

# City of Minneapolis

## Request for Committee Action

**To:** Community Development & Regulatory Services  
**Date:** 4/19/2016  
**Referral:** Ways & Means  
**From:** Community Planning & Economic Development  
**Lead Staff:** Kevin Carroll  
**Presented by:** Kevin Carroll  
**File Type:** Resolution  
**Subcategory:** Grant

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**Subject:**

Applications for Environmental Grant Funding in the Spring 2016 Brownfield Grant Round

**Description:**

1. Passage of Resolution authorizing submittal of applications to the Minnesota Department of Employment and Economic Development [DEED] Contamination Cleanup and Investigation Grant Program for environmental investigation and/or remediation funding for the following projects: 117 27<sup>th</sup>, 333 E Hennepin, and Superior Plating.

2. Passage of Resolution authorizing submittal of applications to the Metropolitan Council's Tax Base Revitalization Account [TBRA] Grant Program for environmental investigation and/or remediation funding for the following projects: 8<sup>th</sup> & 9<sup>th</sup>, 333 E Hennepin, 800 W Broadway, 1215 2<sup>nd</sup> Ave N [Pilot program], California Street Apartments, Living Greens Farm, PRG I Portfolio, and Superior Plating.

3. Passage of Resolution authorizing submittal of applications to the Hennepin County Environmental Response Fund [ERF] for environmental investigation and/or remediation funding for the following projects: 8<sup>th</sup> & 9<sup>th</sup>, MPRB – Bossen Field, and PRG I Portfolio.

**Previous Actions:**

**8<sup>th</sup> & 9<sup>th</sup>** (803 and 815 9<sup>th</sup> Avenue SE; 805 8<sup>th</sup> Street SE, eastern half; and 817 and 821 8<sup>th</sup> Street SE): None.

**117 27<sup>th</sup>** (117 and 117½ 27<sup>th</sup> Ave. SE; 1710 Franklin Ave. SE; 2512½ Essex Ave. SE): On March 18, 2016, the City Council accepted a \$175,300 Met Council TBRA grant for this project.

**333 E. Hennepin** (333 E. Hennepin): None.

**800 W. Broadway** (800 W. Broadway; 2019 Aldrich Ave.): On August 1, 2014, the City Council accepted a \$205,800 DEED grant for this project. On October 31, 2014, the City Council approved a TIF Plan and a TIF Note and took related actions.

**1215 2<sup>nd</sup> Avenue N.** (1207, 1215 and 1221 2<sup>nd</sup> Ave. N.; 205 Girard Ave. N.; 210 and 214 Humboldt Ave. N.): On October 23, 2015, the City Council approved the submission of a Pilot program grant application to the Metropolitan Council.

**California Street Apartments** (2301 ornia St. NE): None.

**Living Greens Farm** (620 Olson Memorial Dr.): On August 21, 2015, the City Council accepted a \$130,977 DEED grant and a \$61,123 Hennepin County ERF grant for the cleanup of this site (the project name at that time was "North Loop Commons").

**MPRB – Bossen Field** (5601 28<sup>th</sup> Ave. S.): None.

**PRG I Portfolio** (14 separate addresses): On August 21, 2015 the City Council accepted a \$50,000 Met Council TBRA investigation grant for this project (the project name at that time was "PRG Southside Rehab"). On October 23, 2015, the City Council approved a partial allocation of

Low Income Housing Tax Credits for the project. On November 6, 2015, the City Council approved the appropriation of \$525,000 in Affordable Housing Trust Funds for this project.

**Superior Plating** (315 1<sup>st</sup> Avenue NE): On August 1, 2014, the City Council accepted a \$933,083 DEED grant and a \$712,200 Met Council TBRA grant for the cleanup of this site. On August 21, 2015, the City Council accepted a \$714,273 DEED grant, a \$798,800 Met Council TBRA grant and a \$118,233 Hennepin County ERF grant for the cleanup of this site. On February 6, 2016, the City Council accepted a \$395,000 LCDA-TOD grant for this project.

**Ward/Address:**

All Wards

[The projects referred to below involve multiple wards, neighborhoods and addresses.]

**Background/Analysis:**

The ten projects and the 14 related grant applications that are being recommended for submission to DEED, the Metropolitan Council and Hennepin County in the spring 2016 brownfield grant round are as follows:

| Project Name                 | GRANTORS         |                  |                     | Total Grant Requests |
|------------------------------|------------------|------------------|---------------------|----------------------|
|                              | DEED             | Met Council TBRA | Hennepin County ERF |                      |
| 8 <sup>th</sup> & 9th        |                  | 140,233          | 24,307              | 164,540              |
| 117 27th                     | 199,350          |                  |                     | 199,350              |
| 333 E. Hennepin              | 452,250          | 128,182          |                     | 580,432              |
| 800 W. Broadway              |                  | 96,776           |                     | 96,776               |
| 1215 2 <sup>nd</sup> Ave. N. |                  | (Pilot) 48,920   |                     | 48,920               |
| California Street Apartments |                  | 48,000           |                     | 48,000               |
| Living Greens Farm           |                  | 335,054          |                     | 335,054              |
| MPRB – Bossen Field          |                  |                  | 178,405             | 178,405              |
| PRG I Portfolio              |                  | 388,695          | 129,565             | 518,260              |
| Superior Plating             | 1,348,750        | 477,250          |                     | 1,826,000            |
| <b>TOTALS:</b>               | <b>2,000,350</b> | <b>1,663,110</b> | <b>332,277</b>      | <b>3,995,737</b>     |

The Minnesota Contamination Cleanup and Investigation Grant Program was established in 1993 to clean up contaminated sites and convert contaminated properties into marketable assets. The Department of Employment and Economic Development [DEED] is the administering state agency. Applications for the spring grant round are due by May 2, 2016. A local match equal to twenty-five percent of the project costs is required, of which twelve percent must come from local non-tax increment funds (typically provided by the developer). The amount that will be available to fund brownfield investigation and cleanup grants in the spring 2016 round is expected to be about \$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 from Greater Minnesota 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 Account [TBRA] 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 spring round of this program are due by May 2, 2016. No local match is required. The amount that will be available to fund brownfield cleanup grants in the spring 2016 round is expected to be about \$2.5 million. 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.

Also available in the May 2 grant round is a relatively new variety of TBRA funding, referred to as the "Pilot" grant program. It is designed to provide grant funding to investigate and/or remediate sites that (a) are located within an "Area of Concentrated Poverty" and that (b) do not yet have developers or approved development plans but that "show potential for job creation." (The 'regular' TBRA funding described in the preceding paragraph is limited to sites and projects that **do** have identified developers and specific, realistic development plans.) Eligible sites under the Pilot program include properties that will increase the tax base and add or preserve jobs and/or add or preserve affordable housing. An applicant must be a local governmental unit. There are no limits on the number of applications that any given governmental unit can submit. However, if the requests for funding exceed the available funds, no more than ½ of the funds may be awarded to projects located in a single City, and no more than ¾ of the funds may be awarded to projects located in Minneapolis and St. Paul. This program has a match requirement for investigation grants; the applicant or a public or private partner must pay for at least 25% of the total estimated investigation costs. It is anticipated that about \$800,000 will be made available for this program in the May 2 grant 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 spring round of this program are due by May 2, 2016. Hennepin County has indicated that it will make about \$1 million available in the May 2 grant round. 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.

All three of the aforementioned grantors are expected to finalize awards for the spring brownfield round sometime between late June and mid-July. For the spring round, details regarding the City's pre-application process and related program requirements were provided to CPED project coordinators and potential applicants in early February. Relevant information was posted on the City's website and distributed via email to the 800+ parties on CPED's Development Notices Distribution List. Staff processing of the submitted pre-applications included consideration of factors such as readiness to proceed with cleanup, removal of blighting influences, commitment of City funds, creation or retention of affordable housing, compliance with zoning requirements and comprehensive plan designations, and job creation.

In this round, staff continued the use of a more rigorous review process that was first implemented during the fall 2012 round. This process required developers to submit a Grant Assessment Worksheet [GAW] 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 created or retained. The review also included other sections regarding readiness measures, policy alignment and developer experience.

Fourteen pre-applications were received by the City, all of which are being recommended for submission to the three grantors. The City's interactions with the three grantors during past grant rounds have established that their internal processes for reviewing, scoring and ranking brownfield applications give no weight to any city's prioritization of the applications that it submits to the grantors. The analyses conducted by the three grantors' staff, and the decisions that they make in awarding brownfield 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 for many years, the recommendation of City staff is that the City Council not rank or prioritize the brownfield applications that it authorizes staff to submit to the three brownfield grantors on or by their joint May 2, 2016 application deadline.

### **Details of Recommended Brownfield 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. A map of the development projects listed below appears in Attachment 1, and planning-related comments appear in Attachment 2.

**8<sup>th</sup> & 9<sup>th</sup>** (803 & 815 9<sup>th</sup> Avenue SE; 805 8<sup>th</sup> Street SE, eastern half; and 817 & 821 8<sup>th</sup> Street SE)  
*Projected Metropolitan Council TBRA Request: \$140,233*  
*Projected Hennepin County ERF Request: \$24,307*

The developer, CPM Development LLC, intends to demolish five existing buildings and construct two multi-story residential buildings (180 student housing units) with underground parking. The total projected development cost is \$14,640,363. The Marcy-Holmes Neighborhood Association issued a conditional letter of support on February 19, 2016. Grant funds, if awarded, will be used for conducting an asbestos survey prior to demolition, and installing a vapor barrier and venting system beneath the new buildings.

**117 27<sup>th</sup>** (117 and 117 ½ 27<sup>th</sup> Ave. SE; 1710 Franklin Ave. SE; 2512½ Essex Ave. SE)  
*Projected DEED Request: \$199,350*

The developer, Elsey Partners, plans to construct a five-story, 195-unit market rate rental apartment building with structured underground parking. This project includes the removal of a dilapidated building (100+ years old) and the development of long-vacant railroad land near the University of Minnesota. The total projected development cost is \$27,500,000. The Zoning and Project Review Committee of the Prospect Park Association issued a letter of support on November 17, 2015. Grant funds, if awarded, will be used primarily for soil remediation.

**333 E. Hennepin** (333 E. Hennepin)  
*Projected DEED Request: \$452,250*  
*Projected Metropolitan Council TBRA Request: \$128,182*

The developer, Mortenson Development Inc., intends to construct a high-rise tower of 28-30 stories that will include 260 upscale rental apartments. The residential lobby and office will occupy the ground level along with 3,500 square feet of retail space and 26 parking stalls. An 8,500 square foot amenity deck will sit atop a 263-unit residential parking structure. The projected total development cost is \$85,000,000. The Nicollet Island - East Bank Neighborhood Association issued a letter of support on September 24, 2015. Grant funds, if awarded, will be used for asbestos abatement, soil remediation and soil vapor mitigation.

**800 W. Broadway** (800 W. Broadway)  
*Projected Metropolitan Council TBRA Request: \$96,776*

The developer, Sherman Associates, is rehabilitating existing space and constructing new space that will be used for the North Minneapolis DEED Workforce Center, Minneapolis Public Schools, NorthPoint Health and other commercial tenants. This diverse group of tenants will provide educational and workforce training services to the community. Key participants in the project are State of Minnesota, Hennepin County, City of Minneapolis, Minneapolis Public Schools and neighborhood groups. The total projected development cost is \$7,990,000. The Hawthorne Neighborhood Council issued a letter of support on June 14, 2013. Grant funds, if awarded, will be used for the installation of a sub-slab soil vapor mitigation system.

**1215 2<sup>nd</sup> Avenue N.** (1207/1215/1221 2<sup>nd</sup> Ave. N.; 205 Girard Ave. N.; 210/214 Humboldt Ave. N.)  
*Projected Metropolitan Council TBRA [Pilot program] Request: \$48,920*

The City currently owns five of the aforementioned parcels, and is in the process of acquiring the fourth (at 1215 2<sup>nd</sup> Ave. N.), which was previously part of a bulk petroleum facility. More recently, it has been used as a warehouse for engine parts. All six parcels are located in Bassett Creek Valley, which is within a designated Area of Concentrated Poverty (a prerequisite for funding under the Pilot program). Grant funds, if awarded, will be used for Phase I and II site investigations, hazardous materials assessments, and the pre-demolition abatement of asbestos and lead based paint.

**California Street Apartments** (2301 California Street NE)

*Projected Metropolitan Council TBRA Investigation Request: \$48,000*

The developer, Rome Company LLC, intends to demolish and remove eight existing grain silos and develop a 72-unit apartment building on the site in question. The total projected development cost is \$11,000,000. Grant funds, if awarded, will be used to conduct environmental investigations that will help determine the extent and estimated cost of whatever site remediation may be required.

**Living Greens Farm** (620 Olson Memorial Drive)

*Projected Metropolitan Council TBRA Request: \$335,054*

The development team, which consists of Living Greens Farm and NHH 620 Olson Memorial LLC, plans to renovate an existing 68,000 square foot vacant building to provide urban indoor growing space in approximately half of the building, with the remainder being devoted to office, R&D, education and future restaurant or retail. The indoor growing area will generate the equivalent of 100 acres of traditionally farmed lettuce. A small, dilapidated building on an adjoining lot will also undergo renovation for Living Greens Farm equipment, and vehicle storage and maintenance. The total projected development cost is \$22,000,000. This project was discussed at a meeting of the North Loop Neighborhood Association on February 17, 2016. Grant funds, if awarded, will be used primarily for asbestos remediation.

**MPRB – Bossen Field** (5601 28<sup>th</sup> Ave. S.)

*Projected Hennepin County ERF Request: \$178,405*

The Minneapolis Park & Recreation Board intends to make improvements to an existing park (Bossen Field), which currently includes several ball fields and a playground. Two wetlands that were originally on the site were filled with various materials that are of environmental concern. The MPRB intends to redevelop the park with updated ball fields, open play areas, an upgraded playground and other project elements. The total projected development cost is \$4,500,000. Grant funds, if awarded, will be used primarily for soil remediation.

**PRG I Portfolio** (14 separate addresses)

*Projected Metropolitan Council TBRA Request: 388,695*

*Projected Hennepin County ERF Request: \$129,565*

CommonBond Communities intends to substantially rehabilitate 42 existing units of affordable housing located across south Minneapolis. CommonBond Communities acquired this portfolio of properties from PRG in 2007. The rehabilitation of the units in question will help ensure the preservation of these low-income, large-family housing opportunities. The total projected development cost is \$12,627,018. Letters of support were issued by the Powderhorn Park Neighborhood Association on March 27, 2015 and by the Seward Neighborhood Group on March 25, 2015. Grant funds, if awarded, will be used for the abatement of asbestos and lead-based paint.

**Superior Plating** (315 1<sup>st</sup> Avenue NE)

*Projected DEED Request: \$1,348,750*

The developer, Lennar Multifamily Communities, has indicated that Phase I of its planned project will include the construction of 86 units in a 4-story “low-rise” building and 194 units in a 20-story residential tower (280 units in total), plus 22,000 square feet of commercial development, on a City block that was formerly occupied by a plating facility for over 60 years. Phase 2 is projected to include an additional 278 units and additional commercial space. The projected total development cost is \$106,600,000 for Phase 1 (and \$100,500,000 for Phase 2). The Nicollet Island - East Bank Neighborhood Association issued a letter of support on January 28, 2015. Grant funds, if awarded, will be used primarily to haul and dispose of a recently discovered/excavated layer of heavily contaminated clay from an area that was previously believed to be limestone bedrock.

**Financial Review:**

**No financial impact.**

With regard to the private sector projects referred to herein, there is no direct financial impact. However, some of those grant requests require a commitment of local match funds, to be provided by the developer (or other non-City funding sources). The City of Minneapolis is sponsoring those grant requests, acting in most cases as a pass-through and conduit for environmental investigations and cleanup. Sponsoring those grant applications does not commit (or imply a commitment of) City funds as the required match. Any investigation grant funding that is awarded by the Metropolitan Council’s TBRA Pilot program for the site at 1215 2<sup>nd</sup> Avenue N. will require a 25% match. The City has budgeted funds that can be used for that purpose. 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.

**Attachments:**

1. Map
2. Planning Comments
3. DEED Resolution
4. Metropolitan Council TBRA Resolution
5. Hennepin County ERF Resolution