

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 7/26/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Lead Staff: Kevin Carroll
Presented by: Kevin Carroll
File Type: Resolution
Subcategory: Grant

Subject:

Applications for Funding in the August 1, 2016 Round of DEED's Redevelopment Grant Program

Description:

1. Authorizing application to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for funding for the following projects: At Glenwood, Harris Building Food Hall and Office, North Market, and Penn Ave Union; and,
2. Passage of Resolution authorizing appropriate City staff to submit the aforesaid applications to the DEED Redevelopment Grant Program.

Previous Actions:

None.

Ward/Address:

All Wards

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

Background/Analysis:

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 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 \$500,000, 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.

The City’s interactions with DEED during past grant rounds have established that DEED’s internal processes for reviewing, scoring and ranking redevelopment grant applications give no weight to any city’s prioritization of the applications that it submits to DEED. The analyses conducted by DEED staff, and the decisions that DEED makes in awarding redevelopment 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 redevelopment grant applications that it authorizes staff to submit to DEED on or by its August 1, 2016 application deadline.

Details of Recommended Projects:

This section of the report presents projects, in alphabetical order, that City staff recommend for submission to DEED's Redevelopment Grant Program. The summary descriptions were based upon information provided by the developers or by others familiar with the details of the projects in question. Planning-related comments appear in Attachment 1.

At Glenwood (225 Thomas Ave. N., 301 & 305 Thomas Ave. N.)

Projected DEED Request: \$275,000

The developer, At Glenwood, LLC, intends to bring the historic Glenwood Inglewood site back to life by creating a European-style brewery. Utepils Brewing Co., which has signed a ten year lease, will be operating Minnesota's sixth largest brewery at this location when the planned redevelopment of the site is complete. Utepils will be taking over the former water company's underground well and warehouse shell for its production facilities, and adding a highly anticipated beer garden and bar. DEED funding is being sought for utility improvements (including sewer, water, natural gas and underground electrical power) that are required for the anticipated redevelopment. The projected total development cost is \$9,500,000 (which does not include costs related to the future redevelopment of the adjacent Fruen Mill site, which is also owned by At Glenwood, LLC).

Harris Building Food Hall and Office (501 30th Ave. SE)

Projected DEED Request: \$300,000

Wall Ventures, LLC plans to renovate the existing (and currently vacant) Harris Machinery Building into a 12,200 square foot destination distillery, to be operated by Du Nord Craft Spirits. It will produce small batch "micro" spirits for sale and consumption in a tasting room, similar in concept to a microbrew taproom. The remaining space (6,000 square feet) within the renovated building will be used as office space for additional tenants. DEED funding is being sought for the selective demolition of the roof and upper portions of the walls, stabilization of other portions of the building, and upgrades to the stormwater management infrastructure on the site. The projected total development cost is \$5,400,000.

North Market (4414 Humboldt Ave. N.)

Projected DEED Request: \$130,250

The developer, Oppidan Investment Co., in conjunction with Pillsbury United Communities (PUC), intends to redevelop an existing 15,000 square foot structure into a building that will serve as a full-service grocery store and a health-based resource center for North Minneapolis and surrounding areas. The goal for North Market is to increase access to affordable, nutritious food and to be a source for educational and health services. PUC will be partnering with North Memorial Health Care to provide access to healthcare providers/services and wellness programs, along with a walk-in clinic (i.e., a Minute Clinic), a pharmacy, an on-site dietician and/or community health worker, and community education classes. DEED funding is being sought for interior demolition, infrastructure improvements (utilities, access roads, exterior lighting) and stormwater improvements. The projected total development cost is \$5,000,000.

Penn Ave Union (2200 Golden Valley Rd., 1911 & 1915 Penn Ave N., 1906, 1910 & 1914 Queen Ave N.)

Projected DEED Request: \$451,944

The developer, Northside Partners GP, LLC, plans to construct a new mixed-income, mixed-use rental apartment building (33 three and four-bedroom units) with ground level commercial space. DEED funding is being sought for the demolition of three existing single-family homes, a biofiltration storm water system, the vacation and relocation of a portion of the existing alley (to create a single, larger parcel), the relocation of utilities, and decorative lighting. The projected total development cost is \$17,211,497.

Financial Review:

No financial impact.

Although there is no direct financial impact to the City, it should be noted that the DEED grant requests referred to herein require a commitment of local match funds (50% match), to be provided by the developer (or other non-City funding sources). The City of Minneapolis is sponsoring these grant requests, and will act as a pass-through and conduit for any awarded grant funding. 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.

Attachments:

1. Planning Comments
2. DEED Resolution