



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

Date: July 22, 2014
To: Chair, Community Development & Reg. Services Committee
Referral to: Chair, Ways and Means Committee
Subject: DEED Redevelopment Grant Program Applications
(August 1, 2014 Application Deadline)

Recommendation: Approve the attached resolution authorizing staff to submit applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for the following projects: Broadway Flats, The Cameron, Downtown East, and Neighborhood Healthsource.

Previous Directives:

700 Central (708 Central Ave. NE): On March 8, 2012, the City Council accepted a \$599,880 brownfield cleanup grant that had been awarded by DEED and a \$140,620 ERF brownfield cleanup grant that had been awarded by Hennepin County. [This grant was relinquished on June 3, 2014.] On April 27, 2012, the City Council accepted a \$180,500 grant that had been awarded by DEED's Redevelopment Grant Program. On June 29, 2012, the City Council accepted a \$499,380 TBRA-TOD brownfield cleanup grant that had been awarded by the Metropolitan Council.

Broadway Flats (2220 W. Broadway Ave.): On February 24, 2012, the City Council authorized the submission of LCDA-TOD and TBRA-TOD grant applications to the Metropolitan Council on behalf of this project, and granted exclusive development rights to Rose Development for the City-owned properties at 2413 and 2423 Penn Avenue North for a period of 24 months. On June 29, 2012, the City Council accepted an LCDA-TOD grant in the amount of \$1,536,100 and a TBRA-TOD grant in the amount of \$463,900 that had been awarded by the Metropolitan Council. On November 2, 2012, the City Council approved a loan from the Affordable Housing Trust Fund (AHTF) in the amount of \$750,000 for this project. On April 26, 2013, the City Council granted exclusive development rights to Rose Development for the City-owned properties at 2425, 2503, 2507 and 2511 Penn Avenue North for a period of 24 months. On October 18, 2013, the City Council approved an additional loan from the Affordable Housing Trust Fund (AHTF) in the amount of \$300,000. On January 23, 2014, the City Council authorized the submission of an application to DEED's Redevelopment Grant Program on behalf of

this project. On June 13, 2014, the City Council authorized staff to continue the PAA (project authorization analysis) to determine if tax increment financing (TIF) assistance is appropriate and justifiable, and authorized staff to negotiate the terms and conditions of a redevelopment contract and prepare a TIF Plan and any necessary Redevelopment Plan modifications for the project.

Cameron, The (756 N. 4th Street): On April 29, 2011, November 4, 2011 and April 27, 2012, the City Council authorized the submission of brownfield grant applications to Hennepin County on behalf of the project. On August 5, 2011, the City Council authorized the submission of a brownfield investigation grant application to the Metropolitan Council's Tax Base Revitalization Account [TBRA] program on behalf of this project. On September 23, 2011, the City Council accepted a TBRA investigation grant in the amount of \$15,200 that had been awarded to the project. This project required the rezoning of a portion of the project site; that rezoning was approved by the Planning Commission on October 3, 2011 and by the City Council on November 4, 2011. On November 2, 2012 the City Council approved an AHTF loan of up to \$430,000 for this project. On August 2, 2013 and January 23, 2014, the City Council authorized the submission of a DEED Redevelopment Grant application on behalf of this project. On December 6, 2013, the City Council authorized City officials to sign an "Acknowledgement of Receptivity to an LCA Funding Award" form regarding an anticipated \$200,000 in Local Housing Incentives [LHIA] funding on behalf of this project.

Downtown East (425 Portland Ave. and multiple other parcels covering five blocks): On July 19, 2013, the City Council received and filed a City staff report on the general conceptual framework for the Ryan Companies' development proposal and authorized staff to negotiate term sheets and/or agreements. On December 13, 2013, the City Council approved the term sheet with Ryan and the Minnesota Sports Facilities Authority, adopted resolutions establishing the development district and authorizing the issuance of bonds, adopted an ordinance related to the issuance of bonds, and authorized City officials to execute necessary agreements. On February 21, 2014, the City Council accepted a \$787,107 brownfield cleanup grant that had been awarded by DEED. On April 25, 2014, the City Council authorized the submission of a TBRA-TOD brownfield cleanup application on behalf of this project.

Neighborhood Healthsource (2301 Central Ave. NE): None.

Prepared by: Kevin Carroll, Principal Project Coordinator

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

Catherine A. Polasky, Dir. of Economic Development

Presenter in Committee: Kevin Carroll, 612-673-5181

Financial Impact

X Other financial impact: There is no direct financial impact at this time. However, any DEED redevelopment grant that is ultimately approved by DEED will have a 50% "local match" requirement. For private sector projects, typical sources for the required match are developer funds, governmental assistance (if any) and/or grant proceeds from sources other than DEED.

Community Impact -- Neighborhood Notification:

700 Central (708 Central Ave. NE): In a letter dated August 18, 2011, the Marcy-Holmes Neighborhood Association indicated that this project had been unanimously approved at an August 16, 2011 meeting of MHNA's Board of Directors.

Broadway Flats (2220 W. Broadway Ave.): The Jordan Area Community Council and the West Broadway Business and Area Coalition have issued letters of support dated June 10, 2013 and February 22, 2012, respectively.

Cameron, The (756 N. 4th Street): The North Loop Neighborhood Association has issued letters of support dated August 1, 2011 and September 26, 2012.

Downtown East (425 Portland Ave. and multiple other parcels covering five blocks): The Elliot Park neighborhood and the East Downtown Council have both issued letters (dated July 8, 2013 and June 28, 2013, respectively) that are generally supportive of this project's overall development concept. Ryan provided an update on the project to a joint Elliott Park/East Downtown Council/Downtown Minneapolis Neighborhood Association meeting on January 16, 2014 and on May 15, 2014.

Neighborhood Healthsource (2301 Central Ave. NE): None.

City Goals: A hub of economic activity and innovation.

Sustainability Targets:

The projects identified herein are expected to contribute to one or more of the following targets identified in or by the City's Sustainability Initiative: Stormwater, Brownfield Sites, Lead Poisoning and Affordable Housing.

Comprehensive Plan:

The commercial projects herein are consistent with Policies 4.1.2 and 4.11.1 of the Minneapolis Plan for Sustainable Growth (adopted 10/2/09), which provide that Minneapolis will "seek out and implement long-term redevelopment projects that catalyze revitalization and private sector investment" and "enhance and maintain transportation, wastewater, green space, and other physical infrastructure to serve the needs of businesses where appropriate."

The residential projects herein are consistent with policies of the Minneapolis Plan for Sustainable Growth, including the following:

3.1.1 Support the development of new medium- and high-density housing in appropriate locations throughout the city.

3.2.1 Encourage and support housing development along commercial and community corridors, and in and near growth centers, activity centers, retail centers, transit station areas, and neighborhood commercial nodes.

3.3.3 Work to provide affordable housing for both rental and ownership markets at a broad range of income levels.

Zoning Code:

The proposed projects are either in compliance or will comply.

Living Wage/Business Subsidy Agreement: Yes__ No__

(Will be determined on a project-by-project basis for this particular grant program.)

Job Linkage: Yes__ No_X__

Background/Supporting Information:

DEED’s Redevelopment Grant Program was created in 1998 to assist development authorities with costs for redeveloping blighted industrial, residential, or commercial sites where the need to recycle the land for a more productive use exists. Grants can pay for land acquisition, demolition, infrastructure improvements, soil stabilization when infill is required, ponding or other environmental infrastructure, and adaptive reuse of buildings, including remedial activities at sites where a subsequent redevelopment will occur. Grants pay up to 50 percent of redevelopment costs for a qualifying site. There is a 50 percent local match required from the eligible applicant. For private sector projects, typical sources for the required match are developer funds, governmental assistance (if any) and/or grant proceeds from sources other than DEED.

This grant program sometimes has two sources of funding – state bond funds and a state General Fund allocation – but only General Fund dollars are available in this particular round. General Fund money can be used for private sector projects and/or for projects that will either be (a) constructed on publicly owned land and have a public purpose or (b) public infrastructure associated with a private redevelopment project.

Priority, as per state statute, is given to projects with one or more of the following characteristics:

1. There is a need for redevelopment in conjunction with contamination remediation.
2. The redevelopment project meets current tax increment financing requirements for a redevelopment district and tax increment will contribute to the project.
3. There is redevelopment potential within the municipality.
4. There is proximity to public transit if located in the Minneapolis/St. Paul metropolitan area.
5. The project is multi-jurisdictional in nature and takes into account transportation, environmental impact(s) and the need for affordable housing.

From 1998 to 2001, the DEED Redevelopment Grant Program provided assistance to both metro and Greater Minnesota communities. In 2001, the Legislature modified the Program by creating a statutory preference or priority for Greater Minnesota projects. The City of Minneapolis was therefore not awarded any Redevelopment Grant Program funds between 2001 and 2006 (inclusive).

The 2007 legislature modified the Redevelopment Grant Program by making it a statewide program once again. Grant funds may currently be split between Greater Minnesota and the seven-county metropolitan area. At least 50% of the grant money must be awarded to sites located outside of the metro area, unless insufficient eligible applications are received for qualifying Greater Minnesota projects, in which case more than 50% of the available funds can potentially be awarded to metro-area projects.

DEED staff members have indicated that approximately \$1.4 million of grant funding will be provided in this particular round. Accordingly, Minneapolis projects will likely be competing with other metro-area projects for a total of about \$700,000, with Greater Minnesota projects competing for the remaining 50% of the available funding (unless relatively few applications are received for Greater Minnesota projects, in which case "extra" funding may be available for metro-area projects).

Applications to this DEED grant program are submitted by the City on the developers' behalf. Grant funds, if awarded, are paid to the City and then passed through to the developers, although the City remains contractually obligated to ensure that the promised outcomes (new and retained jobs, tax base enhancement, etc.) are actually delivered. The City's internal grant application process in this instance therefore required 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 to be constructed. The staff review also included an analysis of readiness measures (which DEED expects the City to assess), policy alignment and developer experience.

Details of Projects Recommended for Funding:

This section of the report presents projects, in alphabetical order, that City staff are recommending for submission to DEED. The summary descriptions are based upon information provided by the developers or by others familiar with the details of the projects in question.

Broadway Flats (various parcels including 2220 W. Broadway Ave.)

Projected DEED Request: \$300,000

The developer, Lupe Development, LLC, plans to construct 103 units of affordable, workforce housing over 19,000 square feet of new retail, including Broadway Liquors as the anchor tenant. The project's 1.85 acre site is located on the northwest corner of the intersection of Penn and Broadway, at the epicenter of the 2011 tornado. DEED funding is being sought for new sewer and water extensions/improvements and new sidewalks, street lights and parking lot lighting. The projected total development cost is \$24,000,000.

The Broadway Flats site is zoned C3A Community Activity Center District. It is classified as residential/commercial mixed-use building, which is a permitted use in the C3A District. The development was approved by the City Planning Commission on October 28, 2013. The

development site is located at the northwest corner of Penn Avenue North and West Broadway. The site is located in a Neighborhood Commercial Node, the Penn Avenue Community Corridor, and the West Broadway Commercial Corridor as identified in The Minneapolis Plan for Sustainable Growth. The future land use map in The Minneapolis Plan for Sustainable Growth designates the site as mixed-use, which supports the proposed development. The development is an appropriate use in a Neighborhood Commercial Node and is in conformance with the comprehensive plan for land use.

Cameron, The (756 N. 4th Street)
Projected DEED Request: \$121,128

The developer, Schafer Richardson, is planning an adaptive reuse of a historic former warehouse, which will be converted into 44 affordable apartment units on a 0.68 acre site. There will be surface parking in the adjacent lot. The building will be general occupancy, catering to individuals and families wanting to live in close proximity to transit and employment options. DEED funding is being sought for the demo of existing street, curb and sidewalks; installation of public street lighting fixtures; pedestrian lighting; new sidewalks; new street and curbs; new water/sanitary/storm lines; the paving of a parking lot; and interior abatement of hazardous materials. The projected total development cost is \$11,581,319.

The Cameron site is zoned B4S-1. It is classified as residential, which is a permitted/conditional use in the B4S-1 zone. The Cameron has gone through the City's development review process and has been approved by the City for affordable workforce housing and historic rehabilitation as consistent with the *North Loop Small Area Plan*. The development site is located in the Downtown Growth Center and the Interchange Transit Station Area as identified in The Minneapolis Plan for Sustainable Growth. The future land use map in The Minneapolis Plan for Sustainable Growth designates the site as mixed-use, which supports housing. This project would be an appropriate use in this location and would be in conformance with the comprehensive plan for land use.

Downtown East (425 Portland Ave. and multiple other parcels covering five blocks)
Projected DEED Request: \$500,000

This Ryan Companies project involves the redevelopment of five blocks (currently owned by the StarTribune) into two major office buildings totaling over 1 million square feet, approximately 22,000 square feet of retail space, up to 400 housing units, a 1,600-stall parking ramp and one and two-thirds blocks of public green space. The two planned Wells Fargo office tower are expected to house 5,000-6,000 employees. DEED funding is being sought for the demolition of the StarTribune building. The projected total development cost is over \$400 million.

The Downtown East project site is zoned B4S-2 and B4N with the Downtown Parking Overlay. It is classified as a mixed-use project, which is a permitted/conditional use in these districts. The project has received its city land use approvals. The site is located in the Downtown Growth Center and a Transit Station Area and along the Chicago Commercial Corridor as identified in The

Minneapolis Plan for Sustainable Growth. The future land use map in The Minneapolis Plan for Sustainable Growth designates the site as Commercial and Mixed Use which supports the proposed uses, including office, housing, restaurants, and retail. The project's proposed uses would be appropriate in this area and would be in conformance with the comprehensive plan for land use.

Neighborhood Healthsource (2301 Central Ave. NE)

Projected DEED Request: \$300,000

Neighborhood Healthsource, a non-profit organization, intends to demolish a former mortuary built in 1901 and construct a new 12,500 square foot neighborhood health clinic serving the local community with services for low income and the economically challenged residents of the community. The project would result in the retention of 15 existing jobs and the creation of 8-10 new jobs. DEED funding is being sought for demolition, interior abatement, upgrades to sanitary sewer/storm sewer/stormwater management, repair and replacement of sidewalks and greenways, new street lighting and traffic control structures. The projected total development cost is \$3,975,000. (The project has indicated that it intends to apply for a property tax exemption.)

The Neighborhood Healthcare site is zoned C1 Neighborhood Commercial. It is classified as a health clinic, which is a permitted use in C1. In general, the project design is supportable, but there may be changes recommended by staff during the public hearing review and approval process. The development site is located at the intersection of Central Ave NE and 23rd Ave NE. The site is located on Central Ave NE Commercial Corridor, as identified in The Minneapolis Plan for Sustainable Growth. The future land use map in The Minneapolis Plan for Sustainable Growth designates the site as mixed-use, which supports the uses in the proposed project. A health clinic project would be an appropriate use on a Commercial Corridor, and would be in conformance with the comprehensive plan for land use.

Details of Projects Not Recommended for Funding:

This section of the report presents a project that City staff are not recommending for submission to DEED. As noted earlier in this report, any funds that might be awarded under this particular DEED grant program are paid to the City on the developer's behalf, and the City is contractually obligated to ensure that the project's promised outcomes are delivered. The City and DEED are both therefore quite stringent with regard to the "grant readiness" of projects and their ability to fulfill DEED's contractual timing requirements regarding project commencement and completion dates.

700 Central (708 Central Ave. NE)

Projected DEED Request: \$450,000

Nolan Properties Group is planning an adaptive rehabilitation of two currently vacant warehouse buildings into market rate rental units with commercial and amenity space [5,000-10,000 square feet] on the first floor. An adjacent vacant lot

along 7th Street will contain a newly constructed building which will house additional residential units [total overall residential units, 156]. The developer has indicated that it wants the City to seek DEED funding on its behalf for utility disconnections, interior abatement, demolition of existing sidewalks and curbs, construction of new sidewalks/curbs/lighting/bike racks, construction of new public parking stalls, public access improvements, extensions of existing storm sewer/water main/sanitary sewer lines, bus stop improvements, and new trees and tree grates. The projected total development cost is \$30,000,000.

The 700 Central site is zoned C3A Community Activity Center District with the University Area overlay district. It is classified as a mixed-use project with residential and retail, which is a permitted use in C3A. The current proposal was approved by the City Planning Commission at its regular meeting on April 7, 2014. The site is located on Central Ave NE Commercial Corridor and in East Hennepin Activity Center, as identified in The Minneapolis Plan for Sustainable Growth. The future land use map in The Minneapolis Plan for Sustainable Growth designates the site as mixed-use, which supports the uses in the proposed project. A mixed-use project would be an appropriate use in an Activity Center and on a Commercial Corridor, and would be in conformance with the comprehensive plan for land use.

Although City staff members have recommended support for grant funding for this project in the past, and might do so again in the future, a favorable staff recommendation cannot be made in this particular instance. A DEED brownfield cleanup grant in the amount of \$599,880 that had been awarded to the City on behalf of this project in December of 2011 was recently relinquished due to the developer's inability to undertake and complete the cleanup prior to the grant expiration date of December 31, 2014. The primary impediment to progress has been project financing. Although the developer has successfully secured Part I designation from the National Park Service for listing the two existing buildings on the National Register, the State Historic Preservation Office (SHPO) has requested additional information, given that there will be a new structure added to the site during redevelopment. This has delayed the developer's ability to secure Historic Tax Credits and construction financing for the project. Two other brownfield clean-up grants (a \$499,380 Met Council TBRA-TOD grant and a \$140,620 Hennepin County ERF grant, both awarded to the City on behalf of this project in early 2012) are also potentially at risk for the same reason.

In addition, this project has not yet used any portion of a \$180,500 grant that was awarded (to the City) for this project in March of 2012 by DEED's Redevelopment Grant Program – the same program from which it is now asking the City to seek additional grant funding on its behalf. City staff advised the developer, prior to the June 9 City pre-application deadline for the current grant round, that its focus should be on addressing DEED's current project readiness concerns in an effort to retain the previously awarded DEED Redevelopment grant, rather than on attempting to secure new or additional DEED Redevelopment grant funding.

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RESOLUTION of the CITY OF MINNEAPOLIS

Authorizing applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for the following projects: Broadway Flats, The Cameron, Downtown East, and Neighborhood Healthsource.

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

That the City of Minneapolis (City) has approved the following Redevelopment Grant applications to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on or by August 1, 2014: Broadway Flats, The Cameron, Downtown East, and Neighborhood Healthsource.

BE IT FURTHER RESOLVED that the City act as the legal sponsor for the projects contained in the Redevelopment Grant applications to be submitted to DEED on or by August 1, 2014 and that the Director of the Department of Community Planning and Economic Development (or his designee) is hereby authorized to apply to DEED for funding of the aforementioned projects on behalf of the City.

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

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

BE IT FURTHER RESOLVED that the City 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 projects and the City certifies that it will comply with all applicable laws and regulations as stated in said 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 any agreements that may be necessary to implement the projects.