

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

Date: January 13, 2009

To: Council Member Lisa Goodman, Chair, Community Development Committee

Referral to: Council Member Paul Ostrow, Chair, Ways and Means/Budget Committee

Subject: DEED Redevelopment Grant Applications
(February 2, 2009 Application Deadline)

Recommendation:

1. Approve the attached resolution authorizing staff to submit applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for redevelopment projects at (or known as): 14th Avenue N. (Standard Heating/Re-Alliance Redevelopment Area), Alliance Addition, Bassett Creek Valley – Linden Yards West, Bystrom Brothers/Franklin Station (East 22nd St. ROW), East Bank Mills, and Hennepin Healthcare Systems/Family Medical Center.

Previous Directives:

14th Avenue N. (Standard Heating/Re-Alliance Redevelopment Area):

February 29, 2008 – City Council approved the sale of three City-owned parcels (adjacent to or near 14th Avenue N.) to Standard Plymouth LLC. April 18, 2008 – City Council approved the submission of brownfield grant applications to DEED, the Met Council and Hennepin County for the Standard Heating project. July 25, 2008 – City Council approved an extension of the closing date for the Standard Heating project and approved the use of MILES funds for infrastructure and pollution remediation.

Alliance Addition: November 4, 2005 -- City Council approved use of up to \$300,000 from the Affordable Housing Trust Fund and \$30,000 in Non-Profit Assistance funds for the Alliance Apartments. April 18, 2008 -- City Council approved a loan of up to \$275,000 to the Alliance Addition from the Affordable Housing Trust Fund. December 12th, 2008 -- City Council approved a loan of up to \$884,000 to the Alliance Addition from the Affordable Housing Trust Fund.

Bassett Creek Valley – Linden Yards West: January 12, 2007- City Council approved the 2006 Bassett Creek Valley Master Plan as a small area plan. August 17, 2007 – City Council authorized application to DEED's Redevelopment Grant Program for infrastructure funding. January 22, 2008 – City Council authorized

application to DEED's Redevelopment Grant Program for infrastructure funding.
February 15, 2008 – City Council approved zoning revisions in Bassett Creek Valley from industrial to primarily commercial and higher-density residential uses. April 8, 2008 – City Council authorized the submission of brownfield grant applications to DEED and Hennepin County for Bassett Creek Valley – Linden Yards West.
November 7, 2008 - City Council approved a resolution granting Ryan Companies exclusive development rights for a period of five years.

Bystrom Brothers/Franklin Station (East 22nd St. ROW): July 1, 2005 – City Council approved submission of federal transportation funding applications for planned work including the realignment/improvement of the Cedar/Franklin/Minnehaha intersection(s). December 23, 2005 -- City Council approved application by Seward Redesign to the Metropolitan Council Hiawatha Corridor Land Assembly Fund for the Franklin Station Project. March 31, 2006 - City Council approved acceptance and appropriation of Metropolitan Council Hiawatha Light Rail Land Assembly Fund Grants of \$3,500,000 for projects along the Hiawatha Light Rail line. April 14, 2006 -- City Council approved application by Seward Redesign to the Hennepin County Transit-Oriented Development Program for the Franklin Station Project. September 1, 2006 -- City Council approved Modification No. 109 to the Common Plan as well as the expansion of the Franklin LRT Station Redevelopment Project to include additional properties, including the Bystrom Brothers property. October 10, 2008 -- City Council authorized a City application to the Metropolitan Council's Land Acquisition for Affordable New Development (LAAND) Program for the Franklin Station Project. December 12, 2008 – City Council approved acceptance of \$500,000 funding award from the Metropolitan Council LAAND (Land Acquisition for Affordable New Development) Program for the Franklin Station Project, approved appropriation increases, authorized the execution of loan, subrecipient and/or disbursement and related agreements for the LAAND award, and set aside \$600,000 from the Minneapolis Hiawatha LRT Corridor Transit Oriented Development Program for property acquisition.

East Bank Mills: September 22, 2006 – City Council approved rezoning of East Bank Mills site from I1 to C3A district and approved the removal of ILOD district on a portion of the site. February 24, 2006 -- City Council granted the developer's appeal of the HPC's determinations regarding the height and design of the [new] tower buildings proposed for the east end of the site. October 24, 2008- City Council approved resolution in support of fall 2008 brownfield grant application to Hennepin County Environmental Response Fund.

Hennepin Healthcare Systems/Family Medical Center: December 12, 2008 – City Council approved a Memorandum of Understanding between the City and Hennepin Healthcare System, Inc. [HHSI] outlining the parameters of the relationship between the two parties for the acquisition and future development of approximately 1.4 acres of the 3.05 acre HHSI site.

Prepared by: Kevin Carroll, Principal Project Coordinator	
Approved by: Charles T. Lutz, Deputy CPED Director	_____
Catherine A. Polasky, Director 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 grants that are ultimately approved by DEED will have a 50% "local match" requirement. For public sector projects, typical sources for the City's match requirement are tax increment financing, bonds, assessments, and grant proceeds from sources other than DEED. In the case of a private sector application, the City of Minneapolis merely "sponsors" the grant request and acts as a pass-through and conduit for any grant funds that are awarded, with the understanding that it will be the responsibility of the developer, property owner or anticipated end user to satisfy the match requirement. Any proposed use of City funds to fulfill the match requirement (in full or in part) would require the consent of the City Council. That consent is not implied by authorizing the submission of the applications.

Community Impact

-Neighborhood Notification:

14th Avenue N. (Standard Heating/Re-Alliance Redevelopment Area):

Standard Heating made presentations to the Northside Residents Redevelopment Council (NRRC) on February 11, 2008 and the NWIP Jobs Park Committee on February 19, 2008, both of which subsequently issued letters expressing support for the proposal.

Alliance Addition: Elliot Park Neighborhood, Inc. issued letters in support of the project on March 24, 2008, June 24, 2008 and October 16, 2008.

Bassett Creek Valley – Linden Yards West: The 2006 Bassett Creek Valley Master Plan was formally supported by the Harrison Neighborhood Association and the Bryn Mawr Neighborhood Association. A redevelopment proposal from the Ryan Companies was presented to the Harrison Neighborhood on Sept 18, 2007, and to the Bassett Creek Valley Redevelopment Oversight Committee [BCV-ROC] in August and September of 2007, and to the Bryn Mawr Neighborhood in November of 2007. The Bryn-Mawr and BCV-ROC groups passed resolutions of support; the Harrison group reserved judgment pending the receipt of more details/information.

Bystrom Brothers/Franklin Station (East 22nd Street ROW): The Seward Neighborhood Group and the Ventura Village Neighborhood Group both submitted letters requesting that the City adopt the Franklin Avenue redevelopment plan in 2005.

East Bank Mills: The bulk of neighborhood meetings regarding this project occurred in 2005. The Nicollet Island East Bank Neighborhood Association issued a letter of support dated December 31, 2005. The Marcy-Holmes Neighborhood Association issued letters of support dated November 15, 2005 and January 18, 2006.

Hennepin Healthcare Systems/Family Medical Center: The Whittier Alliance has discussed this project on numerous occasions, and it is City staff's understanding that there are no objections to the current redevelopment plan.

City Goals:

The projects identified herein will assist the City in achieving one or more of the following goals:

- A Safe Place to Call Home
- Connected Communities
- A Premier Destination

Sustainability Targets:

- The projects identified herein are all expected to all contribute to one or more of the following targets identified in or by the City's Sustainability Initiative: Combined Sewer Overflow, Permeable Surfaces, Water Quality, Affordable Housing, and Brownfield Sites.

Comprehensive Plan:

The projects identified herein are consistent with one or more of the following policies identified in The Minneapolis Plan:

- 2.3 Minneapolis will continue to provide high quality physical infrastructure to serve the needs of businesses.
- 3.2 Minneapolis...envisions [its] downtown...as one of the nation's finest urban centers [and] a place of prosperity, civilization and civic pride, that will serve as the center for the metropolitan area, the state and surrounding region.
- 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered.
- 8.4 Minneapolis will continue to build and maintain road infrastructure in order to assure resident and motorist safety and mobility within the city.

Zoning Code:

- The proposed projects either are in compliance or will comply.

Living Wage/Business Subsidy Agreement: Yes___ No_ (see below)

Job Linkage: Yes___ No_ (see below)

Other: Redevelopment assistance that includes or is associated with environmental remediation is generally exempt from the City's Living Wage Ordinance and the State's Business Subsidy Act. However, there are no such exemptions for projects that do not involve or require environmental remediation.

Any business that occupies a redeveloped or remediated site may be asked to sign a Job Linkage Agreement that includes five year hiring goals (with an emphasis on living wage jobs for Minneapolis residents) and seeks to connect the business with a neighborhood workforce organization.

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.

The sole source of the grants to be awarded in the upcoming round (February 2, 2009 application deadline) will be bond funds. Bond funds can be used only for eligible costs on publicly owned land where the end use has a public purpose and the related (new) infrastructure will be publicly owned.

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 now 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 an insufficient number of 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.

The six anticipated City of Minneapolis grant applications summarized herein will be seeking a [projected] total of \$2,163,678 in Redevelopment Grant Program funds. While there has typically been about \$2.9 million available per grant round, the funding level for the current round of the Redevelopment Grant Program is \$3.79 million in State bond funds (due primarily to the addition of previously-awarded funds that have been relinquished by grantees); approximately \$1.8 million will be potentially available to metro-area grant applicants in this round.

For the last three grant rounds (8/1/07, 2/1/07 and 8/1/08 application deadlines), City staff reviewed and compared the applications in the context of four criteria believed to be of critical importance to the City: creation of new public infrastructure, proximity to light rail transit, creation of affordable housing, and job creation. The same analytical framework was employed for the applications that are currently pending. Each of the applications fulfills one or more of the desired criteria. Accordingly, and in light of the increased amount of funding available in the current round, the staff recommendation in this instance is that the City submit to DEED all of the applications that were received.

Ongoing interactions with DEED staff have reinforced the fact that DEED's internal process for reviewing, scoring and ranking applications gives no weight to any city's prioritization of its own applications. The analysis conducted by DEED staff members, and the decisions that they make in awarding grants, are based on statutory criteria that do not include the (relative) preferences of municipal applicants. Accordingly, and in keeping with the approach used for the last two rounds of this particular grant program (2/1/08 and 8/1/08 application deadlines), the recommendation of City staff is that the City Council not rank or prioritize the applications that it authorizes staff to submit to DEED by the application deadline.

Details of Proposed Projects:

14th Avenue N. - Standard Heating/Re-Alliance Redevelopment Area (14th Ave. N., east of 2nd St. N.):

Projected DEED Request: \$200,000

The portion of 14th Avenue N. located east of 2nd Street N. is a dead-end public right-of-way located between the site of the new Standard Heating and Air Conditioning corporate headquarters (the construction of which will begin soon) and property owned and used by Re-Alliance LLC for its metal recycling operations. The west half of the right-of-way is in very poor condition, and the remainder is unpaved. The roadway needs to be improved and completed by constructing a cul-de-sac at its east end in order to properly serve the newly-relocated Standard Heating operation and to facilitate the possible redevelopment of the Re-Alliance site.

DEED funds, if awarded, would be used to pay for the reconstruction/improvement of the City right-of-way in question. The local match would consist of assessments to benefiting property owners and previously-approved MILES funds.

Alliance Addition (714, 718, 720, 722, 726 & 730 17th Street E.):

Projected DEED Request: \$120,000

The Alliance Addition, an Aeon project, will expand upon the existing Alliance Apartments, which provide housing for 120 formerly homeless adults. The planned Addition will create 65 new apartments with laundry facilities, a community room, and supportive services for residents.

DEED funds, if awarded, would be used to pay for the creation of environmental infrastructure on existing City right-of-way on the south side of 17th Street between Chicago Avenue and Park Avenue. An underutilized concrete sidewalk abutting I-94 and some adjacent asphalt would be removed and replaced with trees and other landscaping designed to improve stormwater management and the overall aesthetic appearance of the area in question.

Bassett Creek Valley – Linden Yards West (103 Lyndale Avenue N.):

Projected DEED Request: \$691,740

Bassett Creek Valley [BCV] is a 225-acre industrial area located on the west edge of downtown Minneapolis. Located within BCV is an area known as Linden Yards, which was the site of railroad operations for many years and is currently owned by the City of Minneapolis and used for outdoor storage and a concrete crushing operation. In 2007 the City approved a redevelopment master plan for BCV that envisions several thousand new housing units and several million square feet of commercial space. On November 7, 2008 the City approved a multi-year exclusivity agreement with Ryan Companies, under which Ryan will be working with the City to market and develop the 56-acre City-owned portion of BCV that includes Linden Yards and the City's impound lot. The redevelopment of this area will include a five-legged roundabout on Van White Memorial Boulevard to handle traffic in the Linden Yards area.

DEED funds, if awarded, would be used for work on City-owned property that is closely related to certain stormwater improvements that were the subject of a \$483,371 DEED redevelopment grant that was awarded in the February 2007 funding round. Engineers have determined that the construction of the roundabout referred to above will require substantial soil stabilization/corrections and a geopier-based retaining wall in order to develop the stormwater infiltration area that was the subject of the earlier DEED grant.

Bystrom Brothers/Franklin Station Redevelopment (East 22nd Street R.O.W., 1914 E. 22nd St., and 2120 Minnehaha Ave.):

Projected DEED Request: \$250,000

The redevelopment of the former Bystrom Brothers industrial site (a total of nine existing buildings) and the redevelopment/improvement of the adjacent area surrounding the Franklin Avenue LRT Station would be greatly facilitated by the reconfiguration of East 22nd Street, which would increase the developable acreage and improve traffic flow at the nearby Franklin/Cedar/Minnehaha intersection.

DEED funds, if awarded, would be used to pay for the City's acquisition of the remaining right-of-way needed for the roadway reconfiguration in question. The DEED funds would supplement other funds already committed by the Met Council's LCDA grant program, thereby enabling the Bystrom site redevelopment and the desired Franklin Station Area transportation improvements to proceed.

East Bank Mills (infrastructure improvements on 3rd Ave. SE and 2nd St. SE):

Projected DEED Request: \$151,938

The East Bank Mills project site is a blighted former industrial area in a prominent location along the Minneapolis riverfront. The site currently includes surface parking areas and a number of vacant buildings associated with the former Pillsbury A Mill operation, including a machine shop and some concrete grain elevators. The developer, Schafer Richardson, intends to redevelop the site by creating 1000 new housing units and 100,000 square feet of new and redeveloped commercial space.

DEED funds, if awarded, would be used to connect a portion of the project site to City sewer and water infrastructure. Such utilities exist on or near the site but will have to be

upsized, improved or extended in certain locations to accommodate modern uses and demands.

Hennepin Healthcare Systems/Family Medical Center (block bordered by 28th St., Nicollet Ave., 29th St. and Blaisdell Ave.):

Projected DEED Request: \$750,000

Hennepin County Medical Center, with the assistance of United Properties, plans to redevelop the entire block located behind the K-Mart on Lake Street. On the north portion of the block, Hennepin Health Services intends to build a 60,000 square foot medical clinic. The south portion of the block will eventually be conveyed to the City, which will initiate a process to identify potential developers (mixed use, residential/office/retail) for that area.

DEED funds, if awarded, would be used to pay for site acquisition and demolition (for the County-owned portion of site) and public right-of-way infrastructure.

2009R-
RESOLUTION of the CITY OF MINNEAPOLIS

Authorizing Application to the Minnesota Department of Employment and
Economic Development [DEED] Redevelopment 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 Redevelopment Grant applications to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on or by February 2, 2009: 14th Avenue N. (Standard Heating/Re-Alliance Redevelopment Area), Alliance Addition, Bassett Creek Valley – Linden Yards West, Bystrom Brothers/Franklin Station (East 22nd St. ROW), East Bank Mills, and Hennepin Healthcare Systems/Family Medical Center; and

Whereas, the City has the legal authority to apply for financial assistance, and the institutional, managerial and financial capacity 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 State of Minnesota for one or more of the above-referenced projects and will comply with all applicable laws and regulations as 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 or Deputy of the Department of Community Planning and Economic Development to apply to the Minnesota Department of Economic Development for Redevelopment Program grant funding for one or more of the above-referenced projects, and that the City's Finance Officer, Contracts Administrator or Purchasing Agent and/or other duly authorized City staff are hereby authorized to execute such agreements as are necessary to implement the projects.