

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

Date: August 24, 2010

To: Lisa Goodman, Chair, Community Development Committee
Referral to: Betsy Hodges, Chair, Ways & Means/Budget Committee
Gary Schiff, Chair, Zoning and Planning Committee (Receive and File)

Subject: Accept and Appropriate a \$125,000 Minnesota Historical and Cultural Heritage Grant Awarded by Minnesota Historical Society for the Grain Belt Office Building, 1215 Marshall Street NE

Recommendation

- a) Accept a \$125,000 Historical and Cultural Heritage Grant from the Minnesota Historical Society for the Grain Belt Office Building;
- b) amend the 2010 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900320) appropriation by \$125,000;
- c) increase the 2010 Revenue Budget for the Community Planning and Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$125,000; and
- d) authorize the appropriate City staff to execute a grant agreement with the Minnesota Historical Society.

Previous Directives

The MCDA Board of Commissioners approved the acquisition of 1215 Marshall Street N.E. on December 17, 1989 as part of the City's acquisition of the historic Grain Belt complex. 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. These development rights were extended numerous times but ultimately the development did not proceed.

In 2006, the Grain Belt Office Building at 1215 Marshall Street NE was severed from the Grain Belt Housing Project, and in August 2006, the CPED Director authorized the issuance of a Request for Proposals. The selected developer withdrew the Offer to Purchase in May 2007 before a land sale report was presented to the Council. A subsequent Invitation to Submit an Offer was issued with a deadline of December 2007. The sale of the property to the sole respondent was rejected by Council in 2009 and staff was directed to issue an RFP for the property explicitly stating that the Fair Market Value sale price was \$1 due to extensive redevelopment costs. No responsive proposals were submitted.

On July 21, 2009, the City Council authorized staff to submit an application to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for \$100,000 to build a storm sewer connection to the building. That grant was not awarded. On December 4, 2009 the City Council appropriated \$68,000 in tax increment funds to provide for a storm sewer connection for this building and authorized staff to apply

to the Minnesota Historical Society for a State Legacy Grant of \$554,000 to stabilize the building by halting water infiltration.

On April 2, 2010, City Council accepted a \$50,000 State Legacy Grant from the Minnesota Historical Society for the Grain Belt Office Building and authorized staff to submit another State Legacy Grant application to the Minnesota Historical Society for \$290,000. On April 30, 2010, City Council approved an appropriation of \$220,295 in tax increment funds to supplement grant funds sought for building repairs.

Department Information

Prepared by: Judy Cedar, Senior Project Coordinator, 612-673-5025
Approved by: Charles T. Lutz, Deputy CPED Director _____
Catherine A. Polasky, Director, Economic Policy & Development _____
Presenters in Committee: Judy Cedar, Senior Project Coordinator

Financial Impact

- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: The Sheridan Neighborhood Organization (SNO) supports work activities that help stabilize 1215 Marshall Street NE.
- City Goals: Enriched environment
- Sustainability Targets: The rehabilitation of this property is consistent with the City's sustainability goals.
- Comprehensive Plan: Preserving the historic built fabric of the City is consistent with the Minneapolis Plan for Sustainable Growth
- Zoning Code: The repair work related to an award of grant funds would comply
- Living Wage/Business Subsidy Agreement: Not at this time
- Job Linkage: Not at this time

Supporting Information

As noted in prior recent reports to the City Council, the Grain Belt Office Building located at 1215 Marshall Street NE is experiencing significant water infiltration. Actions are needed to correct the water issues to stabilize this National Register-listed building's rapid deterioration and better position the property for redevelopment and reuse. Staff has developed a four-phase stabilization strategy to be implemented as the \$500,000 in funding needed is identified. At this time we are asking for Council approval to accept a grant of \$125,000 from the Minnesota Historical and Cultural Grant Program in order to initiate Phase III of this stabilization project.

- Phase I involved connecting the building to the City's storm sewer grid at 13th Avenue N.E. Phase I also included some soil grading to move water away from the northern building foundation. Phase I work was funded using \$68,000 in tax increment funds.
- Phase II work uses a \$50,000 grant award from the Minnesota Historical Society Grants Office to replace an obsolete sump and pump and connect it to the newly-installed storm sewer system at the manhole located north of the building. The specifications for Phase II work are underway in preparation for the formal bidding process.

- Phase III calls for drain tile installation and slope corrections for the window wells, allowing those to connect with the drainage system. Currently the window wells empty into an obsolete manhole located on the South side of the building that does not connect to any drainage system. Other window wells drain via a broken and clogged pipe that runs underneath the building. Once the window wells are connected to the storm sewer system, the existing manhole on the south side of the building will be abandoned and the drains sealed. Phase III is estimated to cost \$297,000. The subject of this report, the State Legacy Grant of \$125,000, would be used to initiate the drain tile project. Tax increment funds appropriated this past spring for building repairs will be utilized to cover the remaining project costs for Phase III.
- Phase IV of the building stabilization program involves replacing the eastern and utility portions of the roof to stop water infiltration to the upper levels of the building. The utility portion of the roof not only requires replacement but also protection (using a pitched roof design) from runoff damage caused by the other two roof sections. At this time, Phase IV is suspended until additional funding can be identified. Some gutter work and patch work will be performed as a temporary stop-gap fix.

City staff has made efforts and continues to make efforts to identify a purchaser for 1215 Marshall Street NE. We continue to seek a buyer that has the financial capacity and historic preservation experience to bring this building back to a purposeful use. City efforts to stabilize the structure will help with the marketing of the property.

Amending the 2010 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 \$125,000.
2. Increasing the revenue source for Community Planning & Economic Development agency Fund 01600-Other Grants-State and Local (01600-8900900-321513) by \$125,000.