



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

**Date:** November 27, 2012

**To:** Lisa Goodman, Chair, Community Development Committee

**Referral to:** Betsy Hodges, Chair, Ways & Means/Budget Committee

**Subject: Accept and Appropriate a \$250,000 Minnesota Historical and Cultural Heritage Grant Awarded by Minnesota Historical Society and up to a \$35,000 Grant from the St. Anthony Falls Heritage Board for the Pillsbury A Mill Tunnel System Condition Study**

### **Recommendation:**

- a) Accept a \$250,000 Historical and Cultural Heritage Grant from the Minnesota Historical Society for the Pillsbury A Mill Tunnel Condition Study;
- b) accept a grant of up to \$35,000 from the Minnesota Historical Society (as fiscal agent for the St. Anthony Falls Heritage Board) for the Pillsbury A Mill Tunnel Condition Study;
- c) amend the 2012 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900320) appropriation by \$285,000;
- d) increase the 2012 Revenue Budget for the Community Planning and Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$285,000; and
- e) authorize the appropriate City staff to execute two grant agreements with the Minnesota Historical Society (one of which will be in its role as fiscal agent for the St. Anthony Falls Heritage Board), a subrecipient agreement with Dominion Development & Acquisition, LLC (or an affiliated limited partnership created for this project), and any disbursement and/or related agreements for this grant.

### **Previous Directives:**

On July 20, 2012, the City Council approved the ranking and submission of an application to the Minnesota Statewide Historical and Cultural Grants program (a/k/a "Legacy Grants Program") for a "Pillsbury A Mill Tunnel System Condition Study." On March 12, 2010, the City Council accepted a \$7,000 Historical and Cultural Heritage Grant from the Minnesota Historical Society for the East Bank Energy Center and authorized the appropriate City staff to execute a grant agreement with the Minnesota Historical Society and a subrecipient agreement with East Bank Energy, LLC. On October 2, 2009, the City Council approved a \$30,000 loan for an engineering study for the East Bank Energy Center. (In 2011 and 2012, the City Council also has approved a

variety of actions related to the above-ground Pillsbury Lofts development project. In 2006 – 2009, the City Council approved a number of actions related to the earlier East Bank Mills development project.)

### Department Information

Prepared by: Ann Calvert, Principal Project Coordinator, 612-673-5023

Approved by: Charles T. Lutz, Deputy CPED Director \_\_\_\_\_

Catherine A. Polasky, Director, Economic Policy & Development \_\_\_\_\_

Presenters in Committee: Ann Calvert, Principal Project Coordinator

### Financial Impact

- Action requires an appropriation increase to the \_\_\_ Capital Budget or X Operating Budget  
Dept Name: Community Planning & Economic Development – 8900320  
Fund Name: 01600 - Other Grants-State and Local  
Amount: \$285,000
- Action provides increased revenue for appropriation increase  
Dept Name: Community Planning & Economic Development - 8900900  
Fund Name: 01600 - Other Grants-State and Local  
Amount: \$285,000
- Action is within the Business Plan

### Community Impact

- Neighborhood Notification: The Marcy-Holmes Neighborhood Association has been notified about the grant award and this report.
- City Goals: Eco-Focused -- Implementation of the hydrothermal concept would help the City achieve its goals of increasing renewable/alternative energy sources.
- Comprehensive Plan: Completion of the study will inform the feasibility of implementation of potential future actions that would address several policies and strategies in the Environment and Heritage Preservation chapters.
- Zoning Code: The proposed Pillsbury Lofts project complies with the zoning code. A conditional use permit may be required for the Energy Center implementation if it will provide heating/cooling outside of the Pillsbury Lofts project.
- Sustainability Targets: If the hydrothermal concept is successfully implemented, the project would use renewable energy (the Mississippi River) to generate heating and cooling while generating significantly fewer emissions.
- Living Wage/Business Subsidy Agreement: Not applicable
- Job Linkage: Not applicable

### Background

The Pillsbury A Mill is one of only 25 National Historic Landmarks in the state and one of the most notable structures on the Minneapolis riverfront. Development of this key property by Dominion Development & Acquisition, LLC (through its Minneapolis Leased Housing Associates IV Limited Partnership) for 251 affordable artists' live-work units is expected to close in the near future.

At the heart of the Pillsbury A Mill was its direct drive waterpower tunnel system, without which the complex would not have existed. This tunnel system includes: a) a headrace that brings water from the Mississippi River above St. Anthony Falls through a tunnel about 500 feet long that extends under Main Street SE, b) two 50-foot drop shafts in the basement of the Pillsbury A Mill through which the water drops and once drove turbines to power the mill, and c) two tail races that bring the water back to the River below the Falls. The tunnel system was built in 1881 along with the Pillsbury A Mill and still has some water running through it.

Given the historical significance of this tunnel system, there is strong interest in preserving these historic structures to assure their continued existence and in interpreting them to help the public understand how the system worked. Dominion also has plans to use the water that still runs through the system as a source of hydrothermal heating and cooling for the Pillsbury Lofts development. However, before a plan can be formulated for preservation, interpretation and hydrothermal use of the tunnel system, the partners need to have a better understanding of its current condition, what work is needed to preserve it and what that work will cost.

The City sought grant funding for completion of a historical and structural condition study (including some necessary preparatory work) in order to provide the needed information. A \$250,000 grant was awarded through the Minnesota Historical and Cultural Grant Program (a/k/a the “Legacy” program). The St. Anthony Falls Heritage Board approved a grant of \$28,000 to assist with the work, and another \$7,000 grant will be considered by the Board at its December 10 meeting.

This report recommends several actions needed to accept these grants and to move ahead with the historical and structural condition study to gather the needed information.

### **Scope of Work**

CPED will undertake the preparatory work and condition study in partnership with Dominion that will lay the groundwork for the preservation (potentially for hydrothermal use) and interpretation of the tunnel system.

The planned scope of work will begin with preparatory work to make the system safely accessible to consultants for completion of the study. Preparatory work will include: a) laser mapping of the tunnel system to provide better base information, b) the necessary permits for the preparatory work, c) closure of the headrace bulkhead at the riverfront edge to prevent water from entering the tunnel during the study, d) removal of the water, sediment and non-historical debris covering the bottom of the headrace tunnel, e) opening of at least one of the three rusted-shut sluice gates through which water entered the drop shafts (a fourth gate is open), f) removal of at least part of the wooden covers over the drop shafts and the concrete slabs over the sub-basement stairways leading to the turbine pits to allow access; g) opening of the two drop shafts to allow access (including removal of whatever is blocking the water in the upriver shaft), h) removal of non-historical debris and sediment in the tailrace(s) to allow access, and i) installation of temporary waterproof lighting in the tunnel, drop shafts and tailraces.

Following completion of the prep work, professional consultants will be hired to complete a historic and structural condition study. The scope of the historic and structural condition study was prepared by Mead and Hunt using funding provided to the City during the first biennium of Legacy grant funding. The condition study will include the necessary inspection and testing to: a) evaluate the historic and structural condition/integrity of the tunnel system, b) identify what is needed to preserve the system for continued use and interpretation, and c) summarize the above in a final report. The study will include the preparation and execution of an archeological fieldwork plan. This report will allow the partners to secure cost estimates for the necessary preservation work and to plan implementation accordingly.

The Legacy grant that was awarded was smaller than what had been requested, so the original scope of the project has been reduced to include in the condition study only the headrace tunnel and drop shafts, not the tailraces. Once the prep work is completed on the tailraces, the partners will be better able to assess whether additional funding should be sought to complete the condition study for one or both of the tailraces as a later phase. Legacy funding to document the tunnel system for the Historic American Engineering Record (HAER) had been requested, but since the full grant request was not awarded, this work also will not be part of the Legacy grant-funded scope. However, a \$7,000 grant increase will be considered by the St. Anthony Falls Heritage Board at its December 10 meeting to fund this work (with Dominion also funding \$3,000 of the HAER documentation).

### **Funding Plan and Partnership**

As shown in the following summary, the total cost for the prep work and condition study is estimated at \$340,000 (\$350,000 if the HAER documentation is funded). The City has been awarded two grants totaling \$278,000 to help fund this scope of work, with another \$7,000 request pending. The Minnesota Historical Society has awarded a \$250,000 grant through the Minnesota Historical and Cultural (a/k/a Legacy) Grant program. The St. Anthony Falls Heritage Board has approved a grant of \$28,000 to fund part of the study, with a possible increase to \$35,000 as noted above. Dominion will contribute cash and staff time as a match totaling about \$50,500 (plus \$3,000 if the HAER documentation can be completed). The City will contribute staff time as a match totaling about \$6,000, plus will administratively waive up to \$500 in HPC or related fees. As part of its standard storm system maintenance activities, Public Works Surface Water and Sewers also will provide an in-kind match of staff and equipment to assist with the prep work for the tailrace that is used for storm water, with an approximate value of \$5,000.

Of the \$250,000 Legacy grant, the City will pass along \$184,000 to Dominion, and Dominion will complete the prep work (with some Public Works participation as noted above). The City will use the \$66,000 balance of the Legacy grant and the Heritage Board grant to complete the consultant work for the condition study (and HAER documentation, if the grant increase is approved). Future City action will be needed to authorize execution of the professional services contract for the condition study (and HAER documentation, if funded) since the amount will exceed \$50,000.

Funding summary:

|                                       | Total cost | Legacy grant | Heritage Board grant | Dominium cash and in-kind match | City in-kind match |
|---------------------------------------|------------|--------------|----------------------|---------------------------------|--------------------|
| Preparatory work                      | \$229,000  | \$184,000    | \$0                  | \$39,500                        | \$5,500            |
| Condition study                       | 94,000     | 66,000       | 28,000               | 0                               | \$0                |
| Proj. mgmt.                           | 20,000     | 0            | 0                    | 14,000                          | 6,000              |
| Base total                            | \$340,000  | \$250,000    | \$28,000             | \$50,500                        | \$11,500           |
| Pending approval of additional grant: |            |              |                      |                                 |                    |
| HAER documentation                    | \$10,000   | \$0          | \$7,000              | \$3,000                         | \$0                |
| Potential total                       | \$350,000  | \$250,000    | \$35,000             | \$53,500                        | \$11,500           |