

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

Date: July 15, 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
(August 1, 2008 Application Deadline)

Recommendation: 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 (Van White Roundabout), Broadway Plaza, and Jackson Street Affordable Live-Work Housing.

Previous Directives:

Bassett Creek Valley (Van White Roundabout): January 12, 2007- City Council approved the 2006 Bassett Creek Valley Master Plan as a small area plan, and adopted revised zoning in accordance therewith on February 15, 2008. August 17, 2007 – City Council authorized application to DEED’s Redevelopment Grant Program for infrastructure funding. January 22, 2008 – City Council authorized application to DEED’s Redevelopment Grant Program. April 8, 2008 – City Council authorized the submission of brownfield grant applications to DEED and Hennepin County for “Bassett Creek Valley – Linden Yards West.”

Broadway Plaza: April 8, 2008 – City Council authorized the submission of brownfield grant applications to DEED, Metropolitan Council and Hennepin County.

Jackson Street Affordable Live-Work Housing: June 19, 2007 – City Council authorized staff to analyze the project for possible TIF assistance, establish a Preliminary Planning Fund, negotiate a redevelopment contract with the Northeast Community Development Corporation [NECDC] and Flannery Construction, and prepare a redevelopment plan and TIF plan for the project. October 5, 2007 – City Council approved up to \$455,000 for construction and/or affordability gap financing for the project.

Prepared by: Kevin Carroll, Senior Project Coordinator

Approved by: Charles T. Lutz, Deputy CPED Director

Cathy A. Polasky, Director, Economic Policy and Development

Presenter in Committee: Kevin Carroll, 612-673-5181

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 be the responsibility of the developer, property owner or anticipated end user to satisfy the match requirement.

Community Impact

Neighborhood Notification:

Bassett Creek Valley (Van White Roundabout): The 2006 Bassett Creek Valley Master Plan was formally supported by the Harrison Neighborhood Association and the Bryn Mawr Neighborhood Association. A redevelopment proposal from the Ryan Companies was presented to the Harrison Neighborhood on Sept 18, 2007, and to the Bassett Creek Valley Redevelopment Oversight Committee [BCV-ROC] in August and September of 2007, and to the Bryn Mawr Neighborhood in November of 2007. The Bryn-Mawr and BCV-ROC groups passed resolutions of support; the Harrison group reserved judgment pending the receipt of more details/information.

Broadway Plaza: Letters of support for this project were issued by the Hawthorne Area Community Council on April 20, 2006 and by the West Broadway Area Coalition on March 30, 2006.

Jackson Street Affordable Live-Work Housing: On April 11, 2007 the Logan Park Neighborhood Association was notified of the NECDC's application for public financial assistance for the project.

City Goals:

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

- A Safe Place to Call Home (relevant strategic directions: Lifecycle Housing; "Get Fit" and Make Healthy Choices; Youth: Valued, Challenged and Engaged).
- Connected Communities (relevant strategic directions: Integrated, Multimodal Transportation Choices).
- A Premier Destination (relevant strategic goals: Retain and Grow Businesses; Jobs).

Sustainability Targets:

- The projects identified herein are all expected to 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:

- 2.3 Minneapolis will continue to provide high quality physical infrastructure to serve the needs of businesses.
- 3.2 Minneapolis...envisions [its] downtown...as one of the nation's finest urban centers [and] a place of prosperity, civilization and civic pride, that will serve as the center for the metropolitan area, the state and surrounding region.
- 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.

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 three anticipated City of Minneapolis grant applications summarized herein will be seeking a total of \$2,611,876 in Redevelopment Grant Program funds. The funding level for the current round of the Redevelopment Grant Program is \$2.93 million in State 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.

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 ranking or prioritizing prospective Redevelopment Grant Program applications. For the last two grant rounds (August 1, 2007 and February 1, 2008 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 light rail transit, creation of affordable housing, and job creation. The same analytical framework was employed for the applications that are currently pending. Each of the applications fulfills one or more of the desired criteria. Accordingly, and in light of the relatively low number of applications received in the current round (three, as compared to nine and five in the 8/1/07 and 2/1/08 grant rounds, respectively) the staff recommendation in this instance is that the City submit to DEED all of the applications that were received.

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 round of this particular grant program (2/1/08 application deadline), 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 (Van White Roundabout)

Projected DEED Request: \$1,750,000

DEED funds, if awarded, would be used to pay for portions of the costs anticipated for construction activities related to the completion of Van White Memorial Boulevard, which will include roadway and bridge construction, roundabout construction, excavation and soil stabilization, stormwater management, and the installation of public utilities (sewer, water, streetlights, traffic signals, etc.).

The infrastructure improvements referred to above are critical to the first phase of a planned three-phase development of a 225-acre industrial area known as Bassett Creek Valley. The proposed first phase includes two office buildings (totaling 600,000 sq. ft) and two housing structures (totaling 310 units). Roadway access to these new structures will be provided by completing Van White Memorial Boulevard, a new north-south parkway extending from Plymouth Avenue (on the north) to I-394 (on the south). The overall transportation plan envisions the creation of a five-legged roundabout near the southern terminus of Van White Memorial Boulevard to provide convenient access to the new structures referred to above, and to Linden Avenue and a nearby I-394 HOV ramp (among other things).

Much of the recent planning work for Bassett Creek Valley has been done in conjunction with The Ryan Companies, which submitted the only fully responsive proposal that the City received in response to an RFP that it issued during the summer of 2007. Continuous efforts are being made to refine estimated costs and determine funding sources. City Council consideration of an exclusivity agreement with The Ryan Companies is anticipated to occur this year. Site work for storm water and other utilities is expected to be completed in 2010. Van White Memorial Boulevard is scheduled to be bid later this year and completed in 2010-2011. The construction of the first office building, designed for a corporate headquarters, is planned for 2011.

Broadway Plaza

Projected DEED Request: \$661,876

DEED funds, if awarded, would be used to help fund infrastructure improvements (roadways, sidewalks, sanitary sewer, storm sewer, lighting, etc.) on the publicly-owned portions of the project site.

The Great Neighborhoods! Development Corporation [GNDC] intends to redevelop approximately four acres of property located on the north side of West Broadway Avenue between Lyndale Avenue N. and Bryant Avenue N. The project will result in the development of 165,000 square feet of new space that will house up to 15 businesses and provide approximately 225 new jobs. The anchor tenant in the project will be the YWCA of Minneapolis, which plans to partner with the Science Museum of Minnesota. Other anticipated tenants include a restaurant, a state-of-the art community safety center, and a variety of providers of goods and services needed in the neighborhood. West Broadway Avenue is one of two commercial areas of the City identified for a concerted City intervention to revitalize the district.

Jackson Street Affordable Live-Work Housing

Projected DEED Request: \$200,000.

DEED funds, if awarded, would be used to pay for a portion of the costs of installing stormwater control structures, pedestrian improvements (sidewalks, lighting, etc.) and water lines, sewer lines and other public utilities.

The Northeast Community Development Corporation [NECDC] intends to demolish five single-family residences and five duplexes (all vacant and dilapidated) located ½ block off Central Avenue, approximately 1.5 miles from downtown Minneapolis. The NECDC then intends to construct a new 4-story multi-family building containing 43 owner-occupied housing units, with underground parking. Twenty-one units will be affordable at 50% of AMI, ten units will be affordable at 80% of AMI, and the remainder will be market-rate units. The average size of the units will be 1000+ square feet, with two bedrooms, one bath, and an open floor plan suitable for live-work space utilization. The floor plans have been devised using guidance from extensive artist live-work space use studies conducted by ArtSpace and others. The project also involves a 3200 sq. ft. studio space that residents will be able to use for arts production(s) and educational purposes.

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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 August 1, 2008: Bassett Creek Valley (Van White Roundabout), Broadway Plaza and Jackson Street Affordable Live-Work Housing; 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 of the Department of Community Planning and Economic Development to apply to the Minnesota Department of Economic Development for Redevelopment Program grant funding for one or more of the above-referenced projects, 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.