



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

Date: January 20, 2015
To: Lisa Goodman, Chair, Comm. Dev. & Reg. Services Committee
Referral to: John Quincy, Chair, Ways & Means Committee
Subject: DEED Redevelopment Grant Program Applications
(February 2, 2015 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: 602 Condominiums, 4041 Hiawatha, Eastside Food Cooperative Expansion, and Huron Hotel.

Previous Directives:

602 Condominiums (602, 602½ and 606 1st Street N.): On October 31, 2014, the City Council authorized the submission of brownfield grant applications to DEED, the Metropolitan Council and Hennepin County on behalf of this project.

4041 Hiawatha (4041 Hiawatha Avenue): None.

Eastside Food Cooperative Expansion (2535, 2537, 2539, 2543 and 2551 Central Ave. NE): None.

Huron Hotel (2510 Essex Avenue SE and 501 Huron Boulevard SE): None for this specific location. However, this developer (CPM) had previously proposed a similar hotel project for a nearby location (1014, 1018, and 1022 Essex Avenue SE and 506 Huron Boulevard SE), and on May 9, 2014 the City Council approved a rezoning of those parcels from R5/Multiple Family District to C3A/Community Activity Center District.

Prepared by: Kevin Carroll, Principal Project Coordinator	
Approved by: D. Craig Taylor, Executive 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:

602 Condominiums (602, 602½ and 606 1st Street N.): The North Loop Neighborhood Association provided a letter of support dated August 27, 2014.

4041 Hiawatha (4041 Hiawatha Avenue): The developer (Dominium) has indicated that it is scheduled to make a presentation at a meeting of the Longfellow Community Council on January 21, 2015.

Eastside Food Cooperative Expansion (2535, 2537, 2539, 2543 and 2551 Central Ave. NE): The developer has made a presentation to the Audubon Neighborhood Association, and formal action on the developer's request for a letter of support is scheduled to be taken at a meeting on January 5, 2015.

Huron Hotel (2510 Essex Avenue SE and 501 Huron Boulevard SE): The developer (CPM) has indicated that it will be making a presentation at a meeting of the Prospect Park East River Road Improvement Association (PPERRIA) on January 6, 2015.

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 some or all of the 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 \$1.2 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 \$600,000, 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.

602 Condominiums (602, 602½ and 606 1st Street N.)

Projected DEED Request: \$118,743

The developer, Solhem LLC, intends to build a 129,147 square foot condominium building in the North Loop neighborhood of Minneapolis. The project will consist of 30 market rate condominium units in an 8-story building, with 2 levels of underground parking. DEED funding is being sought for the demolition of two

existing structures, the reconstruction of a public alley, new sidewalks, and new sanitary/storm sewers. The projected total development cost is \$32,900,000.

The 602 Condominiums site is zoned C3A with the Downtown Parking and Downtown Height Overlays. This new development is classified as a residential project, which is a permitted/conditional use in these districts. In general, the project is supportable, but there may be changes recommended by staff during the public hearing review and approval process. The development site is located in the North Loop. The site is located in the Downtown Growth Center and Target Field 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 Urban Neighborhood which supports the proposed residential use.

4041 Hiawatha (4041 Hiawatha Avenue)

Projected DEED Request: \$300,000

The developer, Dominion Acquisitions, LLC is proposing to acquire and repurpose a 1926 industrial property on Hiawatha Avenue. The adaptive reuse will convert the space into 70-80 affordable apartments. DEED funding is being sought for the demo of some interior and exterior portions of the existing building; improvements to existing water, sewer and stormwater systems; replacement of sidewalks, curbing and lighting; parking lot resurfacing; landscaping; and restoration of the historic façade. The projected total development cost is \$24,220,757.

The 4041 Hiawatha Ave site is zoned I1 with the Industrial Living (IL) Overlay District. The proposal is for multifamily housing, which is a conditional use in the Industrial Living Overlay District. The current proposal will require a conditional use permit for dwelling units, and may require Site Plan Review and other applications. 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 on Hiawatha Avenue between 40th and 41st Streets. The site is located in the 38th Street 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 Transitional Industrial which supports a transition from industrial to other uses, including housing. Multifamily housing is an appropriate use in a Transit Station Area and would be in conformance with the comprehensive plan for land use.

Eastside Food Cooperative Expansion (2535, 2537, 2539, 2543 and 2551 Central Ave. NE)

Projected DEED Request: \$436,000

Eastside Food Co-op (EFC) is a member owned and operated retail grocery. EFC's growth is necessitating an expansion. EFC plans to renovate its existing building and construct an addition on two additional parcels (which will require the demolition of a dilapidated and vacant structure). DEED funding is being sought for the demolition of an existing building, interior abatement, new sidewalk, new water

and sewer line or connections, and stormwater management improvements. The projected total development cost is \$7,002,527.

The Eastside Food Cooperative site is zoned C2 Neighborhood Corridor Commercial District with the PO Pedestrian Oriented Overlay District. The proposed expansion is classified as a commercial use, which is a permitted use in the C2 zoning district. The current proposal was approved at the August 25, 2014 City Planning Commission meeting. Land use applications included a rezoning to C2, site plan review, and variances for windows, one-story development, the parking lot, and signage. The rezoning was subsequently approved at the City Council meeting on October 3, 2014. The development site is located at the corner of Central Ave NE and 26th Ave NE. The site is located in the Central and Lowry Activity Center and on the Central Ave 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 commercial and/or residential uses, including this project. A grocery store would be an appropriate use in this location and would be in conformance with the comprehensive plan for land use.

Huron Hotel (2510 Essex Avenue SE and 501 Huron Boulevard SE)
Projected DEED Request: \$375,000

CPM plans to demolish an existing 2-story building that was constructed in 1911 for manufacturing uses, and construct a hotel with 150-180 rooms. DEED funding is being sought for asbestos abatement, demolition and private/public infrastructure improvements. The projected total development cost is \$24,000,000.

The Huron and Essex Hotel site is zoned I1 Light Industrial District with the ILOD Industrial Living Overlay District and the UA University Area Overlay District. The planned use is classified as a hotel, which is a permitted use in the C3A, C3S, and C4 zoning districts. The current proposal has not been through the City's development review process. It will need at least a rezoning and site plan review land use applications, as well as potentially others. 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 corner of Huron Blvd SE and Essex St SE. The site is located in the University of Minnesota Growth Center and the Stadium Village LRT 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 transitional industrial which supports a range of uses, including industrial, commercial and potentially residential uses. A hotel may be an appropriate use in this location and in conformance with the comprehensive plan for land use, although pending development review is still needed to make more final determinations.

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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: 602 Condominiums, 4041 Hiawatha, Eastside Food Cooperative Expansion, and Huron Hotel.

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 February 2, 2015: 602 Condominiums, 4041 Hiawatha, Eastside Food Cooperative Expansion, and Huron Hotel.

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 February 2, 2015 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.