

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

Date: July 13, 2010

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

Referral to: Council Member Betsy Hodges, Chair, Ways and Means/Budget Committee

Subject: DEED Redevelopment Grant Applications
(August 2, 2010 Application Deadline)

Recommendation:

Approve the attached resolution authorizing staff to submit a applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for the West Broadway Retail District (South) Infrastructure Redevelopment Project (Phase 1), the Touchstone Public Infrastructure Project (Phase 1, Bystrom Brothers), the Southeast Minneapolis Industrial area [SEMI] Infrastructure Project (Granary Road, Phase 1), and the 14th Avenue N. Cul-de-sac Project.

Previous Directives:

West Broadway Retail District (South) Infrastructure Redevelopment Project (Phase 1): None that relate specifically to this project.

Touchstone Public Infrastructure Project (Phase 1, Bystrom Brothers): On July 1, 2005, the City Council approved submission of federal transportation funding applications for planned work including the realignment/improvement of the Cedar/Franklin/Minnehaha intersection(s). On December 23, 2005, the City Council approved application by Seward Redesign to the Metropolitan Council Hiawatha Corridor Land Assembly Fund for the Franklin Station Project. On March 31, 2006, the 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. On April 14, 2006, the City Council approved application by Seward Redesign to the Hennepin County Transit-Oriented Development Program for the Franklin Station Project. On September 1, 2006, the 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. On October 10, 2008, the City Council authorized a City application to the Metropolitan Council's Land Acquisition for Affordable New Development (LAAND) Program for the Franklin Station Project. On December 12, 2008, the 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. On August 14, 2009, the City Council accepted brownfield remediation grants that were awarded by DEED and Hennepin County.

SEMI Infrastructure Project (Granary Road, Phase 1): On July 13, 2001, the City Council approved the SEMI Revised Master Plan and Alternate Urban Areawide Review (AUAR). On January 13, 2006, the City Council authorized entering into a Mississippi Watershed Management Organization (MWMO) Fund Agreement for \$2,000,000 and amended the 2006 general appropriation resolution accordingly. On May 2, 2008, the City Council accepted a DEED Redevelopment grant in the amount of \$500,000 to the "SEMI/URP Bioscience Zone" project for acquisition and infrastructure costs related to the planned construction of Granary Road. On February 6, 2009, the City Council authorized City staff to pursue the acquisition of portions of properties to be used for the 25th Avenue portion of the SEMI/University Research Park infrastructure. On March 27, 2009, the City Council authorized City staff to pursue the acquisition of properties to be used for Granary Road and adjacent pond portions of the SEMI/University Research Park infrastructure.

14th Avenue N. Cul-de-sac Project: On June 26, 2009 the City Council accepted a \$170,000 DEED Redevelopment grant that was awarded to this project for road reconstruction costs.

Prepared by: Kevin Carroll, Principal Project Coordinator	
Approved by: Charles T. Lutz, Deputy CPED Director	_____
Catherine A. Polasky, Dir. 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 grant that is 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, contributions by interested/affected private sector partners, and grant proceeds from sources other than DEED.

Community Impact

Neighborhood Notification:

West Broadway Retail District (South) Infrastructure Redevelopment Project (Phase 1): This project would further the implementation of the West Broadway Alive small area plan, which had a substantial amount of public/neighborhood involvement during its creation and adoption.

Touchstone Public Infrastructure Project (Phase 1, Bystrom Brothers): 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, and have periodically indicated their ongoing support. The Seward Neighborhood Group's Community Development Committee [CDC] has been

involved in the Bystrom vision and has had a number of conversations with PPL/Touchstone about the proposed Phase I development.

SEMI Infrastructure Project (Granary Road, Phase 1): The Southeast Economic Development (SEED) committee, comprised of neighborhood, business and institutional representatives, supports City efforts to develop the proposed road and storm water infrastructure.

14th Avenue N. Cul-de-sac Project: The proposed reconstruction of 14th Avenue North was mentioned during presentations that were made to the Northside Residents Redevelopment Council (NRRC) on February 11, 2008 and the NWIP Jobs Park Committee on February 19, 2008 in connection with the Standard Heating and Air Conditioning project. Both of the groups in question subsequently issued letters expressing support for the Standard Heating proposal.

City Goals:

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

- Jobs and Economic Vitality (Strategic Directions: "Strong Commercial Corridors, Thriving Business Corners" and "Proactive Business Development in Key Growth Areas.")
- Livable Communities, Healthy Lives (Strategic Directions: "Equitable, Integrated Transit Systems," "High Quality, Affordable Housing")
- A City That Works (Strategic Direction: "Infrastructure — streets, bridges, sidewalks, sewers, bike lanes & paths — well-managed and maintained")

Sustainability Targets:

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

Comprehensive Plan:

The projects herein are consistent with Policies 4.1.2 and 4.11.1 of the Minneapolis Plan for Sustainable Growth (adopted 10/2/09), which provide that Minneapolis will "seek out and implement long-term redevelopment projects that catalyze revitalization and private sector investment" and "enhance and maintain transportation, wastewater, green space, and other physical infrastructure to serve the needs of businesses where appropriate."

Zoning Code:

The proposed projects are either in compliance or will comply.

Living Wage/Business Subsidy Agreement: Yes___ No X (see below)

Job Linkage: Yes___ No X (see below)

Other: Any business that occupies a redeveloped site may be asked to voluntarily 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 (August 2, 2010 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 insufficient 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 four anticipated City of Minneapolis grant applications referred to herein are expected to seek approximately \$1,130,000 in Redevelopment Grant Program funds. DEED staff members have indicated that there will be approximately \$3.0 million available in this round, with a minimum of about \$1.5 million available for metro-area projects.

For all of the rounds of this grant program since 2007, 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 four projects referred to above all satisfy one or more of these criteria. Accordingly, the staff recommendation in this instance is that the City submit to DEED all four of the grant applications in question.

Details of Proposed Projects

West Broadway Retail District (South) Infrastructure Redevelopment Project (Phase 1) – Projected DEED Request, \$120,000

The City of Minneapolis has, for many years, planned for the commercial redevelopment of two existing three-story buildings located at 927 and 1001 West Broadway Avenue in the heart of North Minneapolis' largest retail district. These buildings, which are located on the south side of the intersection of West Broadway Avenue and Dupont Avenue North, are approximately 7,500 sq. ft. each and consist primarily of vacant and boarded commercial space. The development team for the west side includes THOR Construction and Dr. John Williams, and the east side team includes Catalyst Community Partners and The Ackerberg Group.

Infrastructure improvements to the sidewalk areas adjacent to these buildings are needed to facilitate their redevelopment. Such improvements will significantly improve the pedestrian realm by (among other things) providing new circulation areas to access planned rear elevator columns needed for the two buildings to accommodate ADA requirements.

DEED funds, if awarded, would be used for sidewalk expansion, replacement of curbs and gutter, installation of way finding to direct patrons to parking and accessible entrances, installation of pedestrian level lighting, and replacement of existing storm water catch basins and drive aprons. Common Project tax-increment financing funds have been identified as the likely source of the City's required 50% match (in the amount of \$120,000), subject to subsequent City Council authorization.

Touchstone Public Infrastructure Project (Phase 1, Bystrom Brothers) – Projected DEED Request, \$295,000

The Touchstone mixed use (housing/office) project at 2304 Snelling Avenue will be the first phase of the redevelopment of the Bystrom Brothers site. The total redevelopment cost (exclusive of public infrastructure improvements) is expected to be about \$10.5 million. The project will provide 40 units of supportive housing for individuals with chronic and persistent mental illness, along with 10,000 sq. ft. of office/commercial space for Touchstone, which is a non-profit provider of community mental health services. Touchstone will provide on-site services for

building residents, but the aforementioned office space will also serve as Touchstone's regional offices and will include a wellness center providing services for clients from outside the building.

DEED funds, if awarded, would be used for roadway improvements, storm water management boulevard improvements within the public right-of-way, pedestrian facilities, and trails and bike path connections. Anticipated funding sources for the City's 50% (\$295,000) match requirement include special assessments, developer contributions, Watershed District assistance, City assistance, and tax-increment financing, subject to subsequent City Council authorization.

SEMI Infrastructure Project (Granary Road, Phase 1) – Projected DEED Request, \$500,000

The SEMI Master Plan calls for the improvement of infrastructure, including Granary Road, other roads, and storm water management ponds, in the SEMI area to support the envisioned redevelopment of the area. New development is expected to be commercial/industrial in nature, with a focus on bio-science and other science-related companies benefiting from the proximity to the University of Minnesota. Property owners in the area adjacent to the planned improvements include The Wall Companies, and Union Pacific Railroad.

DEED funds, if awarded, would be used for the acquisition of right-of-way for roads and/or ponds, demolition, and the construction of roadway and/or storm water ponding improvements. Anticipated funding sources for the City's 50% (\$500,000) match requirement include tax-increment financing, City transportation and storm water management funds, Mississippi Watershed Management Organization funds, and brownfield cleanup grants (from DEED, the Metropolitan Council and/or Hennepin County).

In 2008, DEED awarded a \$500,000 Redevelopment Grant for the SEMI Infrastructure Project referred to above. That grant expires at the end of 2010. The SEMI Infrastructure Project is making progress, but due to delays related to the acquisition of right-of-way, the 12/31/10 deadline for spending the funds is unlikely to be met. Discussions are in progress with DEED staff regarding an extension of the deadline, but because the outcome of those discussions cannot be predicted, City staff are seeking the City Council's permission to re-apply for the funding if that should become necessary.

14th Avenue N. Cul-de-sac Project – Projected DEED request, \$215,000

The portion of 14th Avenue North 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 and property owned and used by ReAlliance 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 adjacent ReAlliance site. A DEED Redevelopment grant in the amount of \$170,000 was awarded to this project in the spring 2009 grant round, but since that time it has been determined that the total project cost will exceed original projections, and that the project may not be able to proceed within the

timeframe originally envisioned. Council permission is therefore being sought to re-apply for DEED grant funding in the amount of \$215, 000 (50% of the currently projected project cost of \$430,000), should that become necessary.

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RESOLUTION of the CITY OF MINNEAPOLIS

Authorizing Applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for the West Broadway Retail District (South) Infrastructure Redevelopment Project (Phase 1), the Touchstone Public Infrastructure Project (Phase 1, Bystrom Brothers), the SEMI Infrastructure Project (Granary Road, Phase 1), and the 14th Avenue North Cul-de-sac Project.

Whereas, the City of Minneapolis intends to act as the legal sponsor for the following project that will be more completely described in the Redevelopment Grant application to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on or by August 2, 2010: the West Broadway Retail District (South) Infrastructure Redevelopment Project (Phase 1), the Touchstone Public Infrastructure Project (Phase 1, Bystrom Brothers), and the SEMI Infrastructure Project (Granary Road, Phase 1), and the 14th Avenue North Cul-de-sac Project; 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 application are (or are expected to be) committed to the identified project; 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 its application, the City may enter into agreements with the State of Minnesota for the above-referenced projects and will comply with all applicable laws and regulations as stated in said agreement;

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 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 any agreements that may be necessary to implement the projects.