

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

Date: January 22, 2008

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

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

Subject: DEED Redevelopment Grant Applications
(February 1, 2008 Application Deadline)

Recommendation:

1. Approve the attached resolution authorizing staff to submit applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for redevelopment projects at (or known as): Bassett Creek Valley, Franklin Avenue LRT Project Area, SEMI/URP (University Research Park) Bioscience Zone, and Spirit on Lake Cooperative.

Previous Directives:

Bassett Creek Valley: January 12, 2007- City Council approved the 2006 Bassett Creek Valley Master Plan as a small area plan. August 17, 2007 – City Council authorized application to DEED's Redevelopment Grant Program for infrastructure funding.

Franklin Avenue LRT Project Area: May 2005 – City Council approved submission of federal transportation funding applications for planned work including the realignment/improvement of the Cedar/Franklin/Minnehaha intersection(s). December 23, 2005 - City Council approved a resolution authorizing submission of applications to the Metropolitan Council for Hiawatha Corridor Land Assembly Fund proposals. March 31, 2006 - City Council approved acceptance and appropriation of Metropolitan Council Hiawatha Light Rail Land Assembly Fund Grants of \$3,500,000 for projects along the Hiawatha Light Rail line. September 1, 2006 – City Council approved a modification (expansion) of the Franklin LRT Station Area Redevelopment Plan.

SEMI/URP (University Research Park) Bioscience Zone: June 22, 2001, September 23, 2003, September 23, 2005 and June 29, 2007 – State bonds funds for this project were included in the City's request(s) to the Legislature. June 30, 2006 - City Council authorized application to the Metropolitan Council for a Livable Communities Demonstration Account grant for infrastructure funds

for the SEMI/URP area. August 17, 2007 – City Council authorized application to DEED’s Redevelopment Grant Program for infrastructure funding.

Spirit on Lake Cooperative (1238 E. Lake St.): December 2005 – City Council approved affordability funding of up to \$350,730 from the 2005 Affordable Ownership Housing Program. November 2006 – City Council approved Project Analysis Authorization (PAA). August 3, 2007 – City Council accepted and appropriated a \$37,150 Hennepin County (ERF) grant.

Prepared by: Kevin Carroll, Senior Project Coordinator Approved by: Charles T. Lutz, Deputy CPED Director Presenter in Committee: Kevin Carroll, 612-673-5181	_____
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Financial Impact

X Other financial impact: There is no direct financial impact at this time. However, any DEED redevelopment grants that are ultimately approved by DEED will have a 50% “local match” requirement. For public sector projects, typical sources for the City’s match requirement are tax increment financing, bonds, assessments, and grant proceeds from sources other than DEED. In the case of a private sector application, the City of Minneapolis merely “sponsors” the grant request and acts as a pass-through and conduit for any grant funds that are awarded, with the understanding that it will typically be the responsibility of the developer, property owner or anticipated end user to satisfy the match requirement.

Community Impact

Neighborhood Notification:

Bassett Creek Valley: A redevelopment proposal from the Ryan Companies was presented to the Harrison Neighborhood on Sept 18, 2007 and the Bryn Mawr Neighborhood in November of 2007; discussions continue with both neighborhoods. The 2006 Bassett Creek Valley Master Plan was formally supported by the Harrison Neighborhood Association and the Bryn Mawr Neighborhood Association.

Franklin Avenue LRT Station Area: The Seward Neighborhood Group and the Ventura Village Neighborhood Group both submitted letters requesting that the City adopt the Franklin Avenue redevelopment plan in 2005.

SEMI/URP (University Research Park) Bioscience Zone: The South East Economic Development [SEED] Committee, which is composed of representatives of The affected neighborhood and business communities in SEMI, endorsed (a letter dated June 25, 2007) the City’s request for state financing for infrastructure.

Spirit on Lake Cooperative (1238 E. Lake St.): This project received a letter of support dated July 13, 2005 from the Powderhorn Park Neighborhood Association and a letter of support dated February 10, 2007 from the Midtown Phillips Neighborhood Association, Inc.

City Goals:

The projects identified herein will assist the City in achieving one or more of the following goals, as identified in The Minneapolis Plan:

- Create strong vital commercial corridors citywide through mixed-use development, including a variety of businesses and creative housing.
- Improve public transportation to get people to jobs, schools and fun.
- Preserve and sustain our environmental, economic and social realms to promote a sustainable Minneapolis.
- Strengthen our city through infrastructure investments.

Sustainability Targets:

- The projects identified herein are all expected to all contribute, in different ways and in varying degrees, to one or more of the following targets identified in or by the City's Sustainability Initiative: Combined Sewer Overflow, Permeable Surfaces, Water Quality, Affordable Housing, and Brownfield Sites.

Comprehensive Plan:

The projects identified herein are consistent with one or more of the following policies identified in The Minneapolis Plan:

- 2.2 Minneapolis will support the existing economic base by providing adequate land and infrastructure to make City sites attractive to businesses willing to invest in high job density and low impact, light industrial activity.
- 2.3 Minneapolis will continue to provide high quality physical infrastructure to serve the needs of businesses.
- 3.3 Minneapolis will create a Growth Center plan for the University of Minnesota/SEMI area... [to] guide decisions and investment in the area...
- 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered.
- 8.4 Minneapolis will continue to build and maintain road infrastructure in order to assure resident and motorist safety and mobility within the city.

Zoning Code:

- The proposed projects either are in compliance or will comply.

Living Wage/Business Subsidy Agreement: Yes___ No_X__ (see below)

Job Linkage: Yes___ No_X__ (see below)

Other: Redevelopment assistance that includes or is associated with environmental remediation is generally exempt from the City's Living Wage Ordinance and the State's Business Subsidy Act. However, there are no such exemptions for projects that do not involve or require environmental remediation.

Any business that occupies a redeveloped or 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. Job Linkage Agreements are voluntary.

Background/Supporting Information

DEED's Redevelopment Grant Program was created in 1998 to assist development authorities with costs for redeveloping blighted industrial, residential, or commercial sites where the need to recycle the land for a more-productive use exists. Grants can pay for land acquisition, demolition, infrastructure improvements, soil stabilization when infill is required, ponding or other environmental infrastructure, and adaptive reuse of buildings, including remedial activities at sites where a subsequent redevelopment will occur. Grants pay up to 50 percent of redevelopment costs for a qualifying site. There is a 50 percent local match required from the eligible applicant.

Priority, as per state statute, is given to projects with one or more of the following characteristics:

1. There is a need for redevelopment in conjunction with contamination remediation
2. The redevelopment project meets current tax increment financing requirements for a redevelopment district and tax increment will contribute to the project
3. There is redevelopment potential within the municipality
4. There is proximity to public transit if located in the Minneapolis/St. Paul metropolitan area
5. The project is multi-jurisdictional in nature and takes into account transportation, environmental impact(s) and the need for affordable housing

From 1998 to 2001, the DEED Redevelopment Grant Program provided assistance to both metro and Greater Minnesota communities. In 2001, the Legislature modified the Program by creating a statutory preference or priority for Greater Minnesota projects. The City of Minneapolis was therefore not awarded any Redevelopment Grant Program funds between 2001 and 2006 (inclusive).

The 2007 legislature modified the Redevelopment Grant Program by making it a statewide program once again. Grant funds may now be split between Greater Minnesota and the seven-county metropolitan area. At least 50% of the grant money must be awarded to sites located outside of the metro area, unless an insufficient number of eligible applications are received for qualifying Greater Minnesota projects, in which case more than 50% of the available funds can potentially be awarded to metro-area projects. The first grant round after the 2007 legislative modification had an August 1, 2007 application deadline. In that round, three projects in the City of Minneapolis were awarded a total of \$1,350,000 (Minnesota Innovation Center, \$520,000; Longfellow Station, \$480,000; and Center for Changing Lives, \$350,000).

Five pre-applications were received by the City for the current round of DEED's Redevelopment Grant Program. The four grant applications recommended for submission to DEED are seeking a total of \$2,066,500 in Redevelopment Grant Program funds. The current funding level is \$1 million in State general funds and \$2

million in State bond funds. General funds may be used on privately owned land for eligible project costs. Bond funds can be used only for eligible costs on publicly owned land where the end use has a public purpose and the related (new) infrastructure will be publicly owned.

Given the fact that City of Minneapolis projects were essentially ineligible for the DEED Redevelopment Grant Program for many years, there is no “longstanding” City process for determining which Redevelopment Grant Program applications should be submitted to DEED. For the last grant round (August 1, 2007 application deadline), City staff reviewed and compared the applications in the context of four criteria believed to be of critical importance to the City: creation of new public infrastructure, proximity to light rail transit, creation of affordable housing, and job creation. The same factors were considered for the current round. In addition, special consideration was given to (a) whether the project is seeking DEED funds for costs that might otherwise be borne by the City and (b) how closely the project matches DEED’s funding and prioritization criteria.

Recent interactions with DEED staff have reinforced the fact that DEED’s internal process for reviewing, scoring and ranking applications gives no weight to any city’s prioritization of its own applications. The analysis conducted by DEED staff members, and the decisions that they make in awarding grants, are based on statutory criteria that do not include the (relative) preferences of municipal applicants. Accordingly, in this instance the recommendation of City staff is that the City Council not rank or prioritize the applications that it authorizes staff to submit to DEED by the application deadline.

Details of Proposed Projects:

Basset Creek Valley

Projected DEED Request: \$800,000

DEED funds, if awarded, would be used to pay for 50% of the cost of innovative storm water improvements totaling \$1.6 million for the \$125 million first phase (“Linden Yards West”) of the Bassett Creek Valley redevelopment.

The proposed first phase includes two office buildings (totaling 600,000 sq. ft) and two housing structures (totaling 310 units) to be built on a plinth structure that includes parking and space to accommodate rail traffic.

Due to the site constraints, soil conditions and high water table, the development of Linden Yards West will utilize several different storm water systems working together. The top of the plinth (plaza level) will use environmental passive integrated chamber (EPIC) systems to capture and filter storm water runoff at its source and store water for irrigation. The roofs of the buildings may also be utilized for additional storage. Excess storm water from the plaza level and a planned roundabout will be collected in a below grade elongated multi-chamber concrete structure that will remove grit and allow for infiltration.

Storm water from the roundabout will be collected in an underground pipe gallery with grit chambers and ability for infiltration. The underground structures will be connected into the City storm water system for over-flow.

The Ryan Companies' response to the RFP issued by the City last summer was the only fully responsive proposal. Efforts continue to refine estimated costs and determine funding sources. Council consideration of an exclusivity agreement with Ryan is now anticipated to occur on or about February 22, 2008. Site work for storm water and other utilities will be completed in 2010. The first office building, designed for a corporate headquarters, to be constructed in 2011.

Franklin Avenue LRT Project Area (vicinity of Franklin LRT station)

Projected DEED Request: \$375,000

The City of Minneapolis is entering the final design stage for a major project that will put in place transportation infrastructure to support the emergence of a mixed-use, transit supportive activity center around the Franklin Avenue LRT station. Funded with a combination of Federal and local funds, the project includes modifications to the intersection of Cedar, Franklin and Minnehaha Avenues, implementation of a streetscape to improve pedestrian access to the station, and the construction of a new street. DEED funds, if awarded, would be used for public utilities, utility relocation, and the acquisition of properties that will remain in public ownership as right-of-way and/or easements for public infrastructure.

SEMI/URP (University Research Park) Bioscience Zone

Projected DEED Request: \$500,000.

The SEMI/University Research Park Redevelopment Project is located east of the Minneapolis campus of the University of Minnesota. Roadway infrastructure is a critical component of the project. Roads are needed for access to a blighted and underdeveloped portion of the SEMI/URP project area that is expected to become a private sector research park, complementing the University of Minnesota's planned (and adjacent) research center. The new roadways will also complement the University's Intercampus Transitway and the planned Central Corridor light rail line. If received, funding from the DEED Redevelopment Grant Program will be used for the acquisition of land needed for the construction of Granary Road between the extension of 25th Avenue SE and Malcolm Avenue SE.

Spirit on Lake Cooperative (1238 East Lake Street)

Projected DEED Request: \$391,500

Spirit on Lake is a mixed-use, 41-unit, limited-equity cooperative located within a City-designated growth center. The project will add attractive, affordable new housing options to an area of the city with the most significant concentration of employment outside of downtown. The project will add nine residential units at 50% MMI, seven units at 80% MMI, and 15 units at 115% MMI. The project will be located on a currently underutilized, blighted site. Increased residential density builds on tremendous public investments in infrastructure, transit, and amenities as well as private entrepreneurial investment in the surrounding area. The limited-equity model ensures that public investment in affordable housing continues to serve its intended purpose over the long term. The applicant reported that the project will result in a net increase of 2.5 jobs. If received, funding from the DEED Redevelopment Grant Program will be used for property acquisition, soil stabilization and geotechnical work.

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RESOLUTION of the CITY OF MINNEAPOLIS

Authorizing Application to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment 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 Redevelopment Grant applications to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on February 1, 2008: Bassett Creek Valley, Franklin Avenue LRT Project Area, SEMI/URP (University Research Park) Bioscience Zone, and Spirit on Lake Cooperative; and

Whereas, the City has the legal authority to apply for financial assistance, and the institutional, managerial and financial capacity 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 State of Minnesota for one or more of the above-referenced projects and will comply with all applicable laws and regulations as 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 or Deputy Director of the Department of Community Planning and Economic Development to apply to the Minnesota Department of Employment and Economic Development for Redevelopment Program grant funding for Bassett Creek Valley, Franklin Avenue LRT Project Area, SEMI/URP (University Research Park) Bioscience Zone, and Spirit on Lake Cooperative, and that the City's Finance Officer, Contracts Administrator or Purchasing Agent and/or other duly authorized City staff are hereby authorized to execute such agreements as are necessary to implement the projects.