

Minneapolis Community Development Agency

Request for City Council Action

Date: May 20, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by Wayne Olson, Project Coordinator, Phone 612-673-5090

Approved by Lee Sheehy, MCDA Executive Director
Chuck Lutz, MCDA Deputy Executive Director _____

Subject: MILES appropriation for ongoing work in Seward South Industrial Park.

Previous Directives:

Ward: 9

Neighborhood Group Notification: Seward Redesign as well as work with the Seward subcommittee is aware of ongoing work in Seward South.

Consistency with *Building a City That Works*:

Comprehensive Plan Compliance: NA

Zoning Code Compliance: NA

Impact on MCDA Budget: (Check those that apply)

- No financial impact
 Action requires an appropriation increase to the MCDA Budget
 Action provides increased revenue for appropriation increase
 Action requires use of contingency or reserves
 Other financial impact (Explain):

Living Wage / Business Subsidy: NA

Job Linkage: NA

Affirmative Action Compliance: All contractors will comply.

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RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council amend the 2003 MCDA Appropriation Resolution to increase the appropriation in Fund SCD (Community Development 598) by \$110,000 from existing fund balance.



Background/Supporting Information

Ongoing work in the Seward South Industrial Park has provided two new companies in 2002 alone, with the addition of nearly 250 jobs to this neighborhood. One company has received a finalist award in Real Estate Journal's "Best of 2002" for redevelopment.

Those developments occurred in a urban brownfield that require public funding to achieve the redevelopment. Urban brownfield redevelopment, by nature, has a component of unknown costs as sites are prepared for redevelopment. Testing by way of soil borings and test pit digs can identify some contaminants and minimize risk to the developer or land owner, and ongoing well monitoring can help to understand continued contamination potentials in brownfields areas.

However, in Seward South, and in particular, additional unseen contamination created excess cost that couldn't be avoided due to state agency clean up requirements. The development at 2638 Minnehaha Ave S, in particular uncovered asbestos containing materials (ACMs) which required the soils to be remediated to a high standard that meets current Minnesota Pollution Control Agency (MPCA) requirements, and not without additional unforeseen cost.

To mitigate the risk born by the ACMs on site at 2638 Minnehaha Ave during excavation, soil was stockpiled as allowed under the Development Response Action Plan (DRAP) as filed by the developer and the MCDA. This action was necessary to keep the development on an aggressive timeline.

Current Issues

Due to the above, and agreements with the MPCA, the MCDA is responsible for removing the excavated dirt from land that it owns and landfilling or disposing of the dirt as recommended by the MPCA. The estimated cost of that removal is approximately \$63,000, including contingency.

In addition to contaminated soil removal, the unidentified ACMs also affected the MILES budget for the development at 2101 E 26th St, one parcel away from 2638 Minnehaha Ave S. The MCDA is contractually obligated to pay for 50% of a storm sewer system that provides storm water management to both 2101 E. 26th St, as well as the currently unoccupied 2600 Minnehaha Ave S. The cost for 50% of that shared system is \$35,000.

Other engineering monitoring is occurring as required by MPCA. Current negotiations with that agency, however, indicate that wells may be removed from the site, as land owned by the MCDA may now appear to be clean of the contaminants for which monitoring wells were put in place. Those wells are located variously in and around the 2600 Minnehaha Ave S. site. The \$15,000 of engineering costs associated with this portion includes repair of a damaged well during excavation of 2101 E 26th St.

Financial Impact

The total cost is expected to reach \$110,000 for ongoing site work in this successful jobs park. Funds are available in the current MILES levy, however specific appropriation must be approved for work specific to Seward South Industrial Park.

It isn't expected that this will be the final request for MILES dollars for the Seward South Industrial Park, as one site, a 66,000 square foot light industrial parcel, has yet to be developed. A development must be in place to determine the DRAP requirements before a cost can be estimated for the site.

A rough estimate would be approximately \$5/s.f. for cleanup, geotechnical and environmental remediation for a total of \$330,000. The MCDA will seek approximately \$3.50/s.f. to \$4.00/s.f. when the land is sold. Therefore, it is likely there will be a funding gap for remediation. Another report will be authored at that time.

In summary, the current request for ongoing engineering and clean-up work in Seward South Industrial Park estimated at \$110,000 is to be expended in the summer/fall of 2003.