



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

**Date:** April 19, 2005

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

**Prepared by:** John Harrington, Project Coordinator, Phone 612-673-5018

**Presenter in  
Committee:** John Harrington, Project Coordinator

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_

**Subject:** Environmental Remediation Grant Applications, spring 2005

**RECOMMENDATION:** That the City Council:

1. Apply to the Metropolitan Council Metropolitan Livable Communities Fund Tax Base Revitalization Account Grant Program for CVS Pharmacy-Franklin Flats, Van White Boulevard, Humboldt Yards, 24<sup>th</sup> & Riverside, Greenway Terrace, Hiawatha Business Center and Park Avenue Lofts East; and,
2. Apply to the Minnesota Department of Employment and Economic Development Contamination Cleanup Grant Program for environmental remediation at Van White Boulevard and Humboldt Yards; and,
3. Authorize application to the Hennepin County Environmental Response Fund for Park Board B.F. Nelson site, Old Klesk Metal site, CVS Pharmacy-Franklin Flats, Van White Boulevard, 2601 West Broadway, Greenway Terrace, and Hiawatha Business Center; 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 1/28/05, the Council approved a loan of up to \$236,192 from the Affordable Housing Trust Fund for the proposed Broadway Workforce Housing project located at **2601 West Broadway**. The City Council has approved acquisition of the property at **Old Klesk Metal**. The City Council has previously approved application for remediation investigation funding for the **Minnesota Innovation Center** property. A previous application for remediation funding for **Hiawatha Business Center** has been authorized. The City Council previously has approved several actions regarding **Park Avenue Lofts East**. On 1/31/00, the Council approved granting exclusive development rights to Brighton Development Corporation for Parcel D East and West. On 8/20/04, the Council adopted the Park Avenue East TIF, approved the land sale to Brighton for Park Avenue East for \$1,230,000, and authorized the signing of the redevelopment contract. The City Council previously has approved several actions regarding **Van White Boulevard**.

There are no known previous directives for **24<sup>th</sup> & Riverside**, **Greenway Terrace**, **CVS Pharmacy-Franklin Flats**, or **Humboldt Yards** (although a Tax Increment Financing application has recently been received for this project).

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

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 accepted by the City Council in February 2004 as determined by the Community Development Committee at its meeting of April 6, 2004.

**Metropolitan Tax Base Revitalization Account Grant Requests  
in Priority Order** (top to bottom)

(There is no local match required for these grants.)

<b>Project</b>	<b>Grant Request</b>
CVS Pharmacy – Franklin Flats	\$ 287,582
Van White Boulevard	\$ 350,000

Humboldt Yards	\$ 404,122
24 <sup>th</sup> & Riverside	\$ 9,540
Greenway Terrace	\$ 133,965
Hiawatha Business Center	\$ 115,000
Park Avenue Lofts East	\$ 420,000
<b>Total Metropolitan Council:</b>	<b>\$1,720,209</b>
<b>MN Department of Employment and Economic Development Grant</b>	
<b>Requests in Priority Order</b> (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).	
<b>Project</b>	<b>Grant Request</b>
Van White Boulevard	\$ 350,000
Humboldt Yards	\$1,131,910
<b>Total MN DEED</b>	<b>\$1,481,910</b>
<b>Hennepin County Environmental Response Fund Grant Requests</b>	
<b>in Priority Order</b> (top to bottom)	
(There is no local match required for these grants.)	
<b>Project</b>	<b>Grant Request</b>
Park Board B.F. Nelson site	\$ 50,000
Old Klesk Metal site	\$ 25,000
CVS Pharmacy – Franklin Flats	\$ 287,582
Van White Boulevard	\$ 400,000
2601 West Broadway	\$ 25,000
Greenway Terrace	\$ 121,165
Hiawatha Business Center	\$ 115,000
<b>Total Hennepin County ERF</b>	<b>\$1,023,747</b>

**Community Impact** (Summarize below)

**Ward:** 1, 2, 3, 4, 5, 6, 7

**Neighborhood Notification:** The Cedar Riverside neighborhood organization was notified of **24<sup>th</sup> & Riverside** project on November 1, 2004. The Willard Hay neighborhood organization was notified of the **2601 West Broadway** project September 14, 2004. The East Phillips Improvement Coalition was informed of the **Greenway Terrace** project on June 11, 2004. The St. Anthony West and Nicollet Island East Bank neighborhood organizations were notified about the **B.F. Nelson Park site** project in September and October 2004. The Whittier neighborhood organization was notified regarding the **CVS Pharmacy – Franklin Flats** project in summer 2004. The East Phillips Improvement Coalition was notified about the Hiawatha Business Center in autumn of 2003 and 2004. The Shingle Creek Neighborhood Association was notified

about the **Humboldt Yard** project in December 2004. The Beltrami neighborhood organization was notified of the **Klesk Metal site** project on March 3, 2005. The Downtown Minneapolis Neighborhood Association was notified of the Park Avenue Lofts East project in November 2003. The Harrison and Bryn Mawr neighborhood organizations were informed about the Van White Boulevard project in 2000.

**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 land reclamation and providing a healthy environment elements of the Minneapolis Plan.

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

**Living Wage/Job Linkage:** 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 2, 2005. 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 2, 2005. 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. 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 2, 2005. The most that Minneapolis projects have received in a funding round from the ERF is \$522,885.

In fall, 2004, projects in Minneapolis received 4 grant awards totaling \$493,522 from the Metropolitan Council, 2 grants totaling \$744,603 from the State of Minnesota and 5 grants totaling \$552,428 from Hennepin County for contamination investigation and cleanup (grand total of \$1,297,031). Since 1994 projects in the City have been awarded \$18,782,523 from the Metropolitan Council, \$17,621,886 from the State of Minnesota, and \$3,257,456 from Hennepin County for contamination investigation and cleanup. Projects may be eligible for and apply to more than one grant source.

For the spring 2005 Contamination Grant round the City has been requested to sponsor 10 projects with investigation and contamination grant requests totaling \$4,185,736. These projects involve 2 applications totaling \$1,481,910 to MnDEED, 7 applications totaling \$1,704,494 to the Metropolitan Council and 7 applications totaling \$999,332 to Hennepin County.

In response to a directive provided during review of projects for the autumn, 2003 funding round, CPED staff prepared a set of criteria to be used to recommend City priorities for project funding. The spring 2005 round represents the third use of the criteria accepted by the Community Development Committee and the City Council in February 2004.

The Department of Community Planning and Economic Development presented to the City Council on October 1, 2004 on the tools of business development in the City of Minneapolis. CPED staff reviewed the Mill Quarter and the North Washington Jobs Park. Both districts have received extensive remediation assistance from the City, the Met Council and DEED. The result has been dramatic redevelopment and an estimated market value increase, in the case of the Mill Quarter, from \$25 million to \$175 million over the last ten years. These case studies demonstrate the central role played by remediation at the front of City redevelopment.

In response, the Business Development section of CPED has organized its remediation efforts under a new Land Recycling and Infrastructure team. Led by John Harrington, this team will develop a five-year plan to help guide the City's remediation efforts by prioritizing grant requests, educating funders about the importance of remediation assistance, and working with City leaders to promote land recycling.

The priorities reflected in this staff recommendation were developed and applied in 2004. The Land Recycling and Infrastructure team will be reviewing program criteria in 2005 and comments are welcome. In the meantime, these projects reflect staff's recommendation for projects most suited to the guidelines in DEED, Met Council and Hennepin County ERF programs.

The criteria, the City's review schedule, and additional information regarding funding program resources was provided to CPED project coordinators, potential applicants, and staff at the funding agencies. At least one email reminder of the deadline for submitting information was sent. A preliminary assignment of criteria points was provided to applicants and project coordinators and a review meeting attended by project coordinators, other CPED staff and representatives of applicants, was held on March 30, 2005. The purpose of the meeting was to confirm that the criteria points awarded accurately reflected the project information provided to CPED. A copy of each of the criteria forms, as submitted, is available on request. A summary of the criteria is provided below.

Criteria	Maximum	Minimum
<i>time frame</i>	5	1
<i>importance of proposed facilities</i>	10	1
<i>removal of blighting influences</i>	5	1
<i>readiness of the project</i>	25	2
<i>development potential</i>	5	1
<i>financial health of the project</i>	5	1
<i>City funds invested</i>	10	1
<i>Affordable housing</i>	5	1
Total points	70	9

The points assigned to each project, as confirmed at the March 30 meeting, are shown in the table below.

CRITERIA POINTS FOR Spring 2005 REVIEW										
Project	24th & Riverside	2601 West Broadway	Greenway Terrace / 2850 Cedar	Park Board B.F. Nelson site	CVS Pharmacy / Franklin Flats	Hiawatha Business Center	Humboldt Yards	Old Klesk Metal	Park Avenue Lofts East	Van White Boulevard
Time Frame	5	5	5	5	5	5	5	5	5	5
Neighborhood Importance	1	5	5	5	5	5	5	5	1	1
City Importance	0	0	0	5	0	0	0	0	0	5
Removal of Blight Influence	5	5	1	5	5	5	5	5	5	5
Developer Selected?	5	5	0	5	0	0	0	0	3	0
Site Control?	1	5	3	5	3	3	3	5	1	5
Zoning Consistent	5	0	5	5	5	5	5	5	5	5
Planning Consistent	5	5	5	5	5	5	5	5	5	5
Financing in Place	5	1	5	1	5	5	5	1	0	5
Development Potential	5	0	5	3	5	3	3	1	0	1
Financial Health	5	1	5	1	5	3	1	5	3	1
City Investment?	1	10	1	10	1	1	10	10	1	10
Affordable Housing	0	5	1	0	5	0	0	5	1	0
Total Points	43	47	41	55	49	40	47	52	30	48
Total Ranking (1 = best)	7	5	8	1	3	9	5	2	10	4

There have not been any projects received at CPED after the announced deadline.

**Proposed Projects:**

This section of the report presents **projects in alphabetical order**, since their ranking for each funding source is not identical.

**24<sup>th</sup> & Riverside Ward 2**

2037 Riverside Ave.

Metro Council TBRA request: \$9,540;

The tenant is extensively remodeling the building being to accommodate a deli-type sandwich shop.

**2601 West Broadway Ward 5**

2601 West Broadway

Hennepin County ERF request: \$25,000;

Redevelopment of a former gasoline station site into six for sale townhomes and 30 apartment units for entry level and low wage workers on a major transit corridor in north Minneapolis.

**Greenway Terrace Ward 6**

2850 Cedar Avenue S.

Metro Council TBRA request: \$118,250

Hennepin County ERF request: \$96,750

The developer, Heggem & Associates (H&A), has secured a 16,000 square foot piece of property that is zoned high density residential (R6). H&A is planning to build a 26 unit condominium complex consisting of studio, 1 bedroom, 1 bedroom + den and 2 bedroom units with approximately 700-1200 square feet per unit with additional patio/balcony square footage. This building will also contain underground heated parking and storage lockers for all residents of the complex. On the first floor of this project is a shared community room. Prices of this project range from \$135,000-\$225,900. Greenway Terrace is located directly on the Greenway Trail and 3-4 blocks from the Lake Street/ Midtown light rail depot.

**B.F. Nelson Park site Ward 3**

400 Marshall St NE (approximately)

Hennepin County ERF request: \$50,000

The Park Board is the applicant for this 12-acre riverfront site, acquired by the MPRB in 1986 (and a small additional portion in 1991) for inclusion in the Minneapolis Central Riverfront Regional Park. A Master Plan for the development of passive park amenities on the site was developed in conjunction with the community in 1993 and reaffirmed in 1999. Implementation of this Master Plan and the creation of usable park amenities on the site are on hold until environmental remediation is completed. Phase I and II environmental investigations were conducted between 2001 and 2004 and revealed the presence of various contaminants onsite, the most significant of which, from a human health point of view, is the presence of a layer of PAH- and metals-impacted soils at

shallow depth. On November 2, 2004, the MPCA approved a RAP which directs the placement of a layer of clean fill and establishment of a vegetative cover over this area of contaminated soils to limit any potential contact between park users and the underlying contamination. The RAP also specifies operations and maintenance protocols, the placement of a restrictive covenant on the property, and several more minor actions. The estimated cost of RAP implementation is \$267,000. The MPRB applied in November 2004 for a \$200,000 EPA Brownfields Cleanup Grant and, more recently, for \$20,000 from the St. Anthony Falls Heritage Board to implement the recommendations of the RAP.

**CVS Pharmacy – Franklin Flats Ward 6**

2000 First Avenue S.

Metro Council TBRA request: \$287,582

Hennepin County ERF request: \$287,582

The proposed development consists of a four story building with one level of underground parking. The proposed building will have a footprint of approximately 25,000 square feet. The first floor will be commercial space to be anchored by a 15,000 square foot CVS Pharmacy, and include two additional retailers. The anticipated project employment as part of the retail component is anticipated to be 13 FTEs in the CVS store and 10 FTEs in the retail. The residential component will create 2 FTEs. A total of 23 FTEs will be created by the project. The three upper floors will house 54 for-sale condominium units. The remainder of the site will be used for surface parking for the commercial space.

**Hiawatha Business Center Ward 6**

Highway 55 & 28<sup>th</sup> Street E.

Metro Council TBRA request: \$115,000

Hennepin County ERF request: \$115,000

The Lite Yard Property has long been a blighted, undeveloped and underutilized brownfield site at a high profile location along the Hiawatha corridor that is currently on the State Superfund List due to extensive soil and groundwater contamination from arsenic and lead. The U.S. EPA recently identified the Property as the probable source of arsenic impacts in the adjacent East Phillips residential neighborhood, and is currently listing the Property and neighborhood on the Federal Superfund List. Although the East Phillips neighborhood and the City of Minneapolis have pushed hard for at least a decade to get someone to clean up and re-develop the property, attempts to do so have been generally unsuccessful due to the contamination and Superfund liability issues. The identified Responsible Parties (RPs) for the contamination are currently conducting cleanup actions at the Property under the direction of the Minnesota Department of Agriculture. The RP-funded cleanup actions will be completed in June 2005. Following completion, Ryan Companies US, Inc. (Ryan) intends to construct the Hiawatha Business Center, a for-lease light industrial development. In the course of developing that project Ryan will be required to conduct additional response actions that

are above and beyond the scope of the RP-funded cleanup. During the past three years Ryan has invested significant resources in negotiating a purchase agreement for the site and in designing and obtaining support for the project from representatives of the East Phillips Improvement Coalition, Hi-Lake Business Association, Council Members Zimmermann and Schiff, and the City Planning Commission. Final cleanup and redevelopment of the site will satisfy the long-deferred wishes of the neighborhood and the City to see the site converted from a dangerous eyesore to a safe and positive source of job creation and tax revenue for the City and general area.

**Humboldt Yards Ward 4**

2601 49<sup>th</sup> Avenue N.

DEED remediation grant request: \$1,131,910

Metro Council TBRA request: \$404,122

The Humboldt Industrial Park is a new industrial park consisting of 2 new multi tenant buildings totaling 150,000 square feet to 175,000 square feet located at 49th Ave. and Osseo Road in the Shingle Creek neighborhood in Minneapolis. Building I is a 86,000 square foot, 24 foot clear, multi tenant industrial building. Building I could be enlarged to 113,000 square feet for a specific user. Building II is a 64,000 square foot, 24 foot clear, multi-tenant industrial building. Both buildings will be constructed of precast concrete panels, glass, adhered membrane roof, concrete floors, steel columns, beams, joists and deck. In 2004 the Shingle Creek Neighborhood Association prepared Humboldt Industrial Park Summary Report which calls for a modern industrial park on this site.

**Klesk Metal site Ward 1**

North of Winter St. NE, between Taylor and Fillmore Sts. NE.

Hennepin County ERF request: \$25,000;

This site was purchased by the MCDA and has possible pollution problems, including heavy metal, petroleum and unknown. Operational railroad, including a past locomotive repair roundhouse immediately to the West and south of site. Planned re-use is for housing development project with up to 8 units of housing.

**Park Avenue Lofts East Ward 2**

201 Park Avenue

Hennepin County ERF request: \$420,000;

Park Avenue Lofts East will be a similar, but not identical building to Park Avenue Lofts West across the street. It will contain 28 for-sale condo flat units.

Council Member Lisa Goodman  
Council Member Barbara Johnson  
April 19, 2005  
Page 10

**Van White Boulevard** Wards 5 and 7

Glenwood to Dunwoody Boulevard

DEED remediation grant request: \$350,000

Metro Council TBRA request: \$400,000

Hennepin County ERF request: \$400,000;

The City of Minneapolis will submit to the environmental funding agencies an application requesting approximately \$1,100,000 in grant funds to clean up polluted sites located within the Bassett Creek Valley (BCV) area of North Minneapolis. Clean up funding will enable the City to implement the findings of earlier EPA-grant funded assessment studies, \$20.0 million in public roadway construction activities, and the land-use recommendations in the Bassett Creek Valley Master Plan. Specifically, grant funds will be sought to remediate publicly-owned properties within the Van White Memorial Boulevard corridor. These properties include the former Scrap Metal Processors site, and portions of the Minneapolis Impound site, the Minneapolis School Board bus garage site, and the former Feist-Blanchard warehouse site (former oil recycler location).

**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: CVS Pharmacy – Franklin Flats, Van White Boulevard, Humboldt Yards, 24<sup>th</sup> & Riverside, Greenway Terrace, Hiawatha Business Center and Park Avenue Lofts East; 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 2, 2005; 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 2, 2005: Van White Boulevard and Humboldt Yards; 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 2, 2005: Park Board B.F. Nelson site, Klesk Metal site, CVS Pharmacy – Franklin Flats, Van White Boulevard, 2601 West Broadway, Greenway Terrace and Hiawatha Business Center; 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.