

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

Date: July 21, 2009

To: Lisa Goodman, Chair, Community Development Committee

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

Subject: DEED Redevelopment Grant Application (August 3, 2009 Application Deadline)

Recommendation:

1. Approve the attached resolution authorizing staff to submit an application to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for the redevelopment project known as the Grain Belt Office Building.

Previous Directives:

Grain Belt Office Building (1215 Marshall Street NE): The MCDA Board of Commissioners approved the acquisition of 1215 Marshall Street N.E. on December 17, 1989. In August 2000, the MCDA Board and City Council approved an amendment to the Grain Belt Development Objectives, a modification to the Grain Belt Redevelopment Plan, and an authorization to issue a housing RFP. In February 2001, the MCDA Board selected the Sheridan Development Company LLC (SDC) as the developer of the Grain Belt Housing Project and awarded it six-month development rights. In July 2001, the Board approved a one-year extension of the development rights, and approved additional extensions in July 2002 and in February 2003. On June 2003, the Board approved the finance plan and redevelopment contract terms for Phase I of the Grain Belt Housing Project. On September 26, 2003, the Council adopted the Grain Belt TIF Plan and related Plan modifications. On November 5, 2004, the Council approved an amendment to the redevelopment contract business terms for Phase I of the Grain Belt Housing Project. On December 23, 2005, the Council approved an amendment to the redevelopment contract to extend certain performance deadlines. The Office Building was severed from the Grain Belt Housing Project and an appropriation of \$65,000 was approved to cover certain costs related to issuing a Request for Proposals (RFP). On May 26, 2006, the Council approved the sale of the Phase I site to the developer and modified the development timetable in July 2006 but said project was never initiated. In August 2006, the CPED Director authorized the issuance of a Request for Proposals for the Grain Belt Office Building at 1215 Marshall. The selected developer withdrew the Offer to Purchase in May 2007 before a land sale report could be presented to the Council. A subsequent Invitation to Submit an Offer was issued with a deadline of December 2007 and Kristina Oman was the only respondent. On April 28, 2009 the Community Development

Committee approved the proposed sale to Kristina Oman, but on May 8, 2009 the Council voted down the recommended negotiated sale and referred the matter back to the Community Development Committee. On May 22, 2009 the Council provided the following direction to City staff regarding the sale of the property: issue an Open Request For Proposals (RFP); the RFP will be issued for a 30-day period; the RFP will be both publicly advertised and sent as well to previous proposers on the building; the RFP will state that the building will be sold for Fair Reuse Value, which given the water infiltration and related environmental issues (\$600,000), has been estimated to be \$1 by CPED's appraiser; the RFP will state that the building will be sold "as is", that the City will not undertake any additional work, but that the developer may also need to install a new storm sewer, the estimated cost of which would be \$245,000; and the developer, as part of its submission, must provide: a) a narrative description of their experience doing historic rehabilitation; b) a development pro forma; and c) a Letter of Intent for project financing.

Prepared by: Kevin Carroll, Principal Project 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	

Community Impact - Neighborhood Notification:

Grain Belt Office Building (1215 Marshall Street NE): The Sheridan Neighborhood Organization is aware of and supports the general concept of selling the property for commercial redevelopment.

City Goals:

The project identified herein will assist the City in achieving one or more of the following goals:

- Connected Communities
- A Premier Destination

Sustainability Targets:

The project identified herein is expected to all contribute to one or more of the following targets identified in or by the City's Sustainability Initiative: Combined Sewer Overflow, Permeable Surfaces, and Water Quality. In addition, the proposed infrastructure investment will support redevelopment that will reuse a vacant historic structure within the Minneapolis Brewing Company Historic District.

Comprehensive Plan:

The project identified herein is consistent with the following policy identified in The Minneapolis Plan:

-- 2.3 Minneapolis will continue to provide high quality physical infrastructure to serve the needs of businesses.

Zoning Code:

The proposed project is either in compliance or will comply.

Living Wage/Business Subsidy Agreement: Yes___ No X (see below)

Job Linkage: Yes___ No X (see below)

Other: The requested grant would fund direct City labor or contracted infrastructure work subject to the hiring and contracting practices of the City of Minneapolis.

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.

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.

The sole source of the grants to be awarded in the upcoming round (August 3, 2009 application deadline) will be bond funds. 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.

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 anticipated City of Minneapolis grant application referred to herein will be seeking a [projected] total of \$100,000 in Redevelopment Grant Program funds. The overall funding level for the current round of the Redevelopment Grant Program is presently undetermined. The Program did not receive any new or additional funding in the 2009 legislative session. However, DEED's web site indicates that "...there is still funding available and we encourage all eligible applicants to apply. This continued activity and interest in the program will help to ensure its success and will help gauge the need for future funding levels." Communications from DEED staff members have indicated that at least \$250,000 is likely to be available in this grant round, plus funds in an as-yet undetermined amount that may revert back to the Program from grants previously awarded to projects that did not proceed.

For the last four grant rounds (8/1/07, 2/1/07, 8/1/08 and 2/2/09 application deadlines), 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 transit, creation of affordable housing, and job creation. The same analytical framework was employed for the application that is currently pending. That application fulfills one or more of the desired criteria. Accordingly, the staff recommendation in this instance is that the City submit the application in question to DEED.

Ongoing 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, and in keeping with the approach used for the last three rounds of this particular grant program (2/1/08, 8/1/08 and 2/2/09 application deadlines), the recommendation of City staff would normally have been that the City Council not rank or prioritize any applications that it authorizes staff to submit to DEED by the upcoming application deadline. However, the ranking/prioritization issue is moot in this instance, given that fact that only one project has expressed an interest in seeking DEED funds in the current grant round.

Grain Belt Office Building (1215 Marshall Street NE):

Projected DEED Request: \$100,000

The Grain Belt Office Building is located at 1215 Marshall Street in Northeast Minneapolis. It is a two-story building that was built in 1893. In 1910, a one and one-half story addition was constructed using identical materials as the original construction. The Minneapolis Community Development Agency purchased 14 acres of the Grain Belt complex, including the Office Building, in 1989 for \$4,850,000. The Council approved Development Objectives for the entire site in 1996. The Objectives were amended by Council approval in 2000. The Office Building has remained vacant and unused for at least seven years.

The Office Building is one of seven historic structures within the Minneapolis Brewing Company Historic District listed on the National Register of Historic Places in 1990. The six other structures (Brew House, Boiler House, Warehouse, Bottling House, Wagon Shed and Shops) plus the one historic feature (rail spur) are redeveloped and no longer under City of Minneapolis ownership.

Redevelopment plans for the building envision that it will be reused as a commercial office building. The property has been vacant for approximately seven years and is in poor condition due to deferred maintenance, water damage, inadequate site drainage, asbestos, lead-based paint, and mold.

One unresolved redevelopment issue involves the need to separate existing storm water connections from the sanitary sewer system. However, there is not a readily available storm sewer line located on or near the property. The closest storm water connection is 189.05 feet away from the northernmost boundary of the property.

DEED funds, if awarded, would be used to pay for the extension/construction of a storm sewer line to serve the property. The local match would consist of City funds and/or payments from the private developer of the site.

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RESOLUTION of the CITY OF MINNEAPOLIS

Authorizing Application to the Minnesota Department of Employment and
Economic Development's [DEED's] Redevelopment Grant Program

Whereas, the City of Minneapolis intends to act as the legal sponsor for the following project, which is more completely described in the Redevelopment Grant application to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on or by August 3, 2009: Grain Belt Office Building (1215 Marshall Ave NE); 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 application are committed to the identified project, or are anticipated to be committed prior to the awarding of the requested grant; 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 its application, the City may enter into an agreement with the State of Minnesota for the above-referenced project and will comply with all applicable laws and regulations as stated in said agreement;

Now, Therefore Be It Resolved by the City Council of the City of Minneapolis:

That the City Council authorizes the Director or Deputy of the Department of Community Planning and Economic Development to apply to the Minnesota Department of Economic Development for Redevelopment Program grant funding for the above-referenced project, 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 project.