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

Date: October 11, 2005

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Barbara Johnson, Ways and Means/Budget Cmte

Prepared by: John Harrington, Project Coordinator, Phone 612-673-5018
Presenter in Committee: John Harrington, Project Coordinator

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Environmental Remediation Grant Applications, Fall 2005

RECOMMENDATION: That the City Council:

1. Apply to the Metropolitan Council Metropolitan Livable Communities Fund Tax Base Revitalization Account Grant Program for 718 Washington Avenue North, 2626 Lake St. W., 38th & Nicollet, Greenway Terrace, Humboldt Industrial Park, Washington Court Apartments and Midtown Exchange; and,
2. Apply to the Minnesota Department of Employment and Economic Development Contamination Cleanup Grant Program for environmental remediation at 718 Washington Avenue North, Humboldt Industrial Park, and Washington Court Apartments; and,
3. Authorize application to the Hennepin County Environmental Response Fund for 718 Washington Avenue North, 2626 Lake St. W., 38th & Nicollet, Franklin-Portland Gateway Phases lll (Wellstone) and IV (Site C), Humboldt Industrial Park, and Washington Court Apartments; and,
4. Approve the attached resolutions authorizing appropriate City staff to execute agreements to implement the Metropolitan Council Livable Communities Tax Base Revitalization Account Grant Program, Minnesota Department of Employment and Economic Development Contamination Clean Up and Investigation Grant Program, and Hennepin County Environmental Response Fund.

Previous Directives: On April 29, 2005, the City Council authorized submission of environmental remediation grant applications for **Greenway Terrace** and **Humboldt Industrial Park**. On July 1, 2005, the City Council authorized staff to continue analysis of the Humboldt Industrial Park proposal; negotiate terms and conditions of a redevelopment contract with RER; and prepare a redevelopment plan and tax increment financing plan for the proposed **Humboldt Industrial Park**. On January 28, 2005 the City Council approved Affordable Housing Trust and Non-Profit Development Assistance Funds for **Franklin-Portland Gateway Phase lll (Wellstone)** and on September 2, 2005 the City Council approved further project analysis for the **Wellstone**. On August 12, 2003, the City Council accepted a Hennepin County Environmental Response Fund grant award of $30,000 for **Washington Court Apartments** to be used for additional environmental investigation. There have been numerous prior approvals on the **Midtown Exchange** project.

There are no identified previous directives for **718 Washington Avenue North**, **2626 West Lake Street**, **38th and Nicollet,** or **Franklin-Portland Gateway Phase IV (Site C)**.

Financial Impact (Check those that apply)

___ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
___ Action requires an appropriation increase to the Capital Budget
___ Action requires an appropriation increase to the Operating Budget
___ Action provides increased revenue for appropriation increase
___ Action requires use of contingency or reserves
_X_ Other financial impact (Explain):
___Request provided to the Budget Office when provided to the Committee Coordinator

There is no direct financial impact at this time. However, some of the grant requests have been identified as requiring a commitment of local match funds, to be provided by the developer or other non-City funding sources. The City of Minneapolis is sponsoring these grant requests, acting in some cases as a pass-through and conduit for environmental investigations and cleanup. The following listing is in priority order based on criteria accepted by the City Council in February.

Metropolitan Tax Base Revitalization Account Grant Requests in Priority Order (top to bottom)
(There is no local match required for these grants.)

Project	**Grant Request**
1. 718 Washington Avenue North	$ 198,000
2. Washington Court Apartments	$ 137,750
3. 38th & Nicollet	$ 228,700
4. Humboldt Industrial Park	$ 207,372
5. Greenway Terrace (supplemental)	$ 25,000
6. 2626 Lake St. W.	$ 275,000
7. Midtown Exchange (supplemental)	$ 500,000
Total Metropolitan Council:	**$1,571,822**

MN Department of Employment and Economic Development Grant Requests in Priority Order (top to bottom)
(The local matches for these projects will come from developer's funds and / or from other grant funds, not from the City).

Project	**Grant Request**
1. 718 Washington Avenue North	$ 148,000
2. Washington Court Apartments	$ 362,500
3. Humboldt Industrial Park	$ 348,720
Total MN DEED	**$ 859,220**

Hennepin County Environmental Response Fund Grant Requests in Priority Order (top to bottom)
(There is no local match required for these grants.)

Project	**Grant Request**
1. Franklin-Portland Gateway Phase lll (Wellstone)	$ 20,000
2. Franklin-Portland Gateway Phase IV (Site C)	$ 27,200
3. 718 Washington Avenue North	$ 50,000
4. Washington Court Apartments	$ 137,750
5. 38th & Nicollet	$ 218,456
6. Humboldt Industrial Park	$ 373,269
7. 2626 Lake St. W.	$ 275,000
Total Hennepin County ERF	**$1,101,675**

Community Impact (Summarize below)

Ward: 3, 4, 5, 6, 7, 8, 10

Neighborhood Notification: The North Loop Neighborhood Association was notified of the **718 Washington Avenue North** project on June 15, 2005. The Calhoun-Isles neighborhood organization was notified of the **2626 West Lake Street** project August 22, 2005. The Kingfield neighborhood organization was informed of the **38th & Nicollet** project on August 26, 2004. Ventura Village was notified about the **Franklin-Portland Gateway Phases lll and IV** projects on September 9, 2005. The East Phillips neighborhood organization was notified regarding **Greenway Terrace** on June 11, 2004. The Shingle Creek Neighborhood Association was notified about **Humboldt Industrial Park** on December 14, 2004. The Holland neighborhood organization was notified of the **Washington Court Apartments** project on April 15, 2005. Numerous neighborhood organizations were previously notified regarding the Midtown Exchange project.

City Goals: The proposed projects are consistent with and contribute to attainment of the City goal to "Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis."

Comprehensive Plan: The projects generally comply with land reclamation and providing a healthy environment elements of the Minneapolis Plan.

Zoning Code: The proposed projects either are in compliance or will comply.

Living Wage/Job Linkage: Environmental assistance is exempt from Living Wage/Business Subsidy and generally exempt from job linkage although there may be case by case exceptions.

Background/Supporting Information

INTRODUCTION:
Enacted by the legislature in 1995, the Metropolitan Livable Communities Act designated the Metropolitan Council as the administrator of the Tax Base Revitalization Program. This program makes grants to clean up contaminated land for subsequent redevelopment, job retention, and job growth in areas that have lost some of their commercial/industrial base. Applications to this program are due November 1, 2005. No local match is required. The City of Minneapolis geographic area is restricted to receiving no more than $1,300,000.

The Minnesota Contamination Cleanup Grant Program was established in 1993 to clean up contaminated sites and convert contaminated property into a marketable asset. The Department of Employment and Economic Development is the administering state agency. Applications are due November 1, 2005. A local match equal to twenty-five percent of the project costs is required, of which twelve percent of the clean-up costs must come from non-tax increment local funds (often provided by the developer). There is no financial limit for the City of Minneapolis geographic area. However, there is a maximum of approximately $4 million available statewide for this program.

Hennepin County has been collecting mortgage registry and deed tax for deposit into an Environmental Response Fund (ERF). The ERF is used for the assessment and clean up of contaminated sites located within Hennepin County, with emphasis on affordable housing projects. Applications are due November 1, 2005. The most that Minneapolis projects have received in a funding round from the ERF is $897,954.

Table 1: Cumulative Remediation Grant Funding

	Prior Awards (through 2004)	Projects Funded Spring 2005	Grant Awards Spring 2005	New Total
DEED	$16,986,481	-	-	$16,986,481
Metro Council	$19,139,638	5	$1,046,240	$20,185,878
Hennepin County	$3,226,676	7	$897,594	$4,124,270
	$39,352,795		$1,943,834	$41,296,629

Projects initiated through these grants and additional public funds have triggered an estimated $1 billion in additional private investment in the City of Minneapolis.

Table 2: New Funding Requests for Fall 2005

	Grant Applications Fall 2005	Grant Funding Requested
DEED	3	$859,220
Metro Council	6	$1,571,822
Hennepin County	7	$1,101,675
		$3,532,717

In response to a directive provided during review of projects for the autumn, 2003 funding round, CPED staff prepared a set of criteria to be used to recommend City priorities for project funding. The fall 2005 round represents the fourth use of those criteria.

In late 2004, the Business Development Section of Community Planning and Economic Development was organized into four staff teams, one of which is focused on land

recycling and infrastructure (LRI). A major focus of this team is the development and implementation of a Land Recycling Campaign. The Campaign is intended to build support for existing brownfields tools and identify potential new tools. As part of that effort LRI team members will work with other stakeholders to conduct additional reviews of City and funding agency program criteria. The recommended project priorities reflect staff's proposals for current projects most suited to the guidelines in DEED, Met Council and Hennepin County ERF programs.

The criteria, the City's review schedule, and additional information regarding funding program resources was provided to CPED project coordinators, potential applicants, and staff at the funding agencies. At least one email reminder of the deadline for submitting information was sent. A preliminary assignment of criteria points was provided to applicants and project coordinators and a review meeting attended by project coordinators and representatives of applicants was held on September 21, 2005[1]. The at the meeting the criteria points proposed to be awarded to each project were reviewed to ensure they accurately reflected the project information provided to CPED staff. A copy of each of the criteria forms, as submitted, is available on request. A summary of the criteria used to assign points is provided below.

Criteria	Maximum	Minimum
time frame	5	1
importance of proposed facilities	10	1
removal of blighting influences	5	1
readiness of the project	25	2
development potential	5	1
financial health of the project	5	1
City funds invested	10	1
Affordable housing	5	1
Total points	70	9

The points assigned to each project, as confirmed at the September 21 meeting, are shown below.

[1] Attendees: Ray Wallin (Ponterre Group), Charlie Nestor (Master Development), Marcia Cartwright (Hope Community), Nate Wissink (Lander Group), K. Dockry, J. Forsyth, T. Glasper, E. Steranko, and J. Harrington (CPED Project Coordinators and related staff)

Table 3

CRITERIA POINTS FOR Fall 2005 REVIEW

Project	718 Washington	2626 Lake St. W.	38th & Nicollet	Franklin-Portland Gateway Phase III project (Wellstone)	Franklin-Portland Gateway Phase IV project (Site C)	Greenway Terrace / 2850 Cedar	Humboldt Industrial Park	Washington Court Apartments
Time Frame	5	5	5	5	5	5	5	5
Neighborhood Importance	5	1	5	5	5	5	5	5
City Importance	0	0	0	0	0	0	0	0
Removal of Blight Influence	5	3	3	5	5	1	1	1
Developer Selected?	0	0	0	1	1	0	0	5
Site Control?	5	3	3	5	5	3	3	3
Zoning Consistent	5	0	0	5	5	5	5	0
Planning Consistent	5	5	5	5	5	5	5	5
Financing in Place	5	0	1	1	1	5	1	1
Development Potential	5	1	5	3	3	5	1	3
Financial Health	5	5	3	1	1	5	5	3
City Investment?	1	1	10	10	10	1	10	10
Affordable Housing	1	1	5	5	5	1	1	5
Total Points	47	25	45	51	51	41	42	46
Total Ranking (1 = best)	3	8	5	1	1	7	6	4

The Midtown Exchange request was received after the ranking process and so is recommended for addition to the bottom of the list..

Proposed Project Locations:

The following map identifies the location of each of the proposed projects (except for the Midtown Exchange).

Humboldt Industrial Park
Washington Court Apartments
718 Washington
Franklin-Portland Phase IV
Franklin-Portland Phase III
Greenway Terrace (supplemental)
2626 Lake St. W.
38th & Nicollet

Proposed Project Details:
This section of the report presents **projects in alphabetical order**, to avoid duplicate listings.

718 Washington Avenue North Ward 5
718 Washington Avenue North
DEED remediation grant request $148,000
Metro Council TBRA request: $198,000
Hennepin County ERF request: $50,000
The project will take a 126,000 SF industrial building built in 1919-1920 and renovate it into a mixed-use building consisting of 24 live-work apartments, 30,000 SF of light industrial-commercial space, and 18,000 SF of support services for the neighborhood. There will be 27 stalls of underground parking.

2626 Lake Street West Ward 7
2626 Lake Street West
Metro Council TBRA request: $275,000
Hennepin County ERF request: $275,000
The Lander Group intends to redevelop a 57,533 square foot site on the North side of Lake Calhoun into 70 condominium residences. This site will be a landmark property in the Minneapolis area and contribute approximately $50 million toward the area's property tax base. The site will include one level of underground parking and one level of covered parking at the street level (in a ratio of 2 stalls per unit). The developer will be enhancing the public experience at the street level with a coffee shop, which is slated for the southwest corner of the site, fronting the enclosed parking. Layered over the parking and coffee shop we are planning to build two buildings encompassing the zoned 169,000 feet. The height of the buildings are planned as 10 and 8 stories on the south end of the site and taper to 3 stories on the north end of the site approaching the Minneapolis Greenway. The buildings are carefully placed on the site to maintain view corridors from the Greenway and existing residences to the north, provide an engaging public experience at any place around the perimeter of the site, and not shadow any residences. The developer is excited about the opportunity to redevelop a contaminated site (soil contamination and asbestos in the existing building) into a building that has far reaching benefits for: the tax base, the public experience, and the unit owners.

38th & Nicollet Ward 10
3800 Nicollet Avenue S.
Metro Council TBRA request: $228,700
Hennepin County ERF request: $218,456
The developer proposes to redevelop a ½ acre site on the Southwest corner of 38th St and Nicollet that is currently occupied by 2 vacant buildings. One of these buildings is a 1950's era, 2-story brick building that will be demolished and replaced with a 5 story

building with structured parking. The second building at the corner of 38th and Nicollet is a 2-story 1920's brick building; this building will be rehabilitated and converted to ground level retail with second floor loft-style condominiums. Overall the project will include 6,000 square feet of retail and 40 for-sale condominium units. 8 units have been designated as long-term affordable units to households earning 50% or less than the area's median income. The site was formerly a gas station and dry cleaner, which caused significant soil contamination. In addition, the existing structures contain environmental contaminants.

Franklin-Portland Gateway Phase lll (Wellstone) Ward 6
1931 Portland, 612, 616 and 620 Franklin Ave E
Hennepin County ERF request: $20,000
Wellstone is the re-use of an urban grayfield site – presently an abandoned gas station – next to public transportation and close to downtown amenities. Wellstone is a development partnership of non-profit developers Hope Community, Inc. and Central Community Housing Trust. Wellstone is the third phase of the Franklin-Portland Gateway development and located at the NE corner of the Franklin/Portland intersection. Apartments include 59 units, nearly one-half affordable to families earning 60% or below of the area median income. At street level, commercial/retail will locate in 6,100 SF of space. Wellstone features many green/sustainable features including re-use of an urban grayfield site and next to public transportation and close to downtown amenities, solar domestic hot water system, heat recovery unit and carbon monoxide sensor and control in underground parking garage and Energy Star appliances.

Franklin-Portland Gateway Phase lV (Site C) Ward 6
19XX Portland, 5XX Franklin Ave E
Hennepin County ERF request: $27,200
Site C is an urban infill site next to public transportation and close to downtown amenities. Development of Site C is a partnership of non-profit developers Hope Community, In. and Central Community Housing Trust (CCHT). The project is the fourth phase of the 4-corner Franklin-Portland Gateway development. Site C is located at the NW corner of the Franklin/Portland intersection. Apartments include 100 units, one-half affordable to families earning 60% or below of the area median income. At street level, commercial/retail will locate in 16,100 SF slated to be a 24-hour day care center. Similar to Wellstone project, Site C will incorporate green sustainable features which may include a green roof, Energy Star appliances, water conserving appliances and fixtures and increased public lighting efficiency.

Greenway Terrace Ward 6
2850 Cedar Avenue S.
Metro Council TBRA request (supplemental): $25,000
The project is located on a 16,000 square foot piece of property that is zoned high density residential (R6). The developer is constructing a 26 unit condominium complex consisting of studio, 1 bedroom, 1 bedroom + den and 2 bedroom units with approximately 700-1200 square feet per unit with additional patio/balcony square footage. The building will also contain underground heated parking and storage lockers for all residents of the complex. On the first floor of this project is a shared community room. Prices of this project range from $135,000- $225,900. Greenway Terrace is located directly on the Greenway Trail and 3-4 blocks from the Lake Street/ Midtown light rail station. The project previously (spring 2005 funding round), received $255,130 in grants, $161,430 from the Metro Council and $32,740 from Hennepin County. Soil remediation costs exceeded budget estimates and the developer is seeking a supplemental grant.

Humboldt Industrial Park Ward 4
2501, 2601 49th Avenue N.
DEED remediation grant request: $348,720
Metro Council TBRA request: $207,372
Hennepin County ERF request: $373,269
The Humboldt Industrial Park is a new industrial park consisting of a new multi tenant office warehouse building totaling 127,000 square feet located at 49th Ave. and Brooklyn Boulevard in the Shingle Creek neighborhood in Minneapolis. The 127,000 square foot, 24 foot clear, multi-tenant industrial building will be constructed of precast concrete panels, glass, adhered membrane roof, concrete floors, steel columns, beams, joists and deck.

Midtown Exchange Ward 8
Chicago and Lake Streets
Metro Council TBRA request: $500,000
The Midtown Exchange has received two prior remediation grants from the Metro Council (SG-98-70 for $307,803 and SG-004-090 for $750,000). The developer (Ryan Companies) has experienced an estimated $800,000 plus in unbudgeted remediation costs associated with the work scopes of the two Metro Council grants. The developer is seeking supplemental grants to provide reimbursement of approximately 50% of the unbudgeted costs.

Washington Court Apartments Ward 3
2101 Washington St. NE.
DEED remediation grant request: $362,500

Metro Council TBRA request: $137,750
Hennepin County ERF request: $137,750
MWF Properties, LLC proposes construction of 38 units of rental housing within one building on the vacant site at 2101 Washington Street NE in the Minneapolis' Holland neighborhood. The building will contain a mixture of one, two and three bedroom units which will be affordable to individuals and households at 30%, 50% and 100% of the area median income. The project will encompass the neighborhood's desire for ample green space with features such as underground parking, garden plots, rainwater gardens, and a children's playground.

Authorizing application to the Metropolitan Council Tax Base Revitalization Account for various projects.

Whereas, the City of Minneapolis (the "City") was a participant in the Livable Communities Act's Housing Incentives Program for 2001-2002 as determined by the Metropolitan Council, and is therefore eligible to make application for funds under the Tax Base Revitalization Account; and

Whereas, the City has identified the following clean-up projects within the City that meet the Tax Base Revitalization Account's purposes and criteria: 718 Washington Avenue North, 2626 Lake St. W., 38th & Nicollet, Greenway Terrace, Humboldt Industrial Park, Washington Court Apartments and Midtown Exchange (supplemental) and,

Whereas, the City intends to act as the legal sponsor for one or more of the above-referenced projects, which are more completely described in the Tax Base Revitalization Account grant applications to be submitted to the Metropolitan Council on November 1, 2005; and

Whereas, the City has the institutional, managerial and financial capability to ensure adequate project administration; and

Whereas, upon approval of one or more of its applications, the City may enter into agreements with the Metropolitan Council for one or more of the above-reference projects 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 Director of the Department of Community Planning and Economic Development or other appropriate staff to apply on behalf of the City of Minneapolis to the Metropolitan Council for Tax Base Revitalization Account funding for one or more of the above-referenced projects and to execute such agreements as are necessary to implement the projects.

Authorizing application to the Minnesota Department of Employment and Economic Development Contamination Cleanup Grant Program for various projects.

Whereas, the City of Minneapolis intends to act as the legal sponsor for one or more of the following projects that are more completely described in the contamination clean up applications to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on November 1, 2005: 718 Washington Avenue North, Humboldt Industrial Park, and Washington Court Apartments; 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 sources and amounts of the local match identified in the applications are committed to the identified projects; 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 one or more of its applications, the City may enter into agreements with the DEED for one or more of the above-referenced projects 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 Director of the Department of Planning and Economic Development or other appropriate staff to apply to the Department of Employment and Economic Development for Contamination Clean Up Grant Program funding for one or more of the above-referenced projects and to execute such agreements as are necessary to implement the projects.

Authorizing application to the Hennepin County Environmental Response Fund for various projects.

Whereas, the City of Minneapolis intends to act as the legal sponsor for one or more of the following projects that are more completely described in the Environmental Response Fund applications to be submitted to Hennepin County on November 1, 2005: 718 Washington Avenue North, 2626 Lake St. W., 38th & Nicollet, Franklin-Portland Gateway Phases lll (Wellstone) and IV (Site C), Humboldt Industrial Park, and Washington Court Apartments; 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 one or more of its applications, the City may enter into agreements with Hennepin County for one or more of the above-referenced projects 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 Director of the Department of Planning and Economic Development or other appropriate staff to apply to the Hennepin County Environmental Response Fund for funding for one or more of the above-referenced projects and to execute such agreements as are necessary to implement the projects.