



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

Date: August 11, 2015
To: Lisa Goodman, Chair, Community Development & Regulatory Services Committee
Referral to: John Quincy, Chair, Ways & Means 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 and/or approve the following grants (but only those for which the City of Minneapolis is identified as the "Recipient;" others are direct awards to applicant/developer and are included in this report for informational purposes only):

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
700 Central	City of Minneapolis	\$ 644,411
AC Hotel by Marriott	City of Minneapolis	252,939
Encore, The	City of Minneapolis	225,000
Huron Hotel	City of Minneapolis	270,678
North Loop Commons	City of Minneapolis	130,977
Superior Plating	City of Minneapolis	714,273
Total DEED Awards:		\$2,238,278

Metropolitan Tax Base Revitalization Account (TBRA) Grants

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

Project	Recipient	Grant Award
4041 Hiawatha	City of Minneapolis	\$ 130,100
Huron Hotel	City of Minneapolis	180,400
PRG Southside Rehabilitation	City of Minneapolis	50,000
Seward Towers	City of Minneapolis	517,950
Superior Plating	City of Minneapolis	798,800
Total Met Council TBRA awards:		\$1,677,250

Hennepin County Environmental Response Fund (ERF) Grants

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

Project	Recipient	Grant Award
700 Central	City of Minneapolis	\$ 140,620
4041 Hiawatha	City of Minneapolis	130,135
Minneapolis Sculpture Garden	MPRB	209,500
North Loop Commons	City of Minneapolis	61,123
Seward Towers	City of Minneapolis	221,250
Superior Plating	City of Minneapolis	118,233
Total Hennepin County ERF awards:		\$880,861

2. a) Amend the 2015 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900320) appropriation by \$896,117 and b) Amend the 2015 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900220) appropriation by \$3,690,772.
3. Increase the 2015 Revenue Budget for the Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321504) by \$2,238,278; Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$1,677,250; and Fund 01600-Other Grants-State and Local (01600-8900900-322002) by \$671,361.
4. Authorize the appropriate City staff to execute grant, subrecipient and/or disbursement and related agreements for these grants.

Previous Directives: On May 1, 2015, 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:

700 Central (708 Central Ave. NE, 119/123 7th Street SE): On March 8, 2012, the City Council accepted a DEED \$599,880 brownfield cleanup grant and a Hennepin County \$140,620 ERF brownfield cleanup grant. [The DEED grant was relinquished on June 3, 2014 and the ERF grant was relinquished on February 12, 2015, in part because the project had not proceeded at the pace that had been originally anticipated.] On April 27, 2012, the City Council accepted a DEED Redevelopment \$180,500 grant. [This grant was also relinquished on February 12, 2015.] On June 29, 2012, the City Council accepted a \$499,380 Met Council TBRA-TOD brownfield cleanup grant.

4041 Hiawatha (4041 Hiawatha Ave.): On January 30, 2015, the City Council authorized the submission of a Redevelopment Grant Program application to DEED on behalf of this project.

AC Hotel by Marriott (401 Hennepin Avenue): None.

Encore, The (911/935 2nd St. S.): On October 31, 2014, the City Council authorized the submission of remediation grant applications to DEED, the Met Council and Hennepin County on behalf of this project. [Those three applications were subsequently withdrawn for technical reasons.]

Huron Hotel (2510 Essex Street SE and 501 Huron Boulevard SE): On January 30, 2015, the City Council authorized the submission of a Redevelopment Grant Program application to DEED on behalf of this project.

MPRB – Minneapolis Sculpture Garden Reconstruction (110 Kenwood Parkway, 711/805 Wayzata Blvd., 1600 Lyndale Ave. S.): None.

North Loop Commons (620 Olson Memorial Highway): None.

PRG Southside Rehabilitation (20 separate addresses): On October 18, 2013, the City Council approved \$1,975,000 in AHTF funding for this project. (That funding was subsequently rescinded when the project was unable to proceed as quickly as originally anticipated.)

Seward Towers (2910 E. Franklin Ave., 2515 S. 9th St.): On December 13, 2013, the City Council approved the recasting (from the original rate of 5.47% to a new rate of 1%) of the third and fourth position loans for both Seward Towers East and West, retroactively to April 23, 2003.

Superior Plating [former] (315 1st Avenue NE): On May 1, 2015, the City Council approved a staff recommendation that the Environmental Assessment Worksheet and Findings of Fact were adequate and that no Environmental Impact Statement for the project was necessary. On April 25, 2014, the City Council authorized the submission of remediation grant applications to DEED, the Met Council and Hennepin County on behalf of an earlier project (East Side Station") that had been planned for this site. On August 1, 2014, the City Council accepted DEED and Met Council grants awarded for this project.

Prepared by: Kevin Carroll, Principal Project Coordinator

Approved by: D. Craig Taylor, Executive Director, CPED _____

David R. Frank, Director, Economic Policy and Development _____

Funding Source and Appropriation Language _____

Reviewed by Development Finance: _____

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

Departments: 8900220 and 8900320
Fund: 01600 (Other Grants – State and Local)
Amount: \$ 896,117 (in 8900320)
\$3,690,772 (in 8900220)

Action provides increased revenue for appropriation increase

Department: 8900900 (Transfer & Debt Service)
Fund: 01600 (Other Grants – State and Local)
Amount: \$4,586,889

Action is within the Business Plan

Community Impact

Neighborhood Notification:

700 Central (708 Central Ave. NE, 119/123 7th Street SE): The Marcy-Holmes Neighborhood Association issued a letter of support on April 3, 2014.

4041 Hiawatha (4041 Hiawatha Ave.): The Longfellow Community Council issued a letter of support on February 17, 2015.

AC Hotel by Marriott (401 Hennepin Avenue): The Downtown Minneapolis Neighborhood Association issued a letter of support on November 10, 2014.

Encore, The (911/935 2nd St. S.): The Downtown Minneapolis Neighborhood Association issued a letter of support on August 18, 2014.

Huron Hotel (2510 Essex Street SE and 501 Huron Boulevard SE): The Prospect Park East River Road Improvement Association (PPERRIA) issued a letter of support on March 8, 2015.

MPRB – Minneapolis Sculpture Garden Reconstruction (110 Kenwood Parkway, 711/805 Wayzata Blvd., 1600 Lyndale Ave. S.): A “Refined Schematic design” was approved by the Minneapolis Sculpture Garden Advisory Committee (which includes representatives of four neighborhood groups) at a meeting that was held on February 23, 2015.

North Loop Commons (620 Olson Memorial Highway): The North Loop Neighborhood Association issued a letter of support on March 25, 2015.

PRG Southside Rehabilitation (20 separate addresses): Letters of support were issued by the Phillips West Neighborhood Organization (May 19, 2014), the Powderhorn Park Neighborhood Association (April 8, 2014), the Ventura Village Neighborhood (May 27, 2014), and the Seward Neighborhood Group (April 21, 2014).

Seward Towers (2910 E. Franklin Ave., 2515 S. 9th St.): The Seward Neighborhood group issued a letter dated February 18, 2015 “...to express our support for Seward Towers Renovation, LLC's application for funding from Hennepin County's Affordable Housing Incentive Fund for...improvements to the properties.”

Superior Plating [former] (315 1st Avenue NE): The Nicollet Island–East Bank Neighborhood Association issued a letter of support on January 30, 2015.

City Goals: A hub of economic activity and innovation.

Sustainability Targets: Seven new Minneapolis sites were awarded funds in this grant round, which brings the total number of City projects securing brownfield grants (2004-2015, inclusive) to 185. Grant funds were awarded for ten projects, but to avoid double-counting, two of the projects in question – 700 Central and Superior Plating – have been excluded because they were also awarded brownfield funds in prior grant rounds. One other project – PRG Southside Rehabilitation – has been excluded because it involves multiple sites.

The City's original goal of remediating 100 brownfield sites by 2014 was achieved in the spring 2010 grant round. A revised goal of remediating 170 sites by 2014 was then established, and the City achieved that new goal in the spring 2014 grant round.

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:

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

Supporting Information

On May 1, 2015, 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 in the amount of \$4,796,389 were awarded to projects or programs located exclusively or primarily in the City of Minneapolis during the spring 2015 brownfield grant funding round. The amount awarded in the spring 2015 round is 58.7% of the total amount requested (\$8,172,552) for projects located in the City.

Minnesota Department of Employment and Economic Development (DEED) Contamination Cleanup and Investigation Grant Program – of the \$3,566,748 awarded state-wide, Minneapolis projects were awarded \$2,238,278, or 62.8% of the grant funds awarded.

Six of the seven Minneapolis projects that submitted applications were awarded a grant. The funds awarded to those six projects represent 71.1% of the total amount requested (\$3,150,068) by the seven projects.

Metropolitan Council Livable Communities Tax Base Revitalization Account (TBRA) Grant Program – of the \$3,354,500 in contamination investigation and cleanup funding awarded metro-wide, Minneapolis projects were awarded \$1,677,250, or 50% of the grant funds awarded.

Five of the nine Minneapolis projects that submitted applications were awarded a grant. The funds awarded to those five projects represent 46.6% of the total amount requested (\$3,606,946) by the nine projects.

Hennepin County Environmental Response Fund (ERF) - of the \$1,323,580 awarded county-wide, projects and programs located exclusively or primarily in Minneapolis were awarded \$880,861, or 66.6% of the grant funds awarded.

Six of the nine Minneapolis projects that submitted applications were awarded a grant. The funds awarded to those six projects represent 62.2% of the total amount requested (\$1,415,538) by the nine projects.

Geographic Distribution of Grant Awards

31 brownfield grants were awarded by DEED (13), the Metropolitan Council (9) and Hennepin County (9) during the spring 2015 grant round. Projects receiving grant awards were located in the following jurisdictions:

<i>JURISDICTION</i>	<i>NUMBER OF GRANTS RECEIVED</i>
Minneapolis	16
St. Paul	5
St. Louis Park	3
Hopkins	2
Bloomington, Mankato, Maplewood, Silver Bay, Vadnais Heights	1 each

CITY OF MINNEAPOLIS AS GRANT RECIPIENT:

The City sponsored and submitted successful grant applications on behalf of the following nine 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 investigation and/or remediation costs incurred.

700 Central (Ward 3) -- \$785,031
(708 Central Ave. NE, 119/123 7th Street SE)

DEED Award: \$644,411
Hennepin County ERF Award: \$140,620

The developer, 700 Central LLC/Nolan Properties Group, is proposing an adaptive rehabilitation of two vacant and dilapidated warehouse buildings into market rate residential rental units (approximately 80) with commercial and amenity space (up to 10,000 square feet) on the first floor. An adjacent vacant lot along 7th Street will

provide parking for the residents and commercial users. The projected total development cost is \$30,000,000. The awarded grant funds will be used for soil remediation and for the abatement of asbestos and/or lead based paint.

4041 Hiawatha (Ward 12) -- \$260,235

(4041 Hiawatha Ave.)

Metropolitan Council TBRA Award: \$130,100

Hennepin County ERF Award: \$130,135

Dominium Acquisitions, LLC is proposing to acquire and repurpose an industrial property (built in 1926) on Hiawatha Avenue. The adaptive reuse will reestablish the structural and historic integrity of the property, while converting the space into 78 rentable apartment spaces, which will be placed under the low-income housing tax credit program. The projected total development cost is \$30,977,864. The awarded grant funds will be used primarily for soil remediation and the abatement of asbestos and/or lead based paint in the existing building.

AC Hotel by Marriott (Ward 3) -- \$252,939

(401 Hennepin Avenue)

DEED Award: \$252,939

Mortenson Development intends to construct a 245-room, 134,146 square foot hotel that will enhance a portion of the downtown corridor along Hennepin Avenue that is currently a surface parking lot. The projected total development cost is \$44,850,000. The awarded grant funds will be used primarily for soil remediation.

Encore, The (Ward 3) -- \$225,000

(911, 935 2nd St. S.)

DEED Award: \$225,000

Sherman Associates is currently constructing a new building that will include eleven levels (plus rooftop terrace and clubroom) with 123 market rate residential apartments, three levels of underground parking, and associated amenity spaces including fitness room, multiple club/community rooms, and outdoor pet exercise area. The projected total development cost is \$48,248,071. The awarded grant funds will be used primarily for soil remediation.

Huron Hotel (Ward 2) -- \$451,078

(2510 Essex Street SE and 501 Huron Boulevard SE)

DEED Award: \$270,678

Metropolitan Council TBRA Award: \$180,400

CPM Development plans to convert an existing two-story 20,144 square foot building, which was constructed in 1911 for manufacturing uses, into a hotel. The projected total development cost is \$25,115,000. The awarded grant funds will be used primarily for soil remediation and the abatement of asbestos and/or lead based paint in the existing building.

North Loop Commons (Ward 5) -- \$192,100

(620 Olson Memorial Highway)

DEED Award: \$130,977

Hennepin County ERF Award: \$ 61,123

The developer, NHH 620 Olson Memorial LLC, plans to renovate an existing 80,000 square foot vacant building (vacant since 2006) for creative office, charter school and retail space. The projected total development cost is \$13,500,000. The awarded grant funds will be used primarily for the abatement of asbestos and lead based paint in the existing building.

PRG Southside Rehabilitation (various wards) -- \$50,000

(20 separate addresses)

Metropolitan Council TBRA Award: \$50,000

The PRG Southside Rehabilitation program provides for the substantial rehabilitation of 91 units of affordable housing located across south Minneapolis. CommonBond acquired this portfolio of properties from PRG in late 2007. CommonBond intends to preserve these low-income, large-family housing opportunities. The projected total development cost is \$17,628,683. The awarded grant funds will be used to conduct hazardous materials assessments for an initial group of 20 buildings, in part to help estimate the cost of abating asbestos and/or lead based paint in those buildings.

Seward Towers (Ward 6) -- \$739,200

(2910 E. Franklin Ave., 2515 S. 9th St.)

Metropolitan Council TBRA Award: \$517,950

Hennepin County ERF Award: \$221,250

Seward Towers includes two 21-story buildings (built in 1969 and 1970), each containing 320 apartments. The ownership entity intends to convey the buildings to a tax credit limited partnership as part of an effort to renovate the existing buildings to a 20-year standard in order to preserve the existing federal Section 8 contracts. The planned renovations include new replacement windows and building systems/code upgrades. The projected total development cost is \$93,779,104. The awarded grant funds will be used primarily for the abatement of asbestos in the existing buildings.

Superior Plating [former] (Ward 3) -- \$1,631,306

(315 1st Avenue NE)

DEED Award: \$714,273

Metropolitan Council TBRA Award: \$798,800

Hennepin County ERF Award: \$118,233

The developer, Lennar Multifamily Communities, has indicated that Phase I of its planned project will include the construction of 72 units in a 4-story "low-rise" building and 206 units in a 20-story residential tower (278 units in total), plus 22,000 square feet of commercial development, on a City block that was formerly occupied by a plating facility for over 60 years. Phase 2 is projected to include an additional 278 units and additional commercial space. The projected total

development cost is \$97,341,000 for Phase 1 (and \$100,500,000 for Phase 2). The awarded grant funds will be used primarily for soil and groundwater remediation.

DEVELOPER AS GRANT RECIPIENT:

The City did not submit the grant application for the project referred to below; the project in question applied directly to Hennepin County. The County allows certain parties to apply directly to them (rather than through the City) if the applicant is identified in the County's guidelines as an authorized "direct" applicant and if there is evidence that the City supports the project. For the project referred to below, the grant agreement will be between Hennepin County and the grant recipient, rather than between the County and the City. Therefore, no subrecipient agreement will be required, and the City will not appropriate the grant funds. The grant recipient will obtain reimbursement for eligible remediation costs directly from the County rather than from or through the City. This project is presented for informational purposes.

MPRB – Minneapolis Sculpture Garden (Ward 7) -- \$209,500
(110 Kenwood Parkway, 711/805 Wayzata Blvd., 1600 Lyndale Ave. S.)

Hennepin County ERF Award: \$209,500

The Minneapolis Park and Recreation Board [MPRB] plans to largely reconstruct the existing Minneapolis Sculpture Garden by repairing and/or replacing deteriorating garden features such as stairways, planters, walkways, fences, trees/plant materials, a water pond and the parking lot. The MPRB also intends to introduce storm water management, improve drainage and irrigation, improve energy efficiency, upgrade accessibility, improve safety features and replace furnishings. The projected total development cost is \$10 million. The awarded grant funds will be used primarily for soil remediation.

**SPRING 2015 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
700 Central	City of Minneapolis	0.956*	1,066,609 (o) 853,449 (a)	644,411			297,450 (o) 246,547 (a)	140,620	1,364,059 (o) 1,099,996 (a)	785,031
4041 Hiawatha	City of Minneapolis	1.820	160,394	0	130,135	130,100	130,135	130,135	420,664	260,235
AC Hotel by Marriott	City of Minneapolis	0.530	265,000 (o) 254,439 (a)	252,939					265,000 (o) 254,439 (a)	252,939
Anishinabe Bii Gii Wiin (Phase II)	City of Minneapolis	1.250			465,730 (o) 436,556 (a)	0			465,730 (o) 436,556 (a)	0
Encore, The	City of Minneapolis	0.720	225,000	225,000					225,000	225,000
Huron Hotel	City of Minneapolis	0.840	273,773 (o) 270,678 (a)	270,678	150,000 (o) 180,400 (a)	180,400	67,000 (o) 64,000 (a)	0	490,773 (o) 515,078 (a)	451,078
MPRB – East Bank Trail	Minneapolis Park & Recreation Board	NA*					98,000	0	98,000	0
MPRB - Minneapolis Sculpture Garden	Minneapolis Park & Recreation Board	14.040					215,000	209,500	215,000	209,500
North Loop Commons	City of Minneapolis	3.120	100,000 (o) 130,977 (a)	130,977	300,000 (o) 335,054 (a)	0	81,231 (o) 61,123 (a)	61,123	481,231 (o) 527,154 (a)	192,100
Praxis Marketplace	City of Minneapolis	NA*			281,752	0			281,752	0
PRG Southside Rehabilitation	City of Minneapolis	NA*			50,000	50,000			50,000	50,000
Seward Towers	City of Minneapolis	6.290			546,000 (o) 663,980 (a)	517,950	364,320 (o) 442,500 (a)	221,250	910,320 (o) 1,106,480 (a)	739,200
Superior Plating	City of Minneapolis	2.850*	840,674 (o) 1,255,131 (a)	714,273	539,534 (o) 1,193,319 (a)	798,800	231,300 (o) 118,233 (a)	118,233	1,611,508 (o) 2,566,683 (a)	1,631,306
Washington-Chicago Development	City of Minneapolis	NA*			265,625 (o) 335,750 (a)	0	50,425 (o) 40,000 (a)	0	316,050 (o) 375,750 (a)	0
TOTAL (*acreages shown are for <i>awarded</i> grants only; also, 700 Central and Superior Plating have been excluded from the total because they received brownfield grants in a prior round, and PRG Southside Rehabilitation has been excluded because it involves multiple sites)		28.61	2,931,450 (o) 3,150,068 (a)	2,238,278	2,728,776 (o) 3,606,946 (a)	1,677,250	1,534,861 (o) 1,415,538 (a)	880,861	7,195,087 (o) 8,172,552 (a)	4,796,389
Percent of Requested Funds Awarded:				71.1%		46.6%		62.2%		58.7%

Amending the 2015 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 \$896,117.
2. Increasing the appropriation for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900220) by \$3,690,772.
3. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321504) by \$2,238,278.
4. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$1,677,250.
5. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-322002) by \$671,361.