

# MEMORANDUM



## Request for City Council Committee Action

Date: July 29, 2002

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

Refer to: MCDA Board of Commissioners

Prepared by: Jennifer Bever, Phone 612-673-5129  
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Approved by Charles T. Lutz, Interim MCDA Executive Director \_\_\_\_\_

Subject: Accept & Appropriate Spring 2002 MN Department of Trade & Economic Development (DTED) and Metropolitan Council Livable Communities Tax Base Revitalization (MCTBRA) Grants; Execute Grant & Subrecipient Agreements

**Previous Directives:** Authorized submission of grant applications to the Minnesota Department of Trade & Economic Development (DTED) and the Metropolitan Council for pollution remediation on April 19, 2002.

**Neighborhood Group Notification:**

The Parcel C/Depot East proposal is supported by the Industry Square Project Committee and the Downtown Minneapolis Neighborhood Association. In July 2001, the Bottineau Neighborhood Organization (BNO) reviewed and approved the first phase of Sherman Associated multi-phase development plan and the proposed Redevelopment/TIF plans.

**Consistency with *Building a City That Works*:** St. Barnabas, Parcel C/Depot East and Bottineau Lofts are consistent with Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the City, Strategy 2: Increase the development of affordable housing in neighborhoods where people choose to live. Parcel C/Depot East Goal 1: Increase the city's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents. Objective C: Expand and diversify the Minneapolis economy, and Objective F: Increase the city's property tax base and maintain its diversity. Goal 4: Preserve and enhance the historic structures, urban institutions, environments and amenities that define Minneapolis. Objective A: Assure that downtown Minneapolis remains the retail, employment and entertainment center of the region, as well as home to a mix of residents who choose downtown as their neighborhood, and Objective D: Support development efforts that enhance unique urban institutions, features and amenities.

Bottineau Lofts is also consistent with Goal 4: Preserve and enhance the historic structures, urban institutions, environments and amenities that define Minneapolis. Parcel D/Park Avenue Lofts West and Skyway Event Services are consistent with Goal 1: Increase the city's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents, Strategy 1: Provide clean, buildable land parcels to meet the needs of business expansion and relocation within the City.

**Comprehensive Plan Compliance:** All projects will comply.

**Zoning Code Compliance:** The proposed projects either are in compliance or will comply with the Minneapolis Zoning Code.

**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:** Environmental assistance is exempt from Living Wage/Business Subsidy.

**Job Linkage:** Will comply

**Affirmative Action Compliance:** Will comply

**Recommendation:  
City Council**

1. Accept the following grants:

Skyway Event Services Project

DTED Contamination Grant - \$985,000

MCTBRA Grant - \$130,000

Parcel C/Depot East

DTED Contamination Grant - \$939,566

MCTBRA Grant - \$162,858

St. Barnabas

MCTBRA Grant - \$135,000

Parcel D/Park Avenue Lofts West

MCTBRA Grant - \$285,000

Bottineau Lofts

MCTBRA Grant - \$70,000

2. Increase the 2002 MCDA Appropriation Resolution in Fund SMN by \$2,707,424
3. Increase MCDA Revenue Budget in Fund SMN  
(3215-04 MN State Grants) by \$1,924,566  
(3215-13 Other MN Grantor Agencies) by \$782,858
4. Forward this report to the MCDA Board of Commissioners for its review and approval

#### **MCDA Board of Commissioners**

5. Execute grant and subrecipient agreements

### **Background/Supporting Information**

For the Spring 2002 grant round, the MCDA has received two grants from DTED and five grants from the Metropolitan Council in the amount of \$2,707,424 for environmental assessment and remediation activities for the following projects:

#### Skyway Event Services Project

- DTED Contamination Grant - \$985,000
- MCTBRA Grant - \$130,000

The site, located at 1809 East Hennepin, currently houses a metal plating operation. Skyway Event Services is proposing to acquire the property, remove the existing blighted structures, and build a new 40,000sf light industrial home office and pre-production warehouse for corporate and public events. The project would retain all 35 full-time jobs and 30 part-time jobs in Minneapolis. Upon completion, the company expects to hire a minimum of 6 new full-time and 15 part-time employees. Funds will be used for soil pollution remediation and geotechnical correction.

#### Parcel C/Depot East

- DTED Contamination Grant - \$939,566
- MCTBRA Grant - \$162,858

Parcel C (Depot East) is located at 500 Washington Avenue South, bounded by Portland, Washington, and Fifth Avenues and Second Street South and is currently used as a surface parking lot. CSM's Depot East proposes:

- A four-story, 150,000 sq. ft. multi-tenant office building with first floor retail and a restaurant;
- The new home of MacPhail Center for the Arts in a five-story 50,000 to 80,000 sq. ft. building containing classrooms, studios, offices and a 300-seat auditorium;
- 22 ownership housing units;
- \$320,000 in funding for the Agency's affordable housing fund; and

- a 290-stall parking structure to serve the needs of the project and the requirements of an existing lease for the Hyatt Whitney Hotel.

The total development cost is estimated at \$44,000,000. Approximately 400 people will work on the block (130 will be new jobs to Minneapolis), 22 families will make their homes there, and thousands of students will study music there. It is believed the proposal offers the community an economically viable development that will enhance the Mills District's cultural, business and residential vitality resulting in more people, working, playing and living in the neighborhood. Past grants (\$47,950 PetroFund and \$345,875 Met Council) were used for Phase II investigation and cleanup (steam injection/soil vapor extraction/groundwater recovery system) for petroleum tank release. In February 1999, the MPCA VPIC staff issued a closure letter. However additional contamination is in the soils and the MCDA is required to pay for cleanup of the site in order for development to proceed.

#### St. Barnabas

- MCTBRA Grant - \$135,000

This site is located at the corner of Carew Drive and South 7<sup>th</sup> Street. Allina Health Systems Foundation is donating the property to CCHT for the development of affordable housing for youth ages 16-21 years of age. CCHT would contract with a qualified youth service agency to provide on-site independent living skills. Grant funds will be used to remediate asbestos and lead paint from the property.

#### Parcel D/Park Avenue Lofts West

- MCTBRA Grant - \$285,000

The site is a portion of the former Milwaukee Road Depot property located at 600 Washington Avenue South, Minneapolis. Washington Avenue, Portland Avenue South, 2<sup>nd</sup> Street South and the Vacated Park Avenue South bound the site. The first phase of the development (Park Avenue Lofts West) will be located along the west side of the reconstructed Park Avenue South. The site is currently owned by the MCDA. Brighton Development Corporation has agreed to purchase the site from the MCDA and plans to construct a residential/commercial development on the site. Park Avenue Lofts West will be a residential building with approximately 45 condominiums and 2 levels of underground parking. The MCDA received a DTED grant in 1998 for Phase III of the Milwaukee Road Depot project that included Parcel D for implementation of the existing remediation system. The new grant will be used for soil excavation and disposal.

#### Bottineau Lofts

- MCTBRA Grant - \$70,000

The first phase of the Bottineau Housing Project is the Bottineau Commons East component consisting of a 119-unit apartment building on the "Jubilee Foods" block at 18<sup>th</sup> and University Avenues NE, that is currently under construction. The second phase consists of the construction of 33 market rate ownership townhomes (Bottineau Commons West) and the rehab of the old East Side Neighborhood Services building at 1929 2<sup>nd</sup> Street North (Bottineau Lofts), plus the construction of 4 rental townhomes on the adjoining parking lot. The ESNS building, which was built in 1918, is on the National Register of Historic Places and will be converted at 30% of median and 22 will be

affordable at 60% of median. Funds will be used to remediate asbestos and lead paint in the ESNS building.

The intent of this letter is to request authorization for acceptance and appropriation of the grants as well as authorization to execute grant and subrecipient agreements as required to implement the pollution remediation activities for these sites.