

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

Date: July 29, 2008
To: Council Member Lisa Goodman, Community Development Committee
Referral to: Council Member Paul Ostrow, 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:

1. Accept the following grants:

Metropolitan Tax Base Revitalization Account (TBRA) Grants

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

Project	Grant Award
Broadway Plaza	\$224,400
Dunwoody Flats	\$161,600
Total Metropolitan Council TBRA:	\$386,000

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	Grant Award
Broadway Plaza	\$77,274
Crown Iron/1361 Tyler Street NE	\$145,610
Total DEED:	\$222,884

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

Project	Recipient	Grant Award
807-817 4 th Street SE	City of Minneapolis	\$31,065
Bassett Creek Valley-Linden Yards West	City of Minneapolis	\$86,500
Broadway Plaza	City of Minneapolis	\$198,867
Bystrom/Franklin Station	Seward Redesign	\$26,715
Dunwoody Flats	City of Minneapolis	\$494,400
Former Acme Tag & Label Site	City of Minneapolis	\$70,050
North Branch Library	Emerge Community Development	\$10,000
Salem Lutheran Church	City of Minneapolis	\$35,000
Standard Heating & Air Conditioning	City of Minneapolis	\$88,702
Total Hennepin County ERF:		\$1,041,299

2. a) Amend the 2008 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900320) by \$821,353 (\$145,610 Crown Iron/1361 Tyler Street NE; \$86,500 Bassett Creek Valley-Linden Yards West; \$500,541 Broadway Plaza; and \$88,702 Standard Heating & Air Conditioning) and b) Amend the 2008 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900220) by \$792,115 (\$31,065 807-817 4th Street SE; \$656,000 Dunwoody Flats; \$70,050 Former Acme Tag & Label Site; and \$35,000 Salem Lutheran Church).
3. Increase the 2008 Revenue Budget for the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321504) by \$222,884; Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$386,000; and Fund 01600-Other Grants-State and Local (01600-8900900-322002) by \$1,004,584.
4. Authorize the appropriate City staff to execute grant, subrecipient and/or disbursement and related agreements for these grants.

Previous Directives: On April 18, 2008, the City Council authorized staff to submit applications for remediation grant funds for these projects 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).

807-817 4th Street SE: None.

Bassett Creek Valley–Linden Yards West (101 Lyndale Avenue South): The City Council approved the Bassett Creek Valley Master Plan as a Small Area Plan on January 12, 2007, and adopted revised zoning in accordance therewith on February 15, 2008.

Broadway Plaza (718 and 800 West Broadway; 2018-2024 Aldrich Avenue North; 715 and 801 21st Avenue North.): The City Council approved a \$300,000 Empowerment Zone grant on November 2, 2007.

Crown Iron Site/1361 Tyler Street NE (1227-1361 Tyler Street NE; 1308 ½ Fillmore Street NE): On February 9, 2007, the City Council approved the acceptance of brownfield grants that had been awarded to this project by the Met Council and Hennepin County.

Dunwoody Flats (110 East 18th Street): None.

Former Acme Tag & Label Site (2838 Fremont Avenue South): On February 29, 2008, the City Council approved a request to rezone the property from I1 and R6 with TP Overlay District to the R6 (Multi-family) District, with the removal of the TP Overlay District to permit construction of a 237 unit residential development.

Salem Lutheran Church (610 West 28th Street): None.

Standard Heating & Air Conditioning (1300-1316 2nd Street North; 109 14th Avenue North): CPED acquired 1300 2nd Street North on May 16, 1994, 1316 2nd Street North on October 9, 2001, and 109 14th Avenue North on March 23, 2004. The City Council approved the terms of the proposed sale of this property to Standard Plymouth LLC on February 29, 2008.

Prepared by: Paula Mazzacano, Financial Analyst 612-673-5129
Kevin Carroll, Principal Project Coordinator 612-673-5181
Approved by: Charles T. Lutz, Deputy CPED Director _____
Jack Kryst, Director Development Finance _____
Presenter in Committee: Kevin Carroll, Principal Project Coordinator

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:

807-817 4th St. SE: The developer/architect met with the Marcy-Holmes Neighborhood Association’s land use committee on April 2, 2008. The committee was generally supportive of the project but requested additional information. The developer/architect is expected to return to the committee with modified plans.

Bassett Creek Valley–Linden Yards West: Ryan Companies presented this project to the Harrison Neighborhood, the Bryn Mawr Neighborhood and the Bassett Creek Valley Redevelopment Oversight Committee (BCV-ROC) in August and September 2007. The Bryn Mawr and BCV- ROC groups passed resolutions of support; the Harrison group reserved judgment pending the receipt of more details or information.

Broadway Plaza: Letters of support for this project were issued by the Hawthorne Area Community Council on April 20, 2006 and by the West Broadway Area Coalition on March 30, 2006.

Crown Iron Site/1361 Tyler Street NE: The Northeast Park Neighborhood Association issued a letter of support on March 7, 2007.

Dunwoody Flats: The Stevens Square Community Organization adopted a motion in support of this project in 2005.

Former Acme Tag & Label Site: The developer met with the Lowry Hill East Neighborhood Association on October 10, 2007, November 14 and 19, 2007, and January 16 and 23, 2008. On January 16, 2008, LHENA Board approved a resolution that “conceptually supports elements” of the proposed redevelopment plan, subject to a number of specified conditions.

Salem Lutheran Church: None.

Standard Heating & Air Conditioning: Standard Heating made presentations to the Northside Residents Redevelopment Council (NRRC) on February 11, 2008 and the NWIP Jobs Park Committee on February 19, 2008. Both groups subsequently issued letters expressing general support for the proposal, subject to further review of any revisions of the site plan and/or building elevations.

City Goals: Connected Communities; A premier destination; and An Enriched Environment. Cleanup of contaminated land supports sustainability goals and some projects include “green” design and construction elements.

Sustainability Targets: Remediation of the eight (8) sites that were the subject of City-submitted grant applications will help the City meet its goal of remediating 100 brownfield sites by 2014. Hennepin County also awarded funds directly to two (2) developer-applicants for projects located in Minneapolis. Grants awarded in the spring 2008 funding round will help clean 37.91 acres. The City continues to make steady progress towards meeting this sustainability target.

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

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

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 X
Job Linkage: Yes _____ No X

Supporting Information

On May 1, 2008, 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 807-817 4th Street SE, Bassett Creek Valley-Linden Yards West, Broadway Plaza, Crown Iron/1361 Tyler Street NE, Dunwoody Flats, Former Acme Tag & Label Site, Salem Lutheran Church, and Standard Heating & Air Conditioning. Developer applications were submitted directly to Hennepin County for Bystrom/Franklin Station and North Branch Library.

Total grant funds awarded to projects located in the City of Minneapolis during the spring 2008 remediation grant funding round are \$1,650,183, which is 77.7% of the amount requested.

Minnesota Department of Employment and Economic Development (DEED) Contamination Cleanup and Investigation Grant Program – of the \$7,189,628 awarded statewide, Minneapolis projects received \$222,884, or 3.1% of grant funds awarded.

Two of the four Minneapolis projects that submitted applications received grants (one of the applicant projects was deemed ineligible for funding). The funds awarded to Minneapolis projects represent 36.6% of the total amount requested by the four projects.

Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA) Grant Program – of the \$3,950,000 awarded metro-wide, Minneapolis projects received \$386,000, or 9.8% of grant funds awarded.

Two of the three Minneapolis projects that submitted applications received grants. The funds awarded to Minneapolis projects represent 60.2% of the total amount requested by the three projects.

Hennepin County Environmental Response Fund (ERF) - of the \$1,783,081 awarded county-wide, Minneapolis projects received \$1,041,299, or 58.4% of grant funds awarded.

All nine of the Minneapolis projects that submitted applications received grants. The funds awarded to those projects represent 100% of the total amount requested.

Geographic Distribution of Grant Awards

DEED, the Metropolitan Council and Hennepin County awarded a total of 33 brownfield grants during the Spring 2008 grant round. Projects receiving grants were located in the following jurisdictions:

JURISDICTION	NUMBER OF GRANTS RECEIVED
Minneapolis	13
St. Paul	9
New Brighton	2
Aitken, Bemidji, Brooklyn Park, Duluth, Edina, Hopkins, Mound, Roseville, South St. Paul	1 each

CITY OF MINNEAPOLIS AS GRANT RECIPIENT:

The City sponsored and submitted grant applications on behalf of these eight 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.

807-817 4th Street SE (Ward 3) - \$31,065

807-817 4th Street SE

Lead Developer – Savant Properties, LLC (or affiliated entity)

Hennepin County ERF award \$31,065

Grant funds will be used to perform additional assessment and develop a Response Action Plan for remediation. The developer plans to demolish the existing buildings and construct a four-story mixed-use apartment building with retail on the ground floor and underground parking.

Bassett Creek Valley-Linden Yards West (Ward 7) - \$86,500

101 Lyndale Avenue North

Lead Developer – Ryan Companies (or affiliated entity)

Hennepin County ERF award \$86,500

Grant funds will be used to perform additional assessment and develop a Response Action Plan for remediation. The developer proposes to construct an extensive mixed-use development that includes office, retail and residential uses. The project may include a transit station.

Broadway Plaza (Ward 3) - \$500,541

North side of West Broadway at Aldrich Avenue North

Lead Developer - Great Neighborhoods! Development Corporation (or affiliated entity)

DEED Contamination Cleanup award \$77,274

Hennepin County ERF award \$198,867

Metropolitan Council TBRA award \$224,400

Grant funds will be used to perform additional assessment and develop a Response Action Plan for remediation, and for asbestos abatement, soil remediation and disposal of contaminated soil, design and implementation of a depressurization system, and soil vapor mitigation. The matching funds for the DEED grant will be provided by the ERF and TBRA grants, as well as by the developer. The developer plans to demolish existing properties and construct a mixed-use commercial development that will include a YWCA, retail and restaurant space, and structured and surface parking.

Crown Iron/1361 Tyler Street NE (Ward 1) - \$145,610

1361 Tyler Street NE

Lead Developer – Hillcrest Development (or affiliated entity)

DEED Contamination Cleanup award \$145,610

This grant award supplements a previous award to the project. The current funds will be used for additional soil removal and soil confirmation sampling, and to install a soil vapor extraction system. The matching funds will be provided by the developer. The developer plans to

rehabilitate and convert seven buildings into 75,000 square feet of commercial/industrial space and 32 affordable apartment units consisting of a mix of studio, efficiency and one-bedroom units.

Dunwoody Flats (Ward 6) - \$656,000

110 18th Street East

Lead Developer – Gateway Commons, LLC (or affiliated entity)

Hennepin County ERF award \$494,400

Metropolitan Council TBRA award \$161,600

Grant funds will be used for asbestos and lead-based paint abatement. The developer plans to renovate and convert a vacant (and possibly historic) building into 125 apartment units, of which 10 will be affordable to households earning 50% AMI. The proposed unit mix includes 12 studio, 80 1-bedroom, 29 1-bedroom with den, and 4 2-bedroom apartments. The project includes two levels of underground parking.

Former Acme Tag & Label Site (Ward 10) - \$70,050

2838 Fremont Avenue South

Lead Developer – Fremont Development Partners, LLC c/o Greco, LLC (or affiliated entity)

Hennepin County ERF award \$70,050

Grant funds will be used to dispose of contaminated soil. The developer plans to construct 237 units of rental housing in three buildings, two levels of underground parking, and greenspace.

Salem Lutheran Church (Ward 6) - \$35,000

610 West 28th Street

Lead Developer – Brighton Development Corporation (or affiliated entity)

Hennepin County ERF award \$35,000

Grant funds will be used to perform site assessment and an asbestos and hazardous materials survey. The developer plans to demolish an addition to a 104-year old church building and construct a four-story building with first floor commercial space and 62 units of rental housing affordable to households earning 50% to 60% AMI on the three upper floors.

Standard Heating & Air Conditioning (Ward 5) - \$88,702

1300 2nd Street North

Lead Developer – Standard Heating & Air Conditioning (or affiliated entity)

Hennepin County ERF award \$88,702

Grant funds will be used for excavation and offsite disposal of contaminated soil, additional assessment of the Midwest Steel parcel, installation of a sub-grade vapor barrier, and related environmental consulting costs. The City currently owns a portion of the redevelopment site. The prospective developer/owner plans to demolish the building remaining on the Midwest Steel parcel, and construct an office/warehouse facility, with a recycling/refuse area and a parking lot, on the combined redevelopment site.

DEVELOPER AS GRANT RECIPIENT:

The City did not sponsor or submit grant applications on behalf of these 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. 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. This information is provided for informational purposes.

Bystrom/Franklin Station (Ward 2) - \$26,715

2120 Minnehaha Avenue and 1914 22nd Street East
Developer awarded grant funds – Seward Redesign

Hennepin County ERF award \$26,715

Seward Redesign previously received ERF grant funds to perform site investigation. Two additional parcels have been added to the redevelopment site to facilitate the realignment of 22nd Street East. The spring 2008 grant funds will be used to perform site investigation on these added parcels, and develop a Response Action Plan (RAP). The developer plans to redevelop this 5.15 acre site for mixed use development which includes light industrial, commercial and retail space, as well as affordable and market rate rental apartments and ownership housing.

North Branch Library (Ward 5) - \$10,000

1830 and 1834 Emerson Avenue North

Developer awarded grant funds – Emerge Community Development; North Branch Library LLC

Hennepin County ERF award \$10,000

Grant funds will be used to complete Phase I and II environmental site assessments and an asbestos and lead-based paint building survey. The developer plans to renovate the historic North Branch Library, which is listed on the National Register of Historic Places, into a Community & Career Technology Center, which will provide employment and training services. Onsite service providers will include Emerge Community Development and Pillsbury United Communities.

SPRING 2008 CONTAMINATION CLEANUP GRANT ROUND

MINNEAPOLIS APPLICANTS - Requests & Awards

PROJECT	APPLICANT	# of Acres	DEED		Hennepin County ERF		Met Council TBRA		Total Grants	
			Requested	Awarded	Requested	Awarded	Requested	Awarded	Requested	Awarded
811 4th Street SE	City of Mpls	0.40	\$50,000		\$10,342(o) \$31,065(a)	\$31,065	\$0		\$60,342(o) \$81,065(a)	\$31,065
Bassett Creek Valley-Linden Yards West	City of Mpls	17.5			\$86,500	\$86,500			\$86,500	\$86,500
Broadway Plaza	City of Mpls	2.44	\$77,274	\$77,274	\$198,867	\$198,867	\$224,489	\$224,400	\$500,630	\$500,541
Bystrom Bros/Franklin Station	Seward Redesign	5.15			\$26,715	\$26,715			\$26,715	\$26,715
Crown Iron/1361 Tyler Street NE	City of Mpls	5.60	\$183,825	\$145,610					\$183,825	\$145,610
Dunwoody Flats	City of Mpls	1.71			\$264,000(o) \$328,000(a1) \$494,400(a2)	\$494,400	\$264,000(o) \$328,000(a)	\$161,600	\$528,000(o) \$656,000(a)	\$656,000
Former Acme Tag Site	City of Mpls	1.60			\$70,050	\$70,050	\$0		\$70,050	\$70,050
North Branch Library	Emerge Community Development	0.50			\$10,000	\$10,000			\$10,000	\$10,000
Salem Lutheran Church	City of Mpls	1.20			\$35,000	\$35,000			\$35,000	\$35,000
Standard Heating & Air Conditioning	City of Mpls	1.81	\$297,500	\$0	\$88,702	\$88,702	\$88,702	\$0	\$474,904	\$88,702
TOTAL		37.91	\$608,599	\$222,884	\$874,899¹	\$1,041,299	\$641,191	\$386,000	\$2,124,689	\$1,650,183
Percent of requested funds awarded				36.6%		100.0%		60.2%		77.7%

¹ The second amendment ["a2"] of the Hennepin County ERF grant request for the Dunwoody Flats project was intended to recover the \$166,400 difference between the [amended] amount of the Met Council TBRA request (\$328,000) and the amount actually awarded (\$161,600). The column total for ERF requests and the "total grants requested" for the Dunwoody Flats project both reflect the amount of the *first* Dunwoody Flats amendment rather than the *second* amendment, in order to avoid overstating the total amount actually sought for the project.

Amending the 2008 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 \$821,353.
2. Increasing the appropriation for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900220) by \$792,115.
3. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321504) by \$222,884.
4. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$386,000.
5. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-322002) by \$1,004,584.