

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

Date: February 15, 2011

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

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

Subject: Accept and Appropriate Environmental Remediation Grants Awarded by the Minnesota Department of Employment and Economic Development (DEED) Contamination Cleanup and Investigation Grant Program, Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA) Grant Program and the Hennepin County Environmental Response Fund (ERF)

**Recommendation:**

Accept the following grants:

**MN Department of Employment and Economic Development (DEED) Grants**

(The local match for these projects will come from developer's funds and/or from other grant funds.)

Project	Recipient	Grant Award
American Swedish Institute	City of Minneapolis	\$99,810
<b>Total DEED:</b>		<b>\$99,810</b>

**Metropolitan Tax Base Revitalization Account (TBRA) Grants**

(There is no local match required for these grants.)

Project	Recipient	Grant Award
City Place Lofts	City of Minneapolis	\$212,600
Riverside Plaza	City of Minneapolis	800,000
Heritage Park Senior Services Center	Minneapolis Public Housing Authority	390,900
American Swedish Institute	City of Minneapolis	18,750
<b>Total Metropolitan Council TBRA:</b>		<b>\$1,422,250</b>

**Hennepin County Environmental Response Fund (ERF) Grants**  
(There is no local match required for these grants.)

<b>Project</b>	<b>Recipient</b>	<b>Grant Award</b>
American Swedish Institute	City of Minneapolis	\$20,700
City Place Lofts	City of Minneapolis	100,000
El Patio	El Colegio Charter School	345,023
9 – 9 <sup>th</sup> Avenue NE [former Scherer Bros. Lumber]	Minneapolis Park & Recreation Bd.	346,000
Heritage Park Senior Services Center	Minneapolis Public Housing Authority	167,550
Lowry Bridge Phase II	Hennepin County	77,666
Riverside Plaza	City of Minneapolis	150,000
<b>Total Hennepin County ERF:</b>		<b>\$1,206,939</b>

2. a) Amend the 2011 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900320) by \$139,260 (for American Swedish Institute), and b) Amend the 2011 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900220) by \$1,262,600 (for City Place Lofts and Riverside Plaza).
3. Increase the 2010 Revenue Budget for the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321504) by \$99,810; Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$1,031,350; and Fund 01600-Other Grants-State and Local (01600-8900900-322002) by \$270,700.
4. Authorize the appropriate City staff to execute grant, subrecipient and/or disbursement and related agreements for these grants.

**Previous Directives:** On October 22, 2010, the City Council authorized staff to submit a number of applications for remediation grant funds to the Minnesota Department of Employment and Economic Development (DEED) Contamination Cleanup and Investigation Grant Program, the Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA) Grant Program, and the Hennepin County Environmental Response Fund (ERF). Additional project-specific Council actions are as follows:

**9 – 9<sup>th</sup> Ave. NE (former Scherer Brothers Lumber site):** None.

**American Swedish Institute** (2600 & 2636 Park Avenue): None.

**City Place Lofts** (730 Hennepin Avenue): None.

**Riverside Plaza** (1600 6<sup>th</sup> St. S): On July 23, 2010, the City Council and the MCDA Board of Commissioners approved (1) execution of a reimbursement agreement settling the City's indemnity and access obligations and (2) the appropriation of \$161,908 as additional funds for reimbursement of up to \$700,000 in costs related to relocation of the vacated 5th Street driveway as the Relocated E-Building Driveway. On July 23, 2010, after conducting the required public hearing, the City Council granted approval of the issuance of up to \$80,000,000 in Tax-Exempt Multi-family Housing Entitlement Revenue Bonds. On July 23, 2010, the City Council

and the MCDA Board of Commissioners approved an agreement closing out the Contract for Deed and conveying title to Riverside Plaza Limited Partnership. On April 3, 2010, the City Council accepted and appropriated a Metropolitan Council Livable Communities Local Housing Incentives Account (LHIA) Grant of \$575,000 for Riverside Plaza, and authorized execution of grant and funding sub-recipient agreements. [A long series of Council directives going back to 1988 (when the MCDA approved the acquisition of this property from HUD) has been omitted in the interest of brevity.]

Note: The remaining projects referred to herein (El Patio, Heritage Park Senior Services Center, and Lowry Bridge Phase II) were not included in the aforementioned City Council action that was taken on October 22, 2010, because each project (a) had been the subject of at least one prior City Council action that satisfied the submission requirements of Hennepin County's ERF grant program or (b) was allowed to apply directly to Hennepin County under the rules governing the County's Environmental Response Fund.

Prepared by: Kevin Carroll, Principal Project Coordinator  
Paula Mazzacano, Development Grants Coordinator  
Approved by: Charles T. Lutz, Deputy Director, CPED \_\_\_\_\_  
Catherine Polasky, Director of Economic Development \_\_\_\_\_  
Presenter in Committee: Kevin Carroll, Principal Project Coordinator, 612-673-5181

**Financial Impact**

Action requires an appropriation increase to the Capital Budget \_\_\_\_\_ or Operating Budget   
 Action provides increased revenue for appropriation increase  
 Action is within the Business Plan

**Community Impact**

Neighborhood Notification (for any grant applications that were submitted directly by the City):

**9 – 9<sup>th</sup> Ave. NE (former Scherer Brothers Lumber site):** Neighborhood notification, through the MPRB's interactions with the Boom Island/BF Nelson Citizens Advisory Committee (CAC) and at various public meetings, allowed the MPRB to communicate (a) its plan to purchase the Scherer Bros. site and (b) its plan to provide a connection between the Scherer Brothers site and Boom Island via bike and pedestrian trails and (c) the linking of Boom Island with Sheridan Memorial Park, through the Scherer Brothers site and the Graco property, as part of the trail plan in the Above the Falls Regional Park Master Plan. The planned trail connection between the Scherer Brothers site and Boom Island has been approved by the CAC and MPRB.

**American Swedish Institute** (2600 & 2636 Park Avenue): The President of the American Swedish Institute [ASI] and its architect presented project plans to the Phillips West Neighborhood Organization (PWNO) on April 1, 2010. The American Swedish Institute [ASI] held a well-attended public unveiling event on June 15, 2010 that was also covered by the local media. ASI also had materials on the project available at its booth at National Night Out on August 3, 2010. On August 24, 2010, ASI hosted a Neighborhood Open House, for which invitations were mailed to area residents and circulated by PWNO. The PWNO issued a letter of support for the project on September 13, 2010.

**City Place Lofts** (730 Hennepin Avenue): None.

**Riverside Plaza** (1600 6<sup>th</sup> St. S): The West Bank Community Coalition discussed this project on June 9, 2010 and provided a letter of support dated July 22, 2010. The Riverside Plaza Tenants' Association has issued a letter of support dated June 23, 2010.

**City Goals:** Jobs and Economic Vitality; Livable Communities, Healthy Lives; Eco-Focused. Cleanup of contaminated land supports sustainability goals and some projects include “green” design and construction elements.

**Sustainability Targets:** Seven Minneapolis sites were awarded funds in this grant round, which brings the total number of City projects securing brownfield grants (2004-2010) to 114. The City’s goal of remediating 100 brownfield sites by 2014 has been achieved and exceeded.

**Comprehensive Plan:** The proposed projects generally comply with the “land reclamation” and “providing a healthy environment” elements of the Minneapolis Plan for Sustainable Growth.

**Zoning Code:** The proposed projects either are in compliance or will comply prior to the expenditure of funds.

**Other:** Environmental remediation assistance is generally exempt from the City’s Living Wage Ordinance and the State’s Business Subsidy Act. However, any business that occupies a remediated site may be asked to 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.

Living Wage/Business Subsidy Agreement: Yes  No   
Job Linkage: Yes  No

### **Supporting Information**

On November 1, 2010, the City of Minneapolis/CPED submitted or supported grant applications to the Minnesota Department of Employment and Economic Development (DEED) Contamination Cleanup and Investigation Grant Program, Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA) Grant Program and the Hennepin County Environmental Response Fund (ERF) for a number of projects, including those identified herein.

Total grant funds awarded to projects located in the City of Minneapolis during the fall 2010 remediation grant funding round were \$2,728,999, which is 78.1% of the amount requested.

#### **Minnesota Department of Employment and Economic Development (DEED)**

**Contamination Cleanup and Investigation Grant Program** – of the \$4,372,258 awarded statewide, Minneapolis projects received \$99,810, or 2.28% of the grant funds awarded.

One of the two Minneapolis projects that submitted applications received a grant. The funds awarded to that Minneapolis project represent 55.5% of the total amount requested by the two projects.

#### **Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA)**

**Grant Program** – of the \$3,681,800 awarded metro-wide, Minneapolis projects received \$1,422,250, or 38.63% of the grant funds awarded.

Four of the five Minneapolis projects that submitted applications received a grant. The funds awarded to those four Minneapolis projects represent 82.5% of the total amount requested by the five projects.

**Hennepin County Environmental Response Fund (ERF)** - of the \$2,013,484 awarded county-wide, Minneapolis projects received \$1,206,939, or 59.94% of the grant funds awarded.

Seven of the eight Minneapolis projects that submitted applications received a grant. The funds awarded to those seven projects represent 75.8% of the total amount requested.

**Geographic Distribution of Grant Awards**

DEED, the Metropolitan Council and Hennepin County awarded a total of 32 brownfield grants during the fall 2010 grant round. Projects receiving grants were located in the following jurisdictions:

JURISDICTION	NUMBER OF GRANTS RECEIVED
Minneapolis	12
St. Paul	8
Duluth, Scott County	2 each
Blaine, Brooklyn Center, Cloquet, Hennepin County, Hibbing, Hopkins, New Hope, Robbinsdale	1 each

**CITY OF MINNEAPOLIS AS GRANT RECIPIENT:**

The City sponsored and submitted grant applications on behalf of these three projects, and in each case the related grant agreement will be between the grantor and the City. The City will enter into subrecipient agreements with the developers or related entities to enable them to obtain reimbursement for any eligible remediation costs incurred.

**American Swedish Institute (Ward 6) - \$139,260**

2600 & 2636 Park Avenue

Lead Developer – American Swedish Institute (or affiliated entity)

DEED Contamination Cleanup award	\$99,810
Met Council TBRA award	\$18,750
Hennepin County ERF award	\$20,700

This 3.3 acre property includes the historic Turnblad Mansion, which has housed the American Swedish Institute [ASI] since 1929. The planned ASI expansion will include a 34,000 square foot addition called the Nelson Cultural Center, which will feature a glass-enclosed lobby, a large event space, a gallery and a studio. The grant funds that have been awarded will be used for soil remediation at the expansion site and for the abatement of asbestos and lead-based paint in the Turnblad Mansion.

**City Place Lofts (Ward 7) - \$312,600**

730 Hennepin Avenue

Lead Developer – Everwood Development LLC

Met Council TBRA award \$212,600

Hennepin County ERF award \$100,000

The developer of this .20 acre property, Everwood Development LLC, plans to convert an existing eight-story commercial building to seven floors of affordable rental housing (75 units) above first floor office and/or retail uses. The awarded grant funds will be used to abate asbestos and lead-based paint.

**Riverside Plaza (Ward 2) - \$950,000**

1600 6<sup>th</sup> Street S.

Lead Developer – Sherman Associates (or affiliated entity)

Met Council TBRA award \$800,000

Hennepin County ERF award \$150,000

The developer, Sherman Associates, plans to extensively rehabilitate this 9.27 acre property that currently includes 1303 housing units. Failing mechanical systems will be replaced, code-required updates will be performed, and energy efficiency improvements will be implemented. The awarded grant funds will be used for asbestos and lead-based paint abatement required in connection with the new work on the mechanical systems.

**DEVELOPER AS GRANT RECIPIENT:**

The City did not sponsor or submit grant applications on behalf of the following four projects; the developers applied directly to Hennepin County for grant funds. Hennepin County allows developers to directly apply for ERF grants if there is sufficient evidence of prior or current City support for the project and/or if the developer is identified in the ERF guidelines as an authorized governmental applicant. In these cases, the grant agreements will be between the grantor and the developer, rather than between the grantor and the City. Therefore, no subrecipient agreements will be required, and the City will not appropriate the grant funds. The developers will obtain reimbursement for eligible remediation costs directly from Hennepin County, rather than from or through the City. These projects are presented for informational purposes.

**9 – 9<sup>th</sup> Avenue NE a/k/a [former] Scherer Bros. Lumber (Ward 3) - \$346,000**

Developer awarded grant funds – Minneapolis Park & Recreation Board [MPRB]

Hennepin County ERF award \$346,000

The project site consists of the western 4.5 acres of an 8.67 acre property owned by the MPRB. The MPRB intends to construct a city park and trail at the site, and to stabilize the shoreline and develop on-site storm water management facilities. The awarded grant funds will be used for contaminated soil treatment, excavation and off-site disposal, MPCA fees and related consulting costs.

**El Patio (Ward 8) - \$345,023**

4137 Bloomington Avenue S.

Developer awarded grant funds – El Colegio Charter School

Hennepin County ERF award \$345,023

The project site is the northern 0.45 acres of a 1.54 acre parcel owned and occupied by the El Colegio Charter School, which plans to redevelop the currently-unused portion of the site as a soccer field, a student and community garden area, an outdoor classroom theater and a parking area. The awarded grant funds will be used for soil remediation.

**Heritage Park Senior Services Center (Ward 5) - \$819,963**

901 4<sup>th</sup> Avenue N.

Developer awarded grant funds – Minneapolis Public Housing Agency [MPHA]

Met Council TBRA award \$390,900

Hennepin County ERF award \$429,063

The MPHA is in the process of constructing a 50,000 square foot senior health and wellness center (which will also house a YMCA, the Courage Center and a medical clinic) and a 48-unit assisted living building on this 2.29 acre site. The awarded grant funds will be used for soil remediation in connection with the excavation required for an underground parking ramp.

**Lowry Bridge Phase II (Wards 1 & 3) - \$77,666**

Developer awarded grant funds – Hennepin County

Hennepin County ERF award \$77,666

The project site is a section of the Lowry Bridge approach on the west side of the Mississippi River. During Phase II of the bridge project, nearly all of the existing (contaminated) fill under the bridge approach area will be excavated to create an open area beneath the new ramp. The awarded grant funds will be used to excavate and dispose of the contaminated fill material.

**FALL 2010 CONTAMINATION CLEANUP GRANT ROUND**

**MINNEAPOLIS APPLICANTS - Requests & Awards**

**(o) = original request in pre-application; (a) = amended request in final application**

PROJECT	APPLICANT	# of Acres	DEED		Met Council TBRA		Hennepin County ERF		Total Grants	
			Requested	Awarded	Requested	Awarded	Requested	Awarded	Requested	Awarded
9 – 9 <sup>th</sup> Avenue N. [former Scherer Bros. Lumber]	Minneapolis Park & Recreation Board	4.50					269,000 (o) 346,000 (a)	346,000	269,000 (o) 346,000 (a)	346,000
2029-2033 W. Broadway [Capri Theater]	City of Minneapolis	NA			60,000 (o) 76,500 (a)	0			60,000 (o) 76,500 (a)	0 <sup>1</sup>
American Swedish Institute	City of Minneapolis	3.30	99,810	99,810	106,180	18,750	20,700	20,700	226,690	139,260
City Place Lofts	City of Minneapolis	0.20			75,000 (o) 350,000 (a)	212,600	175,000 (o) 100,000 (a)	100,000	250,000 (o) 450,000 (a)	312,600
El Patio	El Colegio Charter School	0.45					345,023	345,023	345,023	345,023
Heritage Senior Service Center	Minneapolis Public Housing Authority	2.29			390,950	390,900	167,550	167,550	558,500	558,450
Huron Flats	City of Minneapolis	NA	590,243 (o) 80,000 (a)	0					590,243 (o) 80,000 (a)	0
Lowry Bridge Phase II	City of Minneapolis	0.00					77,666	77,666	77,666	77,666
Riverside Plaza	City of Minneapolis	9.27			350,000(o) 800,000(a)	800,000	400,000 (o) 500,000 (a)	150,000	750,000 (o) 1,300,000 (a)	950,000
Seward Commons Phase II	City of Minneapolis	NA					35,160	0	35,160	0 <sup>2</sup>
<b>TOTAL</b> (acreage total is for <i>awarded</i> grants only)		<b>20.01</b>	690,053 (o) 179,810 (a)	<b>99,810</b>	982,130(o) 1,723,630(a)	<b>1,422,250</b>	1,490,099 (o) 1,592,099 (a)	<b>1,206,939</b>	3,162,282 (o) 3,495,539 (a)	<b>2,728,999</b>
<b>Percent of Requested Funds Awarded:</b>				<b>55.5%</b>		<b>82.5%</b>		<b>75.8%</b>		<b>78.1%</b>

<sup>1</sup> The Capri Theater project did not achieve the TBRA program's minimum total score of 60 points, possibly due to a combination of low scores in major point categories (projected amount of tax base increase, number of new living wage jobs created, etc.) and reservations about project readiness. Consideration will be given to seeking TBRA funding again after the anticipated sale to Plymouth Christian Youth Center. It should be noted that the Met Council has previously supported redevelopment in this area by awarding an \$869,000 Livable Communities Demonstration Account [LCDA] grant to the Capri Block on January 13, 2010 for site acquisition and demolition.

<sup>2</sup> Hennepin County declined to award a grant in this instance because its ERF program was oversubscribed in this round and ERF staff believed that the project would be eligible for EPA investigation funding, which the City and the developer are now pursuing.

## **Amending the 2011 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 appropriation for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900320) by \$139,260.
2. Increasing the appropriation for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900220) by \$1,262,600.
3. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321504) by \$99,810.
4. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$1,031,350.
5. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-322002) by \$270,700.