



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

**Date:** April 18, 2006

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

**Subject:** Appropriation of funds for pollution remediation for the Deep Rock  
Project.

**Recommendation:** 1) Amend the 2006 General Appropriation Resolution by increasing the  
Community Planning & Economic Development Agency Fund CAZ – Common  
Project Uncertified Area (CAZ0-890-8933) by \$63,442; and 2) Amend the  
2006 General Appropriation Resolution by increasing the Community  
Planning & Economic Development Agency Fund CDR – Deep Rock (CDR-  
890-8933) by \$63,442.

**Previous Directives:** MCDA Board direction given on June 27, 1988 to establish a Tax Increment  
Financing District to recover project costs. Resolution No. 944-1259M dated  
December 19, 1994 authorized submittal and acceptance of an application  
to the State of Minnesota for DTED Contamination Cleanup Grant funds.  
Document No. 96-18M, dated January 26, 1996 allocated \$300,000 in  
MILES funds for this project. On March 21, 1996 the City Council approved  
the Deep Rock tax Increment District and Deep Rock Hazardous Substance  
Subdistrict, Modification No. 11 to the Seward South Urban Renewal Plan,  
Modification No. 41 to the Common Development and Redevelopment Plan  
and Common Tax Increment Finance Plan, and a \$300,000 appropriation of  
previously allocated MILES program funds.

**Prepared by:** Jim Forsyth, Sr. Project Coordinator **Phone:** 673-5179

Sharrin Miller –Bassi, Sr. Project Coordinator **Phone:** 673-5019

**Approved by:**

Chuck Lutz, Deputy Director CPED \_\_\_\_\_

Mike Christenson, Director of Economic Development \_\_\_\_\_

**Permanent Review Committee (PRC)** Approval  Not Applicable

**Note:** To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

**Presenter in Committee:** Sharrin Miller-Bassi

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

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the  Capital Budget or  Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan:  Action is within the plan.  Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

**Community Impact (use any categories that apply)**

Neighborhood Notification: N/A

City Goals: N/A

Comprehensive Plan: N/A

Zoning Code: N/A

Other: N/A

**Background/Supporting Information:**

In 2005 Hillcrest Development constructed loading docks for the warehouse property they own at 2700 East 28<sup>th</sup> Street in the Seward Industrial area. This project involved the identification and removal of contaminated soils. The City is obligated to reimburse Hillcrest for investigation and removal costs associated with petroleum contaminated soils to the extent those materials are contaminated with substances requiring special disposal.

The obligation dates back to the terms of a 1988 Allocation Agreement and a 2003 Assumption Agreement which assigned the earlier agreement to Hillcrest Development. The City, as a successor in interest, has assumed the MCDA's obligations to pay for and complete the remediation of the "Environmental Contamination" of the former Tiro Deep Rock property pursuant to the Allocation Agreement. The Allocation Agreement specifies in Articles 2.8 and 5.1 and Section 5.3 the types of contamination eligible for reimbursement.

CPED engineering and project management staff have reviewed and approved the request for payment of \$61,087 for petroleum related cleanup costs and for associated MPCA costs of \$2,355.00 for the 2006 dock project. The costs are documented in invoices and environmental reports (on file) submitted by Hillcrest.

Prior actions of the City Council had appropriated MILES program revenues of the Common Project to undertake certain actions within the North Washington Industrial Park. Some of those proposed activities have been postponed, so a recommendation is being made at this time to reallocate and transfer a portion of that appropriation of MILES Program revenues to pay the costs associated with the Tiro Deep Rock property, also located within the Common Project. The reallocation of the MILES Program appropriation will not impact the City's current fiscal environment.