

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

Date: November 17, 2009

To: Honorable Lisa Goodman, Community Development Committee

Referral to: Honorable Paul Ostrow, Chair Ways & Means Committee

Subject: Grain Belt Office Building

Recommendation: 1) Amend the 2009 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01CGH – Grain Belt Housing (01CGH-8900300-800320) appropriation by \$68,000 from the available fund balance; 2) Authorize application to the Minnesota Historic Society Grants Office for Minnesota Historical and Cultural Grant funds to stabilize the Grain Belt Office Building at 1215 Marshall Street; and 3) Approve the attached resolution.

Previous Directives: The MCDA Board of Commissioners approved the acquisition of 1215 Marshall Street N.E. on December 17, 1989. 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. In July 2001, the Board approved a one-year extension of the development rights, and approved additional extensions in July 2002 and in February 2003. On June 2003, the Board approved the finance plan and redevelopment contract terms for Phase I of the Grain Belt Housing Project. On September 26, 2003, the Council adopted the Grain Belt TIF Plan and related Plan modifications. On November 5, 2004, the Council approved an amendment to the redevelopment contract business terms for Phase I of the Grain Belt Housing Project. On December 23, 2005, the Council approved an amendment to the redevelopment contract to extend certain performance deadlines.

The Office Building was severed from the Grain Belt Housing Project and an appropriation of \$65,000 was approved to cover certain costs related to issuing a Request for Proposals (RFP). On May 26, 2006, the Council approved the sale of the Phase I site to the developer and modified the development timetable in July 2006 but said project was never initiated. In August 2006, the CPED Director authorized the issuance of a Request for Proposals for the Grain Belt Office Building at 1215 Marshall. The selected developer withdrew the Offer to Purchase in May 2007 before a land sale report could be presented to the Council. A subsequent Invitation to Submit an Offer was issued with a deadline of December 2007 and sale of the property to this developer was rejected by Council in 2009.

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. On September 1, 2009, the Council authorized staff to extend the RFP response timeframe for up to 90 days.

Department Information

Prepared by: Jerry LePage and Judy Cedar, Senior Project Coordinators
Approved by: Charles T. Lutz, Deputy Director CPED _____
Catherine A. Polasky, Director, Economic Development _____
Presenter in Committee: Judy Cedar

Reviews: N/A

Financial Impact

Action requires an appropriation increase to the Capital Budget

Dept Name: Community Planning and Economic Development

Fund Name: Grain Belt Housing (01CGH)

Project Name & Number: Grain Belt Redevelopment Project

Amount: \$68,000

Community Impact, Ward

- Neighborhood Notification: The Sheridan Neighborhood Organization (SNO) is aware of the violation notice associated with the regulatory requirement to disconnect storm runoff from the sanitary sewer system. They support work activities that will bring this parcel into compliance with City regulations. SNO has been receiving frequent updates related to the Rainleader Disconnect Program requirements for 1215 Marshall Street NE.
- City Goals: Enriched environment
- Sustainability Targets: The rehabilitation of this property is consistent with the City's sustainability goals. The specific investment supported by this appropriation request would improve stormwater treatment on the site.
- Comprehensive Plan: Preserving the historic built fabric of the City is consistent with the Minneapolis Plan for Sustainable Growth
- Zoning Code: Anticipated redevelopment would comply with the zoning regulations
- 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 Avenue NE is experiencing significant and increasing water infiltration, requiring site grading, drainage tile installation, and a new connection to the City's stormwater treatment system. While there is currently an open Request for Proposals (due December 8, 2009) for the redevelopment of the property, CPED staff believe that investments should be made to reduce water infiltration yet this year, prior to another freeze-thaw cycle. Moreover, stormwater from the property is currently flowing into the sanitary sewer system, eliciting a code violation against the property from Public Works Water & Sewer and Regulatory Environmental Management and Safety (citing Minneapolis Code 56.140).

While estimated costs to fully remedy the building's drainage issues exceed \$400,000, we propose proceeding in two phases, with this supplemental appropriation request funding the first phase. A second phase of improvements is proposed for year 2010. This report also requests Council authorization to pursue historic preservation grant funding of up to \$400,000 through the State's new Legacy grant program for the phase two stormwater management work and other investments to stabilize the building. CPED staff have also pursued other grant sources for work on the property, including an August 2009 application to the DEED Redevelopment grant program to build a storm sewer connection. We expect to learn whether DEED will award that grant request in the next few weeks.

Phase I stormwater management improvements include:

- Grade the site to redirect water runoff
- Regrade main northerly drive to direct drainage to Marshall Street to flow into the City's stormwater treatment system

- Disconnect the existing manhole from the sanitary sewer
- Extend the storm sewer from 13th Avenue NE to the existing storm sewer manhole

Phase II (2010) stormwater management improvements are the following:

- Install redundant sump pump system
- Install interior storm sewer piping system in basement under flooring
- Build new connections from the window wells and roof drains on east and south sides of building to the storm sewer system
- Connect north window wells to the sump pump system

Additional investments to stabilize this historic structure anticipated in 2010 include such items as roofing, some additional regrading and window repairs.

The 2009 supplemental appropriation paid from revenues generated from the Grain Belt Housing Tax Increment District of which the Office Building is a part.

As noted in the RFP for redevelopment of the building, investments in the property will likely affect the Fair Market Value sale price, currently set at \$1 due largely to the significant investments needed to address water infiltration.

Authorizing application to the Minnesota Historic Society Grants Office for Minnesota Historical and Cultural Grant funds to stabilize the Grain Belt Office Building at 1215 Marshall Street

Whereas, the City of Minneapolis intends to act as the legal sponsor for the Grain Belt Office Building Project located at 1215 Marshall Street; 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 the application, the City may enter into agreements with the Minnesota Historic Society for the Grain Belt Office Building Project 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 City Coordinator or other appropriate staff to apply to the Minnesota Historic Society for Minnesota Historical and Cultural Grant funding for the Grain Belt Office Building Project located at 1215 Marshall Street and to execute such agreements as are necessary to implement the projects.