

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

Date: April 20, 2010

To: Lisa Goodman, Chair, Community Development Committee
Referral to: Betsy Hodges, Chair, Ways & Means/Budget Committee

Subject: Grain Belt Office Building Repairs

Recommendation:

1) Amend the 2010 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01CPM LaSalle Plaza (01CPM-8900900) by \$220,295 from the available fund balance.

2) Increase the 2010 Revenue Budget for the Community Planning & Economic Development agency Fund 01CAZ – Common Project Uncertified (01CAZ-8900900-382801) by \$220,295.

3) Amend the 2010 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01CAZ – Common Project Uncertified (01CAZ-8900320) appropriation by \$220,295 from the available fund balance; and

4) Approve the attached resolution.

Previous Directives: The MCDA Board of Commissioners approved the acquisition of 1215 Marshall Street N.E. on December 17, 1989 as part of the City's acquisition of the historic Grain Belt complex. In August 2000, the MCDA Board and City Council approved an amendment to the Grain Belt Development Objectives, a modification to the Grain Belt Redevelopment Plan, and an authorization to issue a housing RFP. In February 2001, the MCDA Board selected the Sheridan Development Company LLC (SDC) as the developer of the Grain Belt Housing Project and awarded it six-month development rights. These development rights were extended numerous times but ultimately the development did not proceed.

In 2006, the Grain Belt Office Building at 1215 Marshall Street NE was severed from the Grain Belt Housing Project, and in August 2006, the CPED Director authorized the issuance of a Request for Proposals. The selected developer withdrew the Offer to Purchase in May 2007 before a land sale report was presented to the Council. A subsequent Invitation to Submit an Offer was issued with a deadline of December 2007. The sale of the property to the sole respondent was rejected by Council in 2009 and staff was directed to issue an RFP for the property explicitly stating that the Fair Market Value sale price was \$1 due to extensive redevelopment costs. No responsive proposals were submitted.

On July 21, 2009, the City Council authorized staff to submit an application to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for \$100,000 to build a storm sewer connection to the building. That grant was not awarded. On December 4, 2009 the City Council appropriated \$68,000 in tax increment funds to provide for a storm sewer connection for this building and authorized staff to apply to the Minnesota Historical Society for a State Legacy Grant of \$554,000 to stabilize the building by halting water infiltration. On April 2, 2009, City Council accepted a \$50,000 State Legacy Grant from the Minnesota Historical Society for the Grain Belt Office Building

and authorized staff to submit another State Legacy Grant application to the Minnesota Historical Society for \$290,000

Department Information

Prepared by: Judy Cedar, Senior Project Coordinator, 612-673-5025
Approved by: Charles T. Lutz, Deputy CPED Director _____
Catherine A. Polasky, Director, Economic Policy & Development _____
Presenter in Committee: Judy Cedar, Senior Project Coordinator

Financial Impact

- Action requires an appropriation increase to the Operating Budget
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: The Sheridan Neighborhood Organization (SNO) supports work activities that stabilize 1215 Marshall Street NE.
- City Goals: Enriched environment
- Sustainability Targets: The rehabilitation of this property is consistent with the City's sustainability goals.
- Comprehensive Plan: Preserving the historic built fabric of the city is consistent with the Minneapolis Plan for Sustainable Growth
- Zoning Code: The roof replacement work would comply
- Living Wage/Business Subsidy Agreement: Not at this time
- Job Linkage: Not at this time

Supporting Information

As noted in prior recent reports to the City Council, the Grain Belt Office Building located at 1215 Marshall Street NE is experiencing significant water infiltration. Actions are needed to correct the water issues to stabilize this National Register-listed building's rapid deterioration and better position the property for redevelopment and reuse. The stabilization project is estimated at \$625,000, and staff has developed a four-phase strategy to conduct the work as funds are identified. This report requests \$200,000 funding approval for Phase IV – Replace Roof. In addition, staff is asking for an additional \$20,295 in order to retrofit or replace equipment (as outlined below) in order to achieve significant energy cost savings.

The Water Infiltration Project has been separated into four phases:

Phase I, nearly complete, involved connecting the building to the City's storm sewer grid at 13th Avenue N.E. Phase I also included some soil grading to move water away from the northern building foundation. Phase I work was funded using \$68,000 in City tax increment funds generated by the Grain Belt district.

Phase II work will replace an obsolete sump pump system and connect it to the newly-installed storm sewer system at the manhole located north of the building. We will also use Phase II funds to begin the installation of drain tile (of up to 10 feet below the building foundation along the northern wall east towards the corner). This work uses a State Legacy Grant.

Phase III will complete the drain tile installation and connect the south side window wells to a drainage system. Currently these window wells (to which water flows) are not connected to a drainage system, which causes basement flooding. Staff has applied for a second State Legacy Grant of \$290,000 to fund Phase III.

Phase IV of the building stabilization program involves replacing the roof to stop water infiltration to the upper levels of the building. The utility portion of the roof not only requires replacement but also protection (using a pitched roof design) from runoff damage caused by the other two roof sections. There have been numerous roof repairs and patches, and they

no longer suffice to stop the water damage to the ceiling and walls of the upper level of the building. This appropriation report includes the request for \$200,000 for this phase.

The following shows the overall sources and uses for the water infiltration project:

USES OF FUNDS	\$ AMOUNT	STATUS
Phase I - Sewer Connection	68,000	Council Approved
Phase II - Sump and Pump	50,000	Grant agreement execution pending
Phase III - Draintile	290,000	Grant application due April 12, 2010
Phase IV - Roof Replacement	200,000	Appropriation approval by council pending
Engineering Consultants	17,000	Existing budgeted funds
TOTAL	<u>625,000</u>	

SOURCES OF FUNDS	\$ AMOUNT	STATUS
CPED Agency Funds	85,000	Approved Appropriations
Historical and Cultural Grant	50,000	Approved Minnesota Historical Society
Historical and Cultural Grant	290,000	Pending Minnesota Historical Society
CPED Agency Funds	200,000	Pending Council Approval
TOTAL	<u>625,000</u>	

This appropriation request also includes \$20,295 for energy efficiency improvements recommended by the City's Energy Manager based on an energy audit by CenterPoint Energy. Currently the City spends \$12,797 annually on natural gas bills at 1215 Marshall Street to minimally heat the building. Public Works Property Management Staff recommends a number of minor energy efficiency investments that could save the City \$4,500 annually with a payback period of four and one-half years. Some of the proposed improvements, such as adjustments to controls for the heating system, would likely be kept through a redevelopment of the property and therefore add value to the building. Others, including replaced plywood and plastic for the windows to better seal them, would not have benefit beyond the holding period. City staff will pursue an available rebate for a potential \$750 reduction of the estimated costs.

If the City is successful in obtaining a \$290,000 State Legacy Grant for the draintile work, we will be able to complete the stabilization project to halt water damage. If we fail in our efforts to obtain grant funds for Phase III of the Water Infiltration Project, then the appropriation requested in this report for roof replacement would be used to advance Phase III to the extent possible (addressing project items per priority phases as identified) and we will continue to seek funds to complete the stabilization project.

City staff has made efforts and continues to make efforts to identify a purchaser for 1215 Marshall Street NE. We continue to seek a buyer that has the financial capacity and historic preservation experience to bring this building back to a purposeful use. City efforts to stabilize the structure will increase the feasibility of rehabilitation and reuse.

Amending the 2010 General Appropriation Resolution

Resolved by The City Council of the City of Minneapolis:

That the above-entitled resolution, as amended, be further amended by:

1. Increasing the 2010 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01CPM – LaSalle Plaza (01CPM-8900900) by \$220,295 from the available fund balance.
2. Increasing the 2010 Revenue Budget for the Community Planning & Economic Development agency Fund 01CAZ – Common Project Uncertified (01CAZ-8900900-382801) by \$220,295.
3. Increasing the appropriation for Community Planning & Economic Development agency Fund 01CAZ Common Project - Uncertified (01CAZ-8900320) by \$220,295 from the available fund balance.