



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

**Date:** December 12, 2006

**To:** Lisa Goodman, Chair Community Development Committee

**Referral to:** Paul Ostrow, Chair Ways and Means/Budget Committee

**Subject:** Submission of Environmental Remediation Grant Applications outside of Fall 2006 Cycle

**Recommendation:**

1. Authorize submission of applications to the Hennepin County Environmental Response Fund for: 1800 Plymouth Avenue Townhomes Project, the Archdale Apartments Project and the Heritage Park Redevelopment Project - Phases 3 and 4; and,
2. Approve the attached resolution authorizing appropriate City staff to execute agreements to implement the Hennepin County Environmental Response Fund.

**Previous Directives:**

- On October 20, 2006 the City Council approved Affordable Ownership Housing Development Program funds of up to \$180,000 for construction and/or affordability gap to the 1800 Plymouth Avenue Townhomes project.
- On August 4, 2006 the City Council authorized CPED staff to negotiate a redevelopment agreement for 1800 Plymouth Avenue North with Olson Development Consultants, Inc. and Mississippi Pathway Development Company, LLC as co-developers.
- On March 31, 2006, the City Council approved authorization to negotiate a term sheet with Centex Homes – Minnesota Division for Phases 3 and 4 of Heritage Park for 30 days; and accepted the withdrawal letter from Heritage Housing, LLC from Phases 3 and 4 to allow them to focus on completing Phases 1 and 2.
- On July 30, 1999, the City Council approved the Near North Community Redevelopment Plan. On March 24, 2000, the City Council approved the Near Northside Master Plan. On May 12, 2000, the City Council and the MCDA Board of Commissioners approved a Near Northside Master Development Agreement with McCormack Baron. On December 29, 2000, the City Council approved amending a term in the Near Northside Master Development Agreement extending the length of time that the development agreements are executed among all the parties. On December 27, 2002, the City Council approved amending the Near Northside Master Development Agreement with McCormack Baron.
- In March, 1995, the MCDA Board of Commissioners approved up to \$400,000 in Multi-Family Housing Program HOME funds for the Archdale Apartments development.

Prepared by: Theresa Cunningham, Senior Project Coordinator;  
Jim Forsyth, Senior Project Coordinator;  
Cherre Palenius, Senior Project Coordinator; and  
Donna Wiemann, Principal Project Coordinator

Approved by: Charles T. Lutz, Deputy CPED Director _____ Mike Christenson, Director Economic Policy & Development _____ Elizabeth Ryan, Director Housing Policy & Development _____ Presenters in Committee: Jim Forsyth (612 673-5179)
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**Financial Impact**

Other financial impact: There is no direct financial impact at this time. The City of Minneapolis is sponsoring these grant requests acting as a pass-through and conduit for environmental investigations and cleanup.

Environmental applications are usually submitted in priority order based on criteria previously accepted by the City Council and an interdepartmental staff review. However, these three applications are being submitted outside of the City's semi-annual application cycle and are not ranked. Hennepin County staff have expressed their willingness to consider these three additional applications and have said that without these applications the County's Environmental Response Fund grant will be undersubscribed for the Fall 2006 round (see Exhibit #1). The County will evaluate these applications after reviewing those that were ranked and approved by the City Council on October 11, 2006.

No local match is required for the Hennepin County Environmental Response Fund (ERF) grants. The following are the three projects and the amount of environmental cleanup grant funds requested in their ERF applications:

Project	Grant Request
1800 Plymouth Avenue Townhomes	\$ 29,913*
Archdale Apartments Project	50,000
Heritage Park Redevelopment Project	1,317,000
Total Hennepin County ERF	\$ 1,396,913

\*Note: In their ERF application for the 1800 Plymouth Avenue Townhomes project, Olson Development requested "\$29,913, or 12% of the total cleanup costs of \$249,273. If DEED and Metropolitan Council do not provide funds, then we are requesting \$225,000 from Hennepin County, the amount representing 100% of VRAP implementation." Subsequent to the application submission, administrators of the Minnesota Department of Employment and Economic Development (DEED) Contamination Cleanup Grant Program and the Metropolitan Council Tax Base Revitalization Account have advised that they will not fund this project. The Archdale Apartments and Heritage Park Redevelopment Projects did not submit applications to either DEED or the Metropolitan Council.

**Community Impact**

- **Neighborhood Notification:** On November 7, 2006, the Northside Residents Redevelopment Council, Inc. (NRRRC) was advised of Olson Development Consulting, Inc.'s request for remediation assistance for the 1800 Plymouth Avenue Townhomes and has provided their full support. Neighborhood review of the Archdale Apartments project occurred in 1994/1995 when Central Community Housing Trust (CCHT) purchased and developed the property into 30 units of housing for homeless youth. CCHT has not gone back to the neighborhood group for consideration of funds to do lead based paint remediation work. On November 17, 2006, the Harrison, Near Northside and Heritage Park neighborhood organizations were notified of the Heritage Park Redevelopment Project's request for remediation assistance.
- **City Goals:** Enriched Environment. Cleanup of contaminated land supports sustainability goals and some projects include green elements.
- **Sustainability Targets:** Affordable Housing Units; new/positive conversion and rehabilitation; Air Quality; and Brownfield Site Remediation.
- **Comprehensive Plan:** The projects generally comply with the land reclamation and providing healthy environment elements of the Minneapolis Plan.
- **Zoning Code:** The proposed projects either are in compliance or will comply.

- **Living Wage/Business Subsidy:** Environmental assistance is exempt from Living Wage/Business Subsidy and generally exempt from job linkage although there may be case by case exceptions.
- Other: None

## **Background/Supporting Information**

The City's CPED department coordinates semi-annual joint application cycles for remediation grants where the City joins with City-approved developers in submitting applications for pollution investigation and cleanup grants to the Metropolitan Council for their Livable Communities Tax Base Revitalization Program, the Minnesota Department of Employment and Economic Development (DEED) for their Contamination Cleanup Grant Program, and/or Hennepin County's Environmental Response Fund (ERF). The City reviews and prioritizes proposals from various developers on a semi-annual cycle with granting agency's deadlines of May 1 and November 1 of each year. The City's review cycle usually occurs six to eight weeks prior to the deadlines.

In rare cases, however, development progresses in such a way that the regular policy approval timeline does not match with the reality of development and market forces, as is the case with the three proposals included in this request. In all three cases, the developers were moving forward with their redevelopment plans by contracting consultants for the various testing and site work that must be completed in order to precisely evaluate the environmental and geotechnical condition of the various sites and to develop a cleanup budget.

**1800 Plymouth Avenue Townhomes** - Olson Development Consulting, the lead developer for the 1800 Plymouth Avenue Townhomes Project, advises that the results of their environmental tests and subsequent data analyses (received September 15, 2006) were not available with enough lead time to be digested and reformulated to meet the City's review and ranking cycle. Even though the developer was notified of the deadline for grant applications for the environmental funds, they felt that the quantitative data required by the granting institutions was insufficient to meet the cycle deadline.

Total development cost of the proposed 1800 Plymouth Townhomes Project is approximately \$4.1 million. The developer expects to secure approximately 85% of the total project cost through debt financing. The ERF dollars will assist in leveraging private financing in order to achieve an early summer 2007 start of construction.

**Archdale Apartments Project** – When CCHT prepared their \$810,000 Minnesota Housing Finance Agency (MHFA) funding request in June 2006, it became evident that a lead paint risk assessment was appropriate. The risk assessment report was done in July 2006 and lead paint was found.

The MHFA Board approved the \$810,000 in October 2006. This approval occurred after CPED's brownfields cycle deadline of September 7. CCHT is planning for a February 2007 closing with MHFA. The \$50,000 ERF grant is in addition to the MHFA's award; however, the lead paint abatement work is tied to the other stabilization work to be done, and CCHT needs to be in a position to have the ERF money secured and available at the start of the renovation. If CCHT waits for the next environmental funding cycle (May 2007), the ERF funds would likely not be approved and disbursed until August 2007.

**Heritage Park Redevelopment Project** - A new development idea was discussed with the Minneapolis Public Housing Authority (MPHA) in late September and presented to CPED in early October for the Heritage Park Redevelopment Project. Prior to this, staff was looking at preparing a request for proposals seeking interested developers for this site. While this vacant site has environmental remediation issues, the site also has significant soil correction issues that must be recouped by the resale proceeds of the ownership units. Various market studies indicated that the higher density condominium market was already saturated for this area and sales would be extremely risky, until this market sector recoups; however, the townhome market would do well with a moderate-income sales price (below \$270,000). Without a viable development option, staff decided against applying for environmental remediation funds.

In the spring, during negotiations with Centex Homes – Minnesota, they determined the development gap for this site was approximately \$7M. A large portion of this gap was for soil corrections/remediation.

Recently, Ramsey Excavating Company was awarded two excavating projects in Minneapolis. To reduce trucking expenses Ramsey began looking for a place to deposit 45,000 cubic yards of clean fill. Ramsey approached MPHA, with a quid-pro-quo offer, knowing that MPHA needed clean fill at Heritage Park to replace or act as surcharge material to correct the extensive geo-technical soil problems on MPHA-owned land lying west of Bryant Avenue North. To meet their schedule Ramsey needs to be able to deposit the clean material on the site on approximately December 1<sup>st</sup>. MPHA and Ramsey Excavating will be entering into an early-right-of-entry agreement allowing this to occur in advance of any soil testing and/or remediation work.

In the interest of advancing the developments, considerable resources have been expended to compile and complete the grant applications by the November 1, 2006 deadline; however, they were not able to meet the City's deadline of September 7. The consultants and developers were involved in discussion with the granting institutions and determined that Hennepin County was willing to review applications if received by the November 1 deadline and contingent on receiving authorizing resolutions from the City prior to the end of 2006.

### **Environmental Response Fund**

Hennepin County has been collecting mortgage registry and deed tax for deposit into an Environmental Response Fund and has awarded grants from that fund since the fall of 2001. The ERF is used for the assessment and cleanup of contaminated sites located within Hennepin County, with emphasis on affordable housing projects. Applications were due November 1, 2006.

The criteria used to evaluate projects were accepted by the City Council several years ago. The criteria, plus the City's review schedule and additional information regarding funding program resources were provided to CPED project coordinators and potential applicants. Letters were mailed to potential applicants in August and at least one email reminder of the deadline for submitting information was sent. Due to test results and reports not being available in a timely fashion, these three applications were not submitted for consideration during the City's regular application cycle.

On October 11, 2006, the City Council approved the Environmental Remediation Grant Applications for the Fall 2006 Cycle. The following applications, in City priority order, were submitted to Hennepin County for consideration:

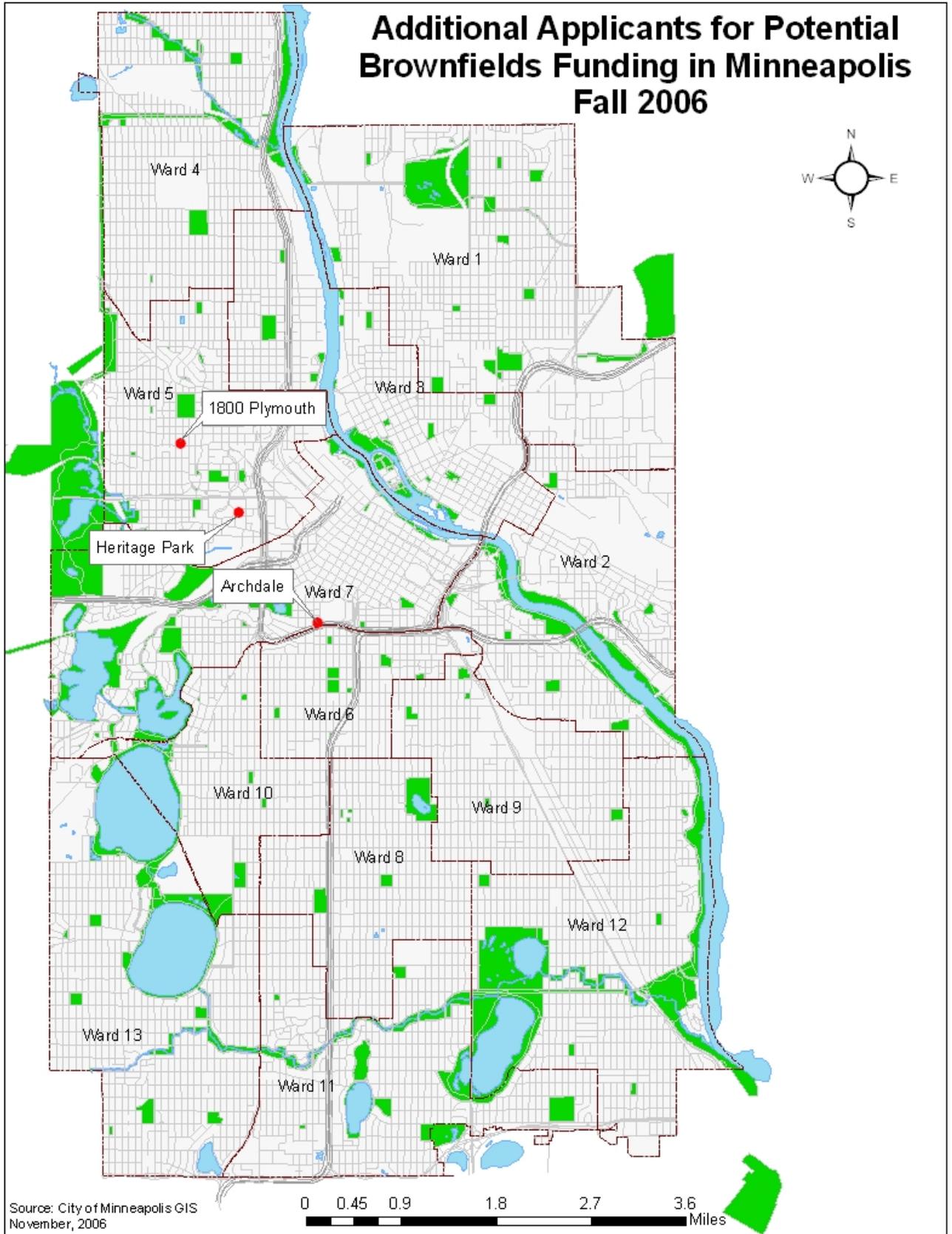
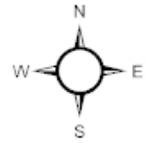
<b>Project</b>	<b>Grant Request</b>
1. Franklin Portland Gateway	\$162,000
2. Longfellow Station	90,000
3 1361 Tyler Street NE	39,000
Total Hennepin County ERF requested	\$291,000

A fourth application was also submitted for the Pacific Block project, for \$171,835; however, it was not ranked because of readiness issues. Since Hennepin County has expressed their willingness to consider the three additional applications in this request, CPED is now requesting City Council approval of the attached resolution which approves the submission of these three additional applications to Hennepin County for remediation assistance consideration behind the priority projects ranked above.

### **Proposed Project Locations:**

The following map identifies the location of each of the three projects covered in this report:

# Additional Applicants for Potential Brownfields Funding in Minneapolis Fall 2006



## **Details of Proposed Projects**

This section of the report presents the three additional projects being submitted to Hennepin County for consideration.

### **1800 Plymouth Avenue Townhomes**

1800, 1806, 1810, 1810 ½, 1812, and 1822 Plymouth Avenue North and 1306 Morgan Avenue North

Hennepin County request: The application states "\$29,913, or 12% of the total cleanup costs of \$249,273. If DEED and Metropolitan Council do not provide funds, then we are requesting \$225,000 from Hennepin County, the amount representing 100% of VRAP implementation."

The site is a 32,990 square foot site with approximately 0.76 acres of space which was previously occupied by a former gas station, various residential structures and a Laundromat. All buildings were razed during the early 1970s. The site will be redeveloped with 18 two-bedroom townhomes with attached tuck under, single car garages and one full bath. Each unit will feature a garden level unfinished expansion of approximately 500 sq. ft. with a roughed-in second bath. Units will feature approximately 1,100 sq. ft. of finished living area and private screened front porches. Sales prices will start at \$201,600. Buyers earning less than 50% of Area Median Income will be eligible for assumable second mortgage assistance.

The developer, Olson Development, has solicited the completion of Phase I and II Environmental Assessments as well as a Voluntary Response Action Plan in which it was discovered that the site has evidence of gasoline, arsenic and dry cleaning solvents which need to be remediated on the site.

### **Archdale Apartments Project**

1600 First Avenue South

Hennepin County request: \$50,000

Central Community Housing Trust owns and operates this project; it provides formerly homeless youth with affordable housing and services to help them toward a productive future. Specifically it serves 26 homeless single youth in 26 efficiencies and four single heads of households (with one child) in four one-bedroom units.

In 1996, CCHT purchased and performed a moderate rehabilitation. Now, ten years later, CCHT is planning to do some major capital improvements and \$810,000 was recently secured from Minnesota Housing (MHFA) to cover the expense. The building was built in 1919. A July 10, 2006 risk assessment by Hennepin County discovered lead on exposed wood windows and door trim, on concrete and ceramic walls in stairwells, on some walls and ceiling in interior units, in dust, in some tubs and cabinets and in some soil. This is the basis for the request to Hennepin County for Environmental Response Funds.

### **Heritage Park Redevelopment Project**

Generally between 4<sup>th</sup> and 5<sup>th</sup> Avenues North, and Lyndale Avenue and Girard Terrace.

Hennepin County ERF request: \$1,317,200

This 10.74 acre site, owned by the Minneapolis Public Housing Authority (MPHA) is Phases 3 and 4 of the Heritage Park Redevelopment Project, located within the Sumner Glenwood neighborhood in Minneapolis. In the early part of the 20<sup>th</sup> century, this low lying area was filled to develop the neighborhood. Industrial, commercial and residential structures were constructed. Beginning in the 1930's through the 1960's, these structures were demolished and over 700 units of public housing were constructed. The fill of unknown origin previously used and the former industrial uses located on various blocks, pose environmental threats to the current project areas. As the adjoining rental parcels were developed, significant amounts of contaminated fill (of unknown origin) and ash, containing petroleum products and hazardous concentrations of lead, were encountered. It is likely that contaminants are

widespread across the site with an average fill thickness ranging from 3.4 feet to 11 feet. MPHA is requesting funds to conduct additional site assessment and for remediation activities. Due to the large volume and widespread use of unknown fill materials at the site, the Minnesota Pollution Control Agency's (MPCA) approved Construction Contingency Plan (CCP) requires full-time, on-site monitoring occur during all soil excavation and earthwork activities.

Phases 3 and 4 are the final sites to be redeveloped as part of the Near Northside Master Plan for the area. MPHA has been working with private developers and the City to complete the originally envisioned ownership component to be developed on this site.

**Exhibits:**

1. Hennepin County letter
2. Resolution authorizing application to the Hennepin County Environmental Response Fund for various 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 that were submitted to Hennepin County on November 1, 2006: 1800 Plymouth Avenue Townhomes, the Archdale Apartments Project and the Heritage Park Redevelopment Project; 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.