amount from two different grantors, so the total shown here reflects the project's total grant needs rather than the combined amount of the project's proposed grant requests.

The six projects and the thirteen related grant applications that are not being recommended for submission to DEED, the Metropolitan Council and Hennepin County in the fall brownfield grant round are as follows:

Projects NOT RECOMMENDED For Submission to the Grantors				
Project Name	GRANTORS			Total Grant Requests*
	DEED	Met Council TBRA	Henn. County ERF	
519 Central Ave. NE, f/k/a Totino's			316,000 [Direct]	316,000
2700 Hennepin Ave.	46,000	36,400	36,000	118,400
Integral Group Redevelopment, The		50,000 [TBRA max.]	71,000	**71,000
Lonoke, The			64,000	64,000
Station on 4 th , The, f/k/a Fountain Residential	307,625	312,000	152,360	771,985
Superior Plating	1,400,000	500,000	200,000	2,100,000
TOTALS:	1,753,625	898,400	839,360	3,441,385

*Amounts shown are based on pre-applications submitted to the City by September 6, 2012. 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 September 6, 2012.

**The Integral Group project has total grant needs of \$71,000. It is seeking some or all of the needed amount from two different grantors, so the total shown here reflects the project's total grant needs rather than the combined amount of the project's proposed grant requests.

The Minnesota Contamination Cleanup and Investigation Grant Program was established in 1993 to clean up contaminated sites and convert contaminated property into a marketable asset. The Department of Employment and Economic Development [DEED] is the administering state agency. Applications for the fall grant round are due by November 1, 2012. A local match equal to twenty-five percent of the project costs is required, of which twelve percent must come from non-tax increment local funds (typically provided by the developer). The amount that is potentially available to fund brownfield investigation and cleanup grants in the fall 2012 round is \$4.25 million, which includes up to \$250,000 for investigation grants. The legislature has designated that at least 35% of available funds be spent on remediating sites in Greater Minnesota unless sufficient applications are not received.

Enacted by the legislature in 1995, the Metropolitan Livable Communities Act designated the Metropolitan Council as the administrator of the Tax Base Revitalization Program. This program makes grants to clean up contaminated land for subsequent redevelopment, job retention, and job growth in areas that have lost some of their commercial/industrial base. Applications for the fall round of this program are due by November 1, 2012. No local match is required. The amount that is potentially available to fund brownfield cleanup grants in the fall 2012 round is projected to be \$2.0 to \$2.5 million, which includes up to \$125,000 for

investigation grants. The TBRA program reserves at least one-quarter of the funding available in each grant cycle for projects outside of the two core cities of Minneapolis and St. Paul, and restricts any one municipality from receiving more than half of the funding in any given round.

Hennepin County has been collecting mortgage registry and deed taxes for deposit into an Environmental Response Fund (ERF) and has awarded grants from that fund since the fall of 2001. The ERF is used for the assessment and cleanup of contaminated sites located within Hennepin County, with emphasis on affordable housing projects. Applications for the fall round of this program are due by November 1, 2012. Historically, Hennepin County has usually awarded a total amount in the \$1.0 - \$1.5 million range per grant round (for cleanup and investigation grants). Typically, about 50% of the available grant funds are awarded to projects within the City of Minneapolis, and the remainder is awarded to projects within suburban communities.

New Funding Requests for Fall 2012

	Grant Pre-Applications	Grant Funding Requested
DEED	12	\$5,450,278
Metropolitan Council	13	\$3,071,435
Hennepin County	14	\$1,654,768
TOTAL:	39	\$10,176,481

For the fall 2012 grant round, details regarding the City's pre-application process and related program requirements were provided to CPED project coordinators and potential applicants in early August. Relevant information was posted on the City's website and distributed via email to the 650+ parties on CPED's Development Notices Distribution List. Staff processing of the submitted pre-applications included review by members of the affected geographic Sector teams and consideration of factors such as readiness to proceed with cleanup, removal of blighting influences, commitment of City funds, affordable housing, compliance with zoning requirements and comprehensive plan designations, and job creation.

In this round, staff instituted a more rigorous review process, requiring developers to submit a grant assessment worksheet that included a project fact sheet with information important to the City such as jobs created or displaced and the number of affordable housing units. The review also included readiness measures, policy alignment and developer experience. The worksheet template is attached.

Thirty-nine pre-applications were received, twenty-six of which are being recommended for submission to the grantors. Thirteen pre-applications received for six projects (519 Central Ave. NE, 2700 University Ave., The Integral Group Redevelopment, The Lonoke, The Station on 4th, and Superior Plating) are not recommended for submission to the grantors in question, because the projects upon which the pre-applications are based do not satisfy the minimum "project readiness" and/or policy alignment expectations. Accordingly, the submission of brownfield grant applications for those six projects is considered premature at this time. Further details are provided below.

Interactions with the three grantors during the last twelve semi-annual 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 grantors. The analyses conducted by the grantors' staff, 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 regarding the applications submitted. Accordingly, and in keeping with the practice that has been followed by the City in recent years, the recommendation of City staff is that the City Council not rank or prioritize the applications that it authorizes staff to submit to the grantors on or by their joint November 1 application deadline.

Proposed Modification of Brownfield Grant Award Administration Fee

Over the past several years, the number of competitive development grant programs (brownfields, LCDA, TOD and DEED redevelopment) has gradually increased. There are currently nine such grant programs, with sixteen annual competitive rounds (several programs have two grant rounds per year). The staff resources involved in applying for such grants, and managing those that are awarded, is significant.

In April of 2010, as part of an effort to address the aforementioned staff resource issue, City staff sought and obtained the Council's authorization to begin charging a grant application fee of up to \$750 and a grant award administration fee (3% of the amount of an awarded grant). At that time, staff acknowledged that the fee would not cover all of the expected grant staffing costs; inasmuch as Minneapolis was the first municipality to charge such fees, staff wanted to start conservatively and evaluate factors such as consequences to development volume and the proportion of City costs that could be recouped through a modest fee.

Ongoing staff review has determined that the fees adopted in 2010 have only partially defrayed City costs related to the two staff members who handle the grant application process(es) and a portion of the administration of post-award grant draws. We have not seen any declines in development volume or program participation since instituting the fees. The existing fee revenues are not applied to the following categories of costs:

- a. Staff time to negotiate and execute two sets of contracts (a contract with the grantors and a subrecipient agreement with the developer) for each grant awarded (in some cases, three grants and six contracts for a single project).
- b. Project coordinator and engineering staff time to manage the contracts (evaluating eligible charges, overseeing draw requests, checking documentation, processing payments, etc.)
- c. Required grantor reporting - quarterly status reports are now required for most grants, and outcome reports are generally required for approximately 4 years after project completion, or until the redevelopment benefits are realized (which can significantly extend the reporting obligation), depending on the grant program.

In addition, most of the development grant applications that the City processed in the past were for projects with other CPED involvement – for example, affordable housing projects and the sale of City-owned property for commercial/industrial development. CPED staff were already working on these projects – reviewing project pro-formas and assessing developer capacity for direct City investment – and CPED had budgeted sources that could absorb the staff time dedicated to these projects. Recently, however, there has been a significant increase in applications for grant funding for projects without any other CPED project management role.

At the same time, the grantors have increased grant oversight and reporting requirements for City grant managers, and there are more grant rounds per year than ever before. In the past two years, the number of competitive development grant rounds per year has increased from seven to as many as sixteen – during a time of ever-increasing City budget pressures and related staffing reductions.

While other municipalities do not (as far as we know) charge fees for grant administration, they are not dealing with the volumes or complexities that are common in Minneapolis, with our relatively robust development market. For example, in the spring 2012 brownfield round, Minneapolis projects were awarded 18 grants (for nine projects) by the three local brownfield grantors. No other municipality was awarded more than three (St. Paul, three; Brooklyn Center, three; Duluth, two; and one each to projects in nine other communities). In the last two “regular” brownfield grant rounds, Minneapolis projects were awarded a total of 41 brownfield grants, while the next highest totals were nine (St. Paul), four (Duluth and Brooklyn Center), three (St. Louis Park), and two (Fairmont). Communities with lower grant volumes are more likely to be able to absorb the staff costs related to occasional grants. Further, many projects in other communities may fall into the category of City-involved projects like Minneapolis affordable housing projects, with other funding sources to tap for a variety of staff work. Finally, the majority of Minneapolis projects receive multiple grant awards from more than one grantor, which significantly increases the complexity of administering the grants.

The current fee structure generates approximately \$150,000-\$200,000 annually, depending on the volume of grant applications and awards. That revenue is currently being applied to the staffing costs for just two of the many City staff members (the two who coordinate the application process and a portion of the grant draws) who are involved in the overall brownfield grant process.

Other CPED Housing, Business Development. Legal and Engineering staff collectively spend (on average) approximately 100 hours per grant (per grant, not per project), or \$8,200 of uncompensated City staff time per grant. Grant awards are of course unpredictable, but between all of the programs, it’s not unusual for the City to receive up to 50 grants annually for development projects. On average, then, up to \$410,000 in uncompensated staff time currently is being absorbed by the department. Increasing the fee to 7% is expected to generate an additional \$200,000 in revenues, still simply defraying staff costs rather than recouping them entirely.

For the reasons outlined above, the current staff proposal is to increase the grant award administrative fee to 7% to better cover documented City expenditures. This

proposal includes a reduced 3% fee for affordable housing projects and commercial projects located within Great Streets "intervene" areas, acknowledging that these projects are addressing market failure and in many cases involve other (non-brownfields) City staff work (i.e., a portion of the cost of the required staff time can be covered by the City financing programs that are typically involved in such projects). No changes to the current grant application processing fees (typically in the \$500-\$750 range) are being proposed.

Details of Recommended Projects:

[This section of the report presents projects, in alphabetical order, that City staff recommend for submission to the brownfield grantors. The summary descriptions were based upon information provided by the developers or by others familiar with the details of the projects in question.]

4250 Upton, f/k/a Linden Hills (4250-4264 Upton Ave. S.)

Projected DEED Request: \$174,111

Projected Metropolitan Council TBRA Request: \$75,458

Projected Hennepin County ERF Request: \$75,220

Linden Hills Development LLC plans to demolish an existing Famous Dave's restaurant and a two story office building and then construct a three story building on this 0.87 acre site, with one level of underground parking, retail tenants on the first floor, and condominium homes on the second and third floors. The projected total development cost is \$12,000,000. While the proposed development would not increase jobs at the site, it would increase residential density to the extent permitted by zoning. The project has already secured site control and all required land use approvals, and the likelihood of securing construction financing seems high. Grant funds, if awarded, will be used primarily for soil remediation.

City Place Lofts (730 Hennepin Ave.)

Projected Metropolitan Council TBRA Request: \$308,351

Projected Hennepin County ERF Request: \$75,000

City Place Housing Limited Partnership, an affiliate of Everwood Development, plans to convert an existing eight floor commercial building on a 0.196 acre site into seven floors (56 units) of affordable residential apartments with community and amenity space on the ground floor. The projected total development cost is \$14,446,043. The City Council has approved a \$5,500,000 allocation of tax exempt multifamily housing revenue entitlement bonds and closing is expected in 2012. Grant funds, if awarded, will be used for soil remediation and the abatement of asbestos and lead-based paint.

ERF Brownfield Grant Financing Program (locations TBD)

Projected Hennepin County ERF Request: \$150,000

During the last few years, Hennepin County has awarded (with the express approval of the City of Minneapolis) several brownfield grants in the \$100,000-\$150,000 range to nonprofit organizations in an effort to bridge gaps in existing brownfield grant programs. The first such grant was awarded to an organization known as Groundwork Minneapolis; when that organization ceased operations, grants were then awarded to the Twin Cities Community Land Bank [TCCLB]. In all such cases, the County's goal was to provide nonprofit organizations and governmental entities with a relatively fast and easy way to secure funding for small (typically under \$15,000) investigation or cleanup projects that might arise in the gaps between the semi-annual "regular" brownfield grant rounds (which have

May 1 and November 1 application deadlines). Prospective recipients of funding were required to submit an application to the administering entity (Groundwork or TCCLB), and no funds were “sub-granted” without County review and approval. Minneapolis projects have historically been the primary beneficiaries of this funding source.

TCCLB recently advised Hennepin County that the TCCLB staff time that had been devoted to this brownfield program in the past is now needed elsewhere. Hennepin County has reached an agreement with Minnesota Brownfields (a respected nonprofit organization that has worked effectively on brownfields education and advocacy) whereby that organization will apply for ERF funds in the fall round and will administer any ERF funds that may be awarded. The City Council resolution that is attached to this report includes a provision that satisfies the County’s need for advance municipal approval of the program and projects in question.

GAV Development, The (1307 Glenwood Ave.)
Projected Metropolitan Council TBRA Request: \$15,000
Projected Hennepin County ERF Request: \$15,000

Lili Hall d/b/a The GAV LLC intends to demolish a former gas station on this .3-acre site and construct a new three story commercial building of approximately 19,000 square feet (two floors of office/retail and one floor of live/work space.) The projected total development cost is \$2.1-\$2.5 million. Ms. Hall owns an adjacent property and the business (Knock, Inc.) located thereon; the new building that is envisioned for the former gas station site would provide office space for new employees as the current advertising and marketing business expands. This part of Glenwood Avenue is a Commercial Corridor with C2 zoning. Additionally, the *Bassett Creek Valley Master Plan* shows this area as mixed-use office/retail/housing. A three-story office building would be in conformance with the Comprehensive Plan policies for a Commercial Corridor. This project would increase jobs, tax base and population on the designated corridor in question. Grant funds, if awarded, will be used for soil remediation and the abatement of asbestos and lead-based paint.

Harris Machinery Site [former] (501 30th Ave. SE)
Projected DEED Request: \$21,000
Projected Metropolitan Council TBRA Request: \$21,000

The Cornerstone Group has requested contamination investigation grant funding to further its plans to redevelop this 4.34 acre site into “potentially a conference facility and/or housing.” There are nine existing buildings on the site; most are vacant. The site is 300 feet from the Prospect Park LRT station and is located just north of another Cornerstone project (the former Boeser site) that has garnered significant City and grantor support. The projected total development cost is \$30,000,000. Grant funds, if awarded, will be used to investigate environmental conditions on the property and prepare a Response Action Plan.

Mill & Main, Phase II (425 Main St. SE and part of 100 3rd Ave. SE)
Projected DEED Request: \$752,350
Projected Metropolitan Council TBRA Request: \$65,205
Projected Hennepin County ERF Request: \$65,205

Doran plans to demolish an existing building and construct a seven story, 190-unit market rate apartment building on this 1.3 acre site. The projected total development cost is \$35,000,000. While this project would increase population density and tax base in a designated activity center, significant questions remain regarding readiness connected with Historic Preservation Commission [HPC] approvals. The developer’s current proposed configuration is not consistent with prior HPC guidance. The HPC will next review the proposal at its meeting on October 23, 2012, which is also the date on which this brownfield

grant matter will be considered by the Community Development Committee. Staff recommends submitting these three applications contingent upon the developer reaching agreement with the HPC by the grantors' November 1, 2012 submission deadline. Otherwise, this application will be deemed insufficiently ready for this round. Grant funds, if awarded, will be used for soil remediation and the abatement of hazardous materials.

Natural LLC, The, f/k/a Hobbs BBQ (600 5th St. N.)
Projected DEED Request: \$144,737

The Natural LLC intends to demolish an existing building on this 0.39 acre site and construct a 78-unit apartment building with two levels of underground parking and 4600 square feet of retail on the ground level. The projected total development cost is \$12,372,090. This project would increase jobs, tax base and population density within the designated downtown growth area and a transit station area. The project has already secured site control and all necessary land use approvals, and the likelihood of securing construction financing seems high. Grant funds, if awarded, will be used primarily for soil remediation.

Sheridan Memorial Park (Veterans Memorial) (1300 Water Street)
Projected Hennepin County ERF Request: \$33,500 [Direct application to Hennepin County]

The Minneapolis Park & Recreation Board intends to construct a memorial on this 1.16 acre riverfront site to honor the veterans of all conflicts in which Minnesotans have served. It will feature a central plaza, walkways with sitting alcoves, peace gardens with native plantings, a central sculpture and ten markers describing wars/conflicts. The projected total development cost is \$950,000. Grant funds, if awarded, will be used primarily for soil remediation.

Station at Washington, The (616/630 Washington Ave. SE and 308 Walnut St. SE)
Projected DEED Request: \$170,625

Opus intends to construct a six story, mixed-use project with 97 residential units, 11,200 square of ground level retail space and 49 underground parking spaces on this .50 acre site on the U of M campus. Three buildings were recently demolished in anticipation of site redevelopment. The projected total development cost is \$19,100,000. This project would increase population, tax base and jobs in an activity center. The project has already secured site control, all necessary land use approvals (including a rezoning) and construction financing. Grant funds, if awarded, will be used primarily for soil remediation.

Surly Brewing a/k/a Malcolm Midway Site (520-522½-526½-543 Malcolm Ave. SE and 3171-3201 5th St. SE)
Projected DEED Request: \$1,500,000
Projected Metropolitan Council TBRA Request: \$550,000
Projected Hennepin County ERF Request: \$450,000

Surly Brewing's plans include an initial development phase that will feature a 50,000 square foot single story structure housing a new brewery (approx. 28,000 square feet) and a taproom with food service (approximately 9,000 square feet), plus administrative and retail space. Additional site improvements including an outdoor beer garden and possible recreation space are planned in the first phase. Site design will allow for potential future building growth estimated at 40,300 square feet, including expanded brewery operations and the possible addition of an expanded restaurant and an event center, on this 8.32 acre site. The projected total development cost is \$23,515,000. Grant funds, if awarded, will be used primarily for soil remediation.

Valspar a/k/a VAST Phase I [Valspar Applied Science and Technology Center]

(1101 3rd St. S.)

Projected DEED Request: \$343,990

Projected Metropolitan Council TBRA Request: \$940,615

Valspar's plans include the extensive renovation of one of four existing buildings that comprise the downtown Valspar campus. The building in question is actually a combination of two adjacent buildings (three-story and five-story) with a common wall, on a 2.55 acre site. Valspar's plan is to consolidate all of the company's U.S. research and test lab facilities at this location. Funding is being sought for Phase I, which will involve remediating the site and converting the basement and first floor into lab space. The projected total development cost is \$40,000,000. This project represents an expansion of Valspar's Minneapolis operations, thereby increasing jobs and tax base in a transit station area. Valspar has site control and its planned renovations will be self-financed. All required land use approvals have been obtained. Grant funds, if awarded, will be used for soil remediation and the abatement of asbestos and lead-based paint.

WaHu Student Housing a/k/a Arby's Site (1016-1024-1032 Washington Ave. SE and 2408 University Ave. SE and 1025 Delaware Ave. SE)

Projected DEED Request: \$335,160

Projected Metropolitan Council TBRA Request: \$174,722

Projected Hennepin County ERF Request: \$80,000

CPM Development LLC intends to demolish three buildings (including Arby's) on parcels comprising a total of 1.91 acres and construct two mixed-use buildings (six-story and eleven-story) that will include 340 student housing dwelling units (790 bedrooms), 30,500 square feet of ground level commercial/retail space, 416 parking spaces (some underground, some in two above-grade parking levels), and 800 bicycle parking spaces (most in underground garage, 24 at grade). The projected total development cost is \$13,006,674. This site is located at a key intersection across from the Stadium Village station, and as such is an important and prominent development location. This project would increase population density, tax base and commercial activity in a transit station area. CPM has site control and has secured all required land use approvals. Grant funds, if awarded, will be used for soil remediation, the installation of a vapor barrier, and the abatement of asbestos and lead-based paint.

Washburn Center for Children (1104-1118-1128 Glenwood Ave. and 275 Dupont Ave. N.)

Projected DEED Request: \$254,805

Projected Metropolitan Council TBRA Request: \$22,684

Projected Hennepin County ERF Request: \$21,483

The Washburn Center, with the assistance of Cresa, plans to build a new 50,000 square foot, three story facility on this 2.42 acre site, to create an "expanded healing environment" that will serve more Twin Cities children and families. The projected total development cost is \$21,000,000. Grant funds, if awarded, will be used primarily for soil remediation.

Details of Projects Not Recommended for Submission:

[This section of the report presents projects, in alphabetical order, that City staff do not recommend for submission to the brownfield grantors due to concerns about project readiness and/or policy alignment. The summary descriptions were based upon information provided by the developers or by others familiar with the details of the projects in question.]

519 Central Ave. NE, f/k/a Totino's (519-523 Central Ave. NE)

Projected Hennepin County ERF Request: \$316,000 [Direct application to Hennepin County]

Farrington Properties, Inc., an affiliate of Schafer Richardson, plans to demolish an existing vacant two story building on this 0.849 acre site and construct approximately 14,000 square feet of commercial (retail) space at grade with five levels of market rate apartments (approximately 100 units) above, with two levels of underground parking. The existing building has been approved for demolition, conditioned on an approved plan for redevelopment. The projected total development cost is \$21,470,300. Grant funds were being sought for soil remediation and the abatement of asbestos and lead-based paint. However, this project is still relatively less ready than most of the other projects in this round with respect to neighborhood review/approval of the details of the proposed project, finalization of necessary land use approvals, and documentation of other criteria including adequacy of private financing sources for the project's \$21 million development cost.

2700 Hennepin Ave.

Projected DEED Request: \$46,000

Projected Metropolitan Council TBRA Request: \$36,400

Projected Hennepin County ERF Request: \$36,000

Nolan Property Group's plans include an approximately 6,000 square foot newly constructed commercial building on this 0.46 acre property, which is the site of a former gas station (currently vacant due to a bank foreclosure). The projected total development cost is \$1,000,000, excluding land costs. Grant funds were being sought primarily for soil remediation. This property is located in a position of prominence along the Hennepin Avenue commercial corridor and is a priority for cleanup and reactivation. While City land use policy would emphasize density for redeveloping this site, constraints imposed by the seller due to contamination and the property size effectively limit the redevelopment potential to a one-story building. However, based on the application and the limited documentation provided, the proposal did not score well for readiness. The proposed use was not identified, financial feasibility of the project was not documented, no evidence was provided of discussions with either the area Councilmember or neighborhood group, no evidence of steps taken to secure City approvals, and no clear timetable identified for construction. City staff does not consider this project ready for this brownfield grant round.

Integral Group Redevelopment, The (2225/2312 River Road W. and 70 22nd Ave. N)

Projected Metropolitan Council TBRA Request: \$50,000

Projected Hennepin County ERF Request: \$71,000

The Integral Group LLC plans to demolish one vacant commercial building (and the concrete floor slab from a previously demolished building) and construct approximately 124 units in a new four-story full service assisted living facility. The projected total development cost is \$22,000,000. Grant funds were being sought for soil remediation and the abatement of asbestos and lead-based paint. This project is in an area currently subject to land use policy review connected with the Above The Falls policy and implementation study, expected to culminate in early 2013. The land use policy future for this area – currently zoned light industrial, with an Industrial Living Overlay District [ILOD] allowing some limited residential uses – is uncertain. Adding to this uncertainty, the proposed assisted living facility use is not permitted within the current ILOD designation. Moreover, a recent Maxfield Research market feasibility study found that there is currently no discernible market for assisted living facilities in North Minneapolis.

Lonoke, The (1926 3rd Ave. S.)

Projected Hennepin County ERF Request: \$64,000

Plymouth Church Neighborhood Association plans to rehabilitate an existing 19-unit apartment building on a 0.22 acre site in the Stevens Square neighborhood. The newly-renovated building would provide independent housing for formerly-homeless residents transitioning out of supportive housing. Grant funds were being sought for the abatement of asbestos and lead-based paint. This project is in the very earliest stages of assembling needed financial resources to fund the projected development cost of \$2,883,488. City staff do not consider it ready for this brownfield grant round.

Station on 4th, The, f/k/a/ Fountain Residential (2635 4th St. SE)

Projected DEED Request: \$307,500

Projected Metropolitan Council TBRA Request: \$312,000

Projected Hennepin County ERF Request: \$152,360

Fountain Residential Partners LLC intends to demolish an existing structure and construct two new market rate student housing buildings of five stories each, containing a total of 204 apartments, on this 1.64 acre site. The projected total development cost is \$40,200,000. Grant funds were being sought primarily for soil remediation. One key policy concern in this case is the need to dedicate right-of-way for the extension of 27th Avenue SE through the site as well as design the building to accommodate a grade differential. At present, the developer seems willing to work within these constraints, and the City's acceptance of any awarded brownfield grant funds would be contingent upon the developer's acceptance of these requirements. However, this project is still relatively less ready than most of the other projects in this round with respect to neighborhood engagement/approval, finalization of necessary land use approvals, and documentation of other criteria including adequacy of private financing sources for the project's \$40 million development cost.

Superior Plating Site [former] (315 1st Ave. NE and 108-116-120 5th St. NE and 101-115-119 4th St. NE))

Projected DEED Request: \$1,400,000

Projected Metropolitan Council TBRA Request: \$500,000

Projected Hennepin County ERF Request: \$200,000

A joint venture, involving First and University Investor LLC and Greystar, intends to demolish the buildings that comprise the [former] Superior Plating industrial facility on this 5.44 acre site and construct a mixed-use project featuring up to 600 upscale, market rate residential units and between 10,000 and 60,000 square feet of neighborhood-oriented commercial space, all of which (residential and commercial) would use a single structured parking ramp. The projected total development cost is \$120,000,000. This is a state Superfund site. Grant funds were being sought for soil remediation, treatment of groundwater and the installation of a vapor barrier, and the abatement of asbestos and lead-based paint. This is a high value site in a key area, with tremendous redevelopment potential. High density residential or mixed use would be appropriate and consistent with the Comprehensive Plan (there is no adopted small area plan). While clearing the site for high density development is a City priority, the project is not at this stage sufficiently well-defined to be considered ready to compete for grant funding in this round, nor has adequate evidence been provided regarding arrangements for the substantial private financing that will be required for the proposed \$120 million project. In addition, a "Superior Plating Task Force" consisting of representatives from five affected neighborhood groups was formed earlier this year and met for the first time on March 14, 2012. At that time, several potential (and very preliminary) redevelopment concepts were discussed, all of which were deemed "very unlikely to meet neighborhood requirements," according to the minutes of that

meeting. No evidence of more productive follow-up neighborhood meetings has been offered. The building itself has some historic significance, so the HPC may have a role in evaluating the potential demolition – although the extensive contamination will certainly be a factor.

Proposed Project Locations:

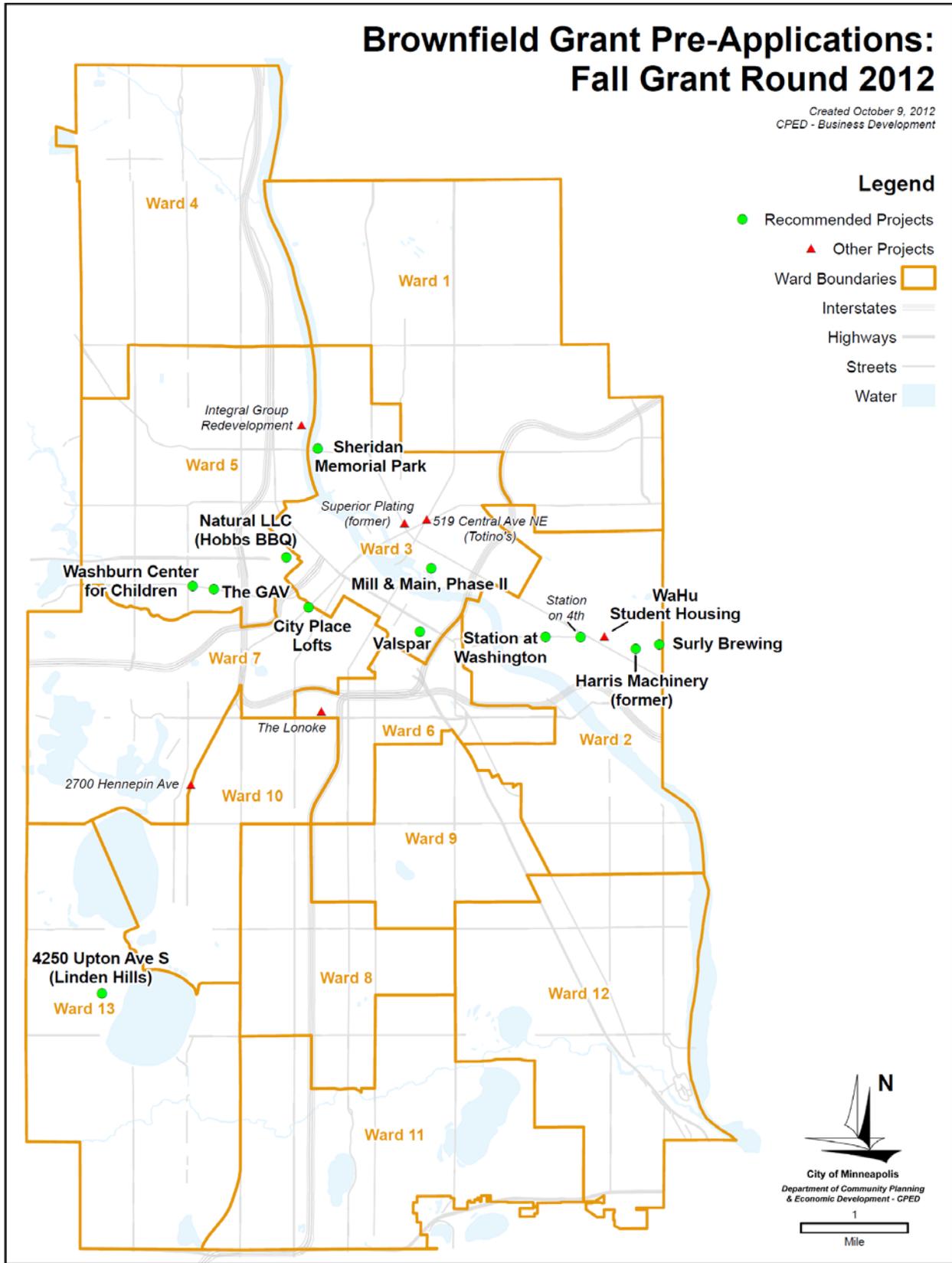
The map that appears on the following page identifies the location of each of the projects that submitted pre-applications to the City for the fall 2012 brownfield grant round.

Brownfield Grant Pre-Applications: Fall Grant Round 2012

Created October 9, 2012
CPED - Business Development

Legend

- Recommended Projects
- ▲ Other Projects
- Ward Boundaries 
- Interstates 
- Highways 
- Streets 
- Water 



**Authorizing application to the Minnesota Department of Employment
and Economic Development [DEED] Contamination Cleanup and
Investigation Grant Program for various projects.**

BE IT RESOLVED by the City Council of The City of Minneapolis:

That the City of Minneapolis has approved the Contamination Cleanup grant applications to be submitted to the Department of Employment and Economic Development (DEED) on November 1, 2012 by the City of Minneapolis for the following sites: 4250 Upton, f/k/a Linden Hills; Harris Machinery Site [former]; Mill & Main, Phase II (conditional recommendation); Natural LLC, The, f/k/a Hobbs BBQ; Station at Washington, The; Surly Brewing a/k/a Malcolm Midway Site; Valspar a/k/a VAST Phase I [Valspar Applied Science and Technology Center]; WaHu Student Housing a/k/a Arby's Site; and Washburn Center for Children.

BE IT FURTHER RESOLVED that the City of Minneapolis act as the legal sponsor for the projects contained in the Contamination Cleanup Grant Program applications to be submitted on November 1, 2012 and that the Director of the Department of Community Planning and Economic Development (or his designee) is hereby authorized to apply to the Department of Employment and Economic Development for funding of the aforementioned projects on behalf of the City.

BE IT FURTHER RESOLVED that the City of Minneapolis has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration.

BE IT FURTHER RESOLVED that the sources and amounts of the local match identified in the application are committed to the projects identified.

BE IT FURTHER RESOLVED that the City of Minneapolis has not violated any Federal, State or local laws pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest or other unlawful or corrupt practice.

BE IT FURTHER RESOLVED that upon approval of its applications by the state and acceptance by the City Council, the City of Minneapolis may enter into agreements with the State of Minnesota for the above-referenced project(s), and that the City of Minneapolis certifies that it will comply with all applicable laws and regulation as stated in all contract agreements.

BE IT FINALLY RESOLVED that upon approval of its applications by the state and acceptance by the City Council, the Finance Officer or his designee will be authorized to execute such agreements as are necessary to implement the projects on behalf of the applicant.

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

Whereas, the City of Minneapolis (the "City") is a participant in the Livable Communities Act's Local Housing Incentives Account Program for 2012 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 and/or clean-up projects within the City that meet the Tax Base Revitalization Account's purposes and criteria: 4250 Upton, f/k/a Linden Hills; City Place Lofts; GAV Development, The; Harris Machinery Site [former]; Mill & Main, Phase II (conditional recommendation); Surly Brewing a/k/a Malcolm Midway Site; Valspar a/k/a VAST Phase I [Valspar Applied Science and Technology Center]; WaHu Student Housing a/k/a Arby's Site; and Washburn Center for Children; 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 and/or cleanup 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 and/or cleanup completion and states that this representation is based on the following reasons and supporting facts: City staff members provide information about all potential sources of brownfield grant funding and actively encourage project proponents to seek funding from as many prospective funding sources as possible.

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 and accepted by 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.

Authorizing application to the Hennepin County Environmental Response Fund for various projects.

Whereas, the City of Minneapolis intends to act as the legal sponsor for one or more of the following investigation or cleanup projects: 4250 Upton, f/k/a Linden Hills; City Place Lofts; GAV Development, The; Mill & Main, Phase II (conditional recommendation); Sheridan Memorial Park (Veterans Memorial); Surly Brewing a/k/a Malcolm Midway Site; WaHu Student Housing a/k/a Arby's Site; and Washburn Center for Children;

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

That the City Council approves the aforementioned investigation and/or cleanup projects (although said approval does not confer other benefits or waive zoning, land use, building code or other applicable requirements), for which Environmental Response Fund grant applications are being submitted to the Hennepin County Department of Environmental Services on November 1, 2012 by the City of Minneapolis or by the affected property owner or developer; and

That the City Council approves the investigation and cleanup projects (although said approval does not confer other benefits or waive zoning, land use, building code or other applicable requirements) to be funded by the ERF Brownfield Grant Financing Program, for which an Environmental Response Fund grant application will be submitted to the Hennepin County Department of Environmental Services on November 1, 2012 by Minnesota Brownfields (a nonprofit organization that will also be administering the program in question).