



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

Date: April 18, 2006

To: Council Member Lisa Goodman, Community Development Committee
Council Member Paul Ostrow, Ways & Means Budget/Committee

Subject: Environmental Remediation Grant Applications, Spring 2006 (Revised)

Recommendation:

1. Apply to the Metropolitan Council Metropolitan Livable Communities Fund Tax Base Revitalization Account Grant Program for The Bridge for Runaway Youth, Van Cleve Court, Anishinabe Bii-Gii-Winn, 2112 Broadway Street NE, The Jourdain, 3445 1st Avenue S. and Aloft Hotel (Parcel F); and,
2. Apply to the Minnesota Department of Employment and Economic Development Contamination Cleanup Grant Program for environmental remediation at Anishinabe Bii-Gii-Winn, Fusion (investigation), Aloft Hotel (Parcel F), and Pacific Block (investigation); and,
3. Authorize application to the Hennepin County Environmental Response Fund for The Bridge for Runaway Youth, Van Cleve Court, Anishinabe Bii-Gii-Winn, Fusion (investigation), 3445 1st Avenue S., and Pacific Block (investigation); and,
4. Approve the attached resolutions authorizing appropriate City staff to execute agreements to implement the Metropolitan Council Livable Communities Tax Base Revitalization Account Grant Program, Minnesota Department of Employment and Economic Development Contamination Clean Up and Investigation Grant Program, and Hennepin County Environmental Response Fund.

Previous Directives: On July 1, 2005, the City Council approved a Hennepin County HRA conduit land sale between Mn/DoT and AICDC for the land located north of Franklin Avenue East and West of Highway 55, the site of the proposed **Anishinabe Bii-Gii-Winn** project. For the Aloft Hotel, **Parcel F** project, on May 27, 2005, the City Council authorized CPED to execute a purchase agreement with the Hennepin County Regional Rail Authority for property located at 900 Washington Avenue South and 901 Second Street South, and to grant exclusive development rights to the property for up to 12 months to Sherman Associates. On July 22, 2005, the City Council approved a pass-through sale of 900 Washington Avenue South and 901 Second Street South to Sherman Associates or an affiliated entity, and authorized appropriate City staff to execute a redevelopment contract with Sherman Associates or an affiliated entity. On November 17, 2005, the Council approved up to \$376,823 to **The Bridge Center for Youth** for the rehabilitation associated with the offices/administrative space to be used for The Bridge's transitional housing facility. On November 4, 2005, the Council approved up to \$523,177 Affordable Housing Trust Fund monies and \$29,000 Non-Profit Administrative Assistance Fund monies for the new construction of The Bridge Center for Youth's transitional housing facility for 18 youth. In August 2005 the Council approved up to \$500,000 of NRP Affordable Housing Reserve Fund monies for this project. On October 7, 2005, the City Council approved the allocation of

\$488,828 in 2005 Federal Low Income Housing Tax Credits for **Van Cleve Court Apartments** Phase I. On November 4, 2005, the City Council approved up to \$412,000 in loan funds from the City's Affordable Housing Trust Fund (AHTF) and \$30,000 in grant funds from the Non-Profit Assistance Fund for Van Cleve Court Apartments Phase I.

There are no identified previous directives for **2112 Broadway Street NE**, the **Fusion** project, the **Pacific Block** project or **3445 1st Avenue S**.

Prepared by: John Harrington, Sr. Project Coordinator **Phone:** 612-673-5018
Approved by: Chuck Lutz, Deputy Director CPED _____
 Mike Christenson, Director of Economic Development _____

[Permanent Review Committee \(PRC\)](#) Approval Not Applicable

Presenter in Committee: John Harrington, Sr. Project Coordinator

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain): There is no direct financial impact at this time. However, some of the grant requests have been identified as requiring a commitment of local match funds, to be provided by the developer or other non-City funding sources. The City of Minneapolis is sponsoring these grant requests, acting in some cases as a pass-through and conduit for environmental investigations and cleanup. The following listing is in priority order based on criteria previously accepted by the City Council and an interdepartmental staff review.

Metropolitan Tax Base Revitalization Account Grant Requests in Priority Order (top to bottom) (There is no local match required for these grants.)

Project	Grant Request
1. The Bridge for Runaway Youth	\$ 77,000
2. Van Cleve Court	\$ 150,000
3. Anishinabe Bii-Gii-Winn	\$ 13,615
4. 2112 Broadway Avenue East	\$ 92,000
5. The Jourdain.	\$ 87,000
6. 3445 1 st Avenue S.	\$ 50,000
7. Aloft Hotel	\$ 71,500
Total Metropolitan Council:	\$ 541,115

MN Department of Employment and Economic Development Grant Requests in Priority Order (top to bottom) (The local matches for these projects will come from developer's funds and / or from other grant funds, not from the City.)

Project	Grant Request
1. Anishinabe Bii-Gii-Winn	\$ 157,091
2. Fusion (investigation)	\$ 25,000
3. Aloft Hotel	\$ 412,500
4. Pacific Block (investigation)	\$ 50,000
Total MN DEED	\$ 644,591

Hennepin County Environmental Response Fund Grant Requests in Priority Order (top to bottom) (There is no local match required for these grants.)

Project	Grant Request
1. The Bridge for Runaway Youth	\$ 61,000
2. Van Cleve Court	\$ 150,000
3. Anishinabe Bii-Gii-Winn	\$ 13,615
4. Fusion (investigation)	\$ 40,000
5. 3445 1 st Avenue S.	\$ 70,000
6. Pacific Block (investigation)	\$ 20,000
Total Hennepin County ERF	\$ 429,715

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact

Neighborhood Notification: The **2112 Broadway Street NE** project is in the Mid-City Industrial Area, for which there is no neighborhood association. The Council Member's office was notified on February 21, 2006. The **3445 1st Avenue S.** project is in the Lyndale neighborhood. The project is being jointly developed with the neighborhood development organization which participated in a jointly sponsored RFP in 2004. The Downtown Minneapolis Neighborhood Association was notified of the **Aloft Hotel** project February 27, 2006. Ventura Village was informed of the **Anishinabe Bii-Gii-Winn** project on February 14, 2006. Steven's Square Community Organization was notified about the **Fusion** project during several meetings in 2005. The Warehouse District-North Loop Association was notified regarding the **Pacific Block** project on January 18, 2006. The Lowry Hill Residents, Inc. and East Isles Residents Associations were notified about **The Bridge for Runaway Youth** project in June 2004. The Southeast Como Improvement Association was notified about the proposed **Van Cleve Court** project in 2004. The environmental remediation grant notification was provided on March 3, 2006.

City Goals: The proposed projects are consistent with and contribute to attainment of the City goal to "Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis."

Comprehensive Plan: The projects generally comply with the land reclamation and providing a healthy environment elements of the Minneapolis Plan.

Zoning Code: The proposed projects either are in compliance or will comply.

Other: Environmental assistance is exempt from Living Wage/Business Subsidy and generally exempt from job linkage although there may be case by case exceptions.

Background/Supporting Information

INTRODUCTION:

Enacted by the legislature in 1995, the Metropolitan Livable Communities Act designated the Metropolitan Council as the administrator of the Tax Base Revitalization 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 to this program are due May 1, 2006. No local match is required. The City of Minneapolis geographic area is restricted to receiving no more than \$1,300,000.

The Minnesota Contamination Cleanup Grant Program was established in 1993 to clean up contaminated sites and convert contaminated property into a marketable asset. The Department of Employment and Economic Development is the administering state agency. Applications are due May 1, 2006. A local match equal to twenty-five percent of the project costs is required, of which twelve percent of the clean-up costs must come from non-tax increment local funds (often provided by the developer). There is no financial limit for the City of Minneapolis geographic area. However, there is a maximum of approximately \$4 million available statewide for this program.

Hennepin County has been collecting mortgage registry and deed tax for deposit into an Environmental Response Fund (ERF). The ERF is used for the assessment and clean up of contaminated sites located within Hennepin County, with emphasis on affordable housing projects. Applications are due May 1, 2006. The most that Minneapolis projects have received in a funding round from the ERF is \$897,954.

Table 1: Cumulative Remediation Grant Funding 1995 Through 2005

DEED	\$17,848,214
Metro Council	\$21,906,967
Hennepin County	<u>\$4,976,352</u>
Grand Total	\$44,731,533

Projects initiated through these grants and additional public funds have triggered more than an estimated \$1 billion in additional private investment in the City of Minneapolis.

Table 2: New Funding Requests for Spring 2006

	Grant Applications Spring 2006	Grant Funding Requested
DEED	4	\$644,591
Metro Council	7	\$541,115
Hennepin County	6	<u>\$429,715</u>
		\$1,615,420

The criteria used to evaluate projects were accepted by the City Council several years ago. The criteria, plus the City's review schedule and additional information regarding funding program resources were provided to CPED project coordinators and potential applicants early in 2006. At least one email reminder of the deadline for submitting information was sent. A summary of the criteria used to evaluate projects is provided below. These criteria were structured as either Yes/No

determinations (e.g., consistency with zoning comprehensive plan) or to reflect a discrete status condition (e.g., proceed with cleanup within 6 months, in 6 to 12 months, in more than 12 months).

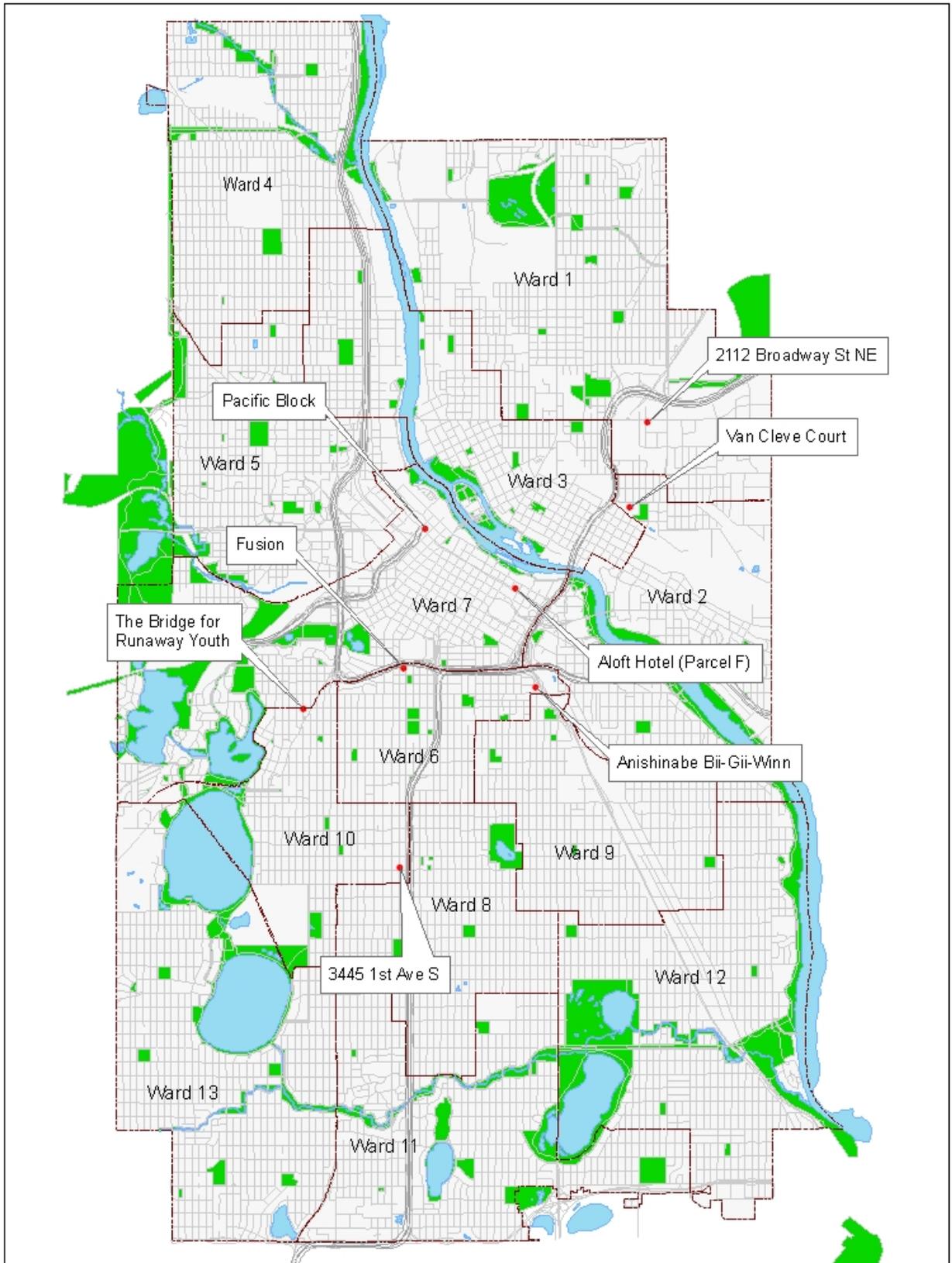
Criteria	Maximum	Minimum
<i>Readiness to proceed with cleanup</i>	5	1
<i>Importance of proposed project</i>	10	1
<i>Removal of blighting influences</i>	5	1
<i>Readiness of the development project to proceed</i>	5	1
<i>Development financing secured</i>	5	1
<i>Development potential determined</i>	5	1
<i>Financial health of the project (public/private leveraging)</i>	5	1
<i>City funds invested</i>	10	1
<i>Affordable housing</i>	5	1
<i>Zoning consistency</i>	5	0
<i>Planning consistency</i>	5	0
Total points	65	9

The recommended grant priorities reflect the outcome of an interdepartmental staff review¹ held on March 22, 2006. At that meeting the criteria points and preliminary ranking of each project were reviewed and discussed based on the information provided by applicants. A copy of each of the criteria forms is available on request. The discussion focused on the project's conformance to the criteria as well as an assessment of the project's fit with the funding guidelines in DEED, Met Council and Hennepin County ERF programs, particularly whether a project is far enough along in the development review and approval process to be able to use the grants on a timely schedule. Four projects emerged as a staff consensus high priority selection (The Bridge, Van Cleve Court, Anishinabe Bii-Gii-Winn and 2112 Broadway Street NE). Two projects which staff considered questionable for proceeding with remediation grants this round were in fact subsequently modified by the developer to requests for investigation funding rather than remediation. The 3445 1st Avenue S. project information was received too late to be included in the evaluation. The staff recommendation is that it be added to the bottom of each list for each source for which funding is sought.

¹ In attendance and participating were: Mike Christenson, Director of Economic Policy and Development; Tom Daniel, Economic Development Manager; Matt Bower, Grants and Special Projects, Cynthia Lee, Multi-Family Housing Manager; Steve Maki, CPED Engineering; John Harrington, Brownfields Coordinator. Pam Miner, Community Planning supervisor, provided rankings but was unable to attend the meeting. Tom Frame from Environmental Management was also invited to participate but unable to attend.

Proposed Project Locations:

The following map identifies the location of each of the proposed projects.



Proposed Project Details:

This section of the report presents **projects in alphabetical order**, to avoid duplicate listings.

2112 Broadway Street NE Ward 1

2112 Broadway Street NE

Metro Council TBRA request: \$92,000

The 2112 Broadway building is a vacant industrial food service building that was originally constructed in the 1930's with additions up to the early 90's. It has been vacant since June of 2004 when the former tenant moved to a modern and larger food service building. The building is set up as a large refrigerated building and is either too large for small food service groups or too small for large ones. Because of the refrigeration system (ammonia & freon) there will be a large demolition and remediation program necessary to bring the building back into a usable condition. The building will be remediated to remove the asbestos materials along with the refrigeration systems. After remediation, the building's systems will be brought up to the newest fire, life safety, and Americans with Disabilities Act codes, including new HVAC, elevator, and windows. The renovated building will house 10-15 companies. Typically, these types of companies are in an expansion stage which means they will grow and move to other buildings in the area.

3445 1st Avenue S. Ward 8

3445 1st Avenue S.

Metro Council TBRA request: \$50,000

Hennepin County ERF request: \$70,000

Hennepin County, working with the neighborhood development organization, proposes to redevelop the contaminated former site of a eight unit townhouse complex which has been demolished and construct a four unit townhouse complex with one unit meeting the affordable housing criteria.

Anishinabe Bii-Gii-Winn Ward 6

Mn/DoT Right of Way at Franklin Ave.

DEED remediation grant request: \$157,091

Metro Council TBRA request: \$13,615

Hennepin County ERF request: \$13,615

The Anishinabe Bii-Gii-Wiin (People Coming Home in the Ojibwe language) project is intended to serve the housing needs of the working homeless and near homeless. The building will contain approximately 60 units of studio and small one bedroom apartments on three levels above one level of commercial.

Aloft Hotel Ward 7

900 Washington Avenue South

DEED remediation grant request: \$412,500

Metro Council TBRA request: \$71,500

As part of the redevelopment of Parcel F, Sherman Associates intends to redevelop approximately half the block as a new Aloft Hotel. Aloft is a new flag for Starwood Hotels and Resorts and is designed to be a hip, affordable version of their successful luxury W Hotel brand. This will be the site of the first Aloft Hotel ever developed. The hotel will front Washington Avenue on vacant land that is currently owned by the Hennepin County Regional Rail Authority (HCRAA). Parking is planned in the underground parking structure on site and in the adjacent Riverfront District Ramp.

Fusion Ward 6

110 18th Street East, Block bounded by 18th St E, First Avenue S, Stevens Avenue, 17th Street East

DEED investigation grant request: \$25,000

Hennepin County ERF request (investigation): \$40,000

The existing buildings are four stories tall and were built at various times with no similarity or continuity. The location originally functioned as a hospital and later as a Catholic Charities nursing home. Two of the buildings, Abbott and Janney along First Avenue, are historic and will be preserved. The other buildings along 18th and Stevens will be demolished and a new four story 83 unit condominium with underground parking will be built in their place. The vacant parking lot at the corner of 17th Street and First Avenue will be developed with a new 4 to 12 story structure and underground parking. The new building along with the rehabilitated Abbott will be 132 unit residential condominiums or a combination of hotel and residences.

Pacific Block Ward 7

223-2nd Street N, 219-2nd Street N, 212-2nd Street N, 217-3rd Avenue N, 218 Washington Avenue N, 214 Washington Avenue N, 214 1/2 Washington Avenue N, 206 Washington Avenue N, 200 Washington Avenue N, 216-2nd Avenue N

DEED investigation grant request: \$50,000

Hennepin County ERF investigation grant request: \$20,000

The site comprises an entire city block which currently houses operating businesses, both commercial and industrial. Residential conversion of one building has occurred. One vacant building is present on the site. The remainder of the site is covered by surface parking lots. The proposed project consists of renovation and adaptive reuse of historic structures along with new construction within the North Loop neighborhood. Proposed uses consist of residential housing, rental and for-sale, destination retail, hotel, office space and other commercial uses. The grant requests are for contamination investigation funding.

The Bridge for Runaway Youth Ward 10

1111 22nd Street West, 1119/1121 22nd Street West, 2209/2211 Emerson Avenue South

Metro Council TBRA request: \$ 77,000

Hennepin County ERF request: \$136,100

The Bridge for Runaway Youth purchased the site in order to expand its services for homeless and runaway youth and their families. Most importantly, the development of this site will enable The Bridge to increase their transitional housing for homeless youth, ages (16-21) from 8 units to 18 units. The Bridge is a 35-year-old nonprofit that has resided across the street from this site for the past 30 years. Because of their positive relationship with the neighborhood, the site's proximity to a commercial corridor with public transportation, and the fact that the neighborhood is "low-impact" the developer chose to remain here in developing the new facility. This project has the support of the neighborhood organization, elected representatives, and Bridge funders. The developer is very interested in creating a sustainable building and sustainable site. The project plans include the deconstruction of components, such as wood flooring, that would be incorporated into the addition of the rehabilitated and reused office building. In addition, green building techniques are included in the development plan, including energy efficiency techniques, reused and recycled content materials, and a usable green roof. Furthermore, storm water management systems (both quantity and quality) are planned for through the use of pervious pavement on walkways, rain gardens, and the green roof. All green features are desired and will be incorporated as funding permits.

Van Cleve Court Ward 2

932 12th Ave SE, 941 13th Ave SE, 935 13th Ave SE, 917 13th Ave SE, 901 13th Ave SE

Metro Council TBRA request: \$150,000

Hennepin County ERF request: \$150,000

Project for Pride in Living (PPL) and Cabrini House jointly propose to build 175 units of rental and ownership housing on a blighted industrial site in the Southeast Como community. The site currently houses grain elevators, a head house, two office buildings, and a residential single family home. Project plans include demolishing all existing structures except the head house, which will be re-used. Approximately half of the housing units will be rental apartments and half will be for sale condominiums. Fifteen to twenty of the rental units will be used as permanent supportive housing for chronically homeless single adults. All rental units will be rented to families with incomes at or below 50% of the area median income with the supportive housing units being reserved for individuals with incomes at or below 30% of the area median income. The for sale condominiums will be affordable to a variety of income ranges.

Authorizing application to the Metropolitan Council Tax Base Revitalization Account for various projects.

Whereas, the City of Minneapolis (the "City") was a participant in the Livable Communities Act's Housing Incentives Program for 2001-2002 as determined by the Metropolitan Council, and is therefore eligible to make application for funds under the Tax Base Revitalization Account; and

Whereas, the City has identified the following clean-up projects within the City that meet the Tax Base Revitalization Account's purposes and criteria: The Bridge for Runaway Youth, Van Cleve Court, Anishinabe Bii-Gii-Winn, 2112 Broadway Street NE, The Jourdain, 3445 1st Avenue S. and Aloft Hotel (Parcel F); and,

Whereas, the City intends to act as the legal sponsor for one or more of the above-referenced projects, which are more completely described in the Tax Base Revitalization Account grant applications to be submitted to the Metropolitan Council on May 1, 2006; and

Whereas, the City has the institutional, managerial and financial capability to ensure adequate project administration; and

Whereas, upon approval of one or more of its applications, the City may enter into agreements with the Metropolitan Council for one or more of the above-reference projects and will comply with all applicable laws and regulations stated in such agreements;

Now, Therefore, Be It Resolved By The City Council of the City of Minneapolis:

That the City Council authorizes the Director of the Department of Community Planning and Economic Development or other appropriate staff to apply on behalf of the City of Minneapolis to the Metropolitan Council for Tax Base Revitalization Account funding for one or more of the above-referenced projects and to execute such agreements as are necessary to implement the projects.

Authorizing application to the Minnesota Department of Employment and Economic Development Contamination Cleanup Grant Program for various projects.

Whereas, the City of Minneapolis intends to act as the legal sponsor for one or more of the following projects that are more completely described in the contamination clean up applications to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on May 1, 2006: Anishinabe Bii-Gii-Winn, Fusion (investigation), Aloft Hotel (Parcel F), and Pacific Block (investigation); and

Whereas, the City has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration; and

Whereas, the sources and amounts of the local match identified in the applications are committed to the identified projects; and

Whereas, 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; and

Whereas, upon approval of one or more of its applications, the City may enter into agreements with the DEED for one or more of the above-referenced projects and will comply with all applicable laws and regulations stated in such agreements;

Now, Therefore, Be It Resolved By The City Council of the City of Minneapolis:

That the City Council authorizes the Director of the Department of Planning and Economic Development or other appropriate staff to apply to the Department of Employment and Economic Development for Contamination Clean Up Grant Program funding for one or more of the above-referenced projects and to execute such agreements as are necessary to implement the projects.

Authorizing application to the Hennepin County Environmental Response Fund for various projects.

Whereas, the City of Minneapolis intends to act as the legal sponsor for one or more of the following projects that are more completely described in the Environmental Response Fund applications to be submitted to Hennepin County on May 1, 2006: The Bridge for Runaway Youth, Van Cleve Court, Anishinabe Bii-Gii-Winn, Fusion (investigation), 3445 1st Avenue S., and Pacific Block (investigation); and,

Whereas, the City has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration; and

Whereas, 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; and

Whereas, upon approval of one or more of its applications, the City may enter into agreements with Hennepin County for one or more of the above-referenced projects and will comply with all applicable laws and regulations stated in such agreements;

Now, Therefore, Be It Resolved By The City Council of the City of Minneapolis:

That the City Council authorizes the Director of the Department of Planning and Economic Development or other appropriate staff to apply to the Hennepin County Environmental Response Fund for funding for one or more of the above-referenced projects and to execute such agreements as are necessary to implement the projects.