



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

Date: July 23, 2013
To: Lisa Goodman, Chair, Community Development Committee
Referral to: Betsy Hodges, Chair, Ways and Means/Budget Committee
Subject: DEED Redevelopment Grant Applications
(August 1, 2013 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 the following projects: 807 Broadway, The Cameron, Greenway Heights Family Housing, Minnesota Innovation Park, Praxis Marketplace, and Shapco Printing Redevelopment.

Previous Directives:

807 Broadway (807 Broadway St. NE; 1100, 1110 and 112 Quincy Street NE): None.

Cameron, The (756 N. 4th Street): On August 5, 2011, the City Council authorized the submission of a brownfield investigation grant application to the Metropolitan Council's Tax Base Revitalization Account [TBRA] program on behalf of this project. On September 23, 2011, the City Council accepted a TBRA investigation grant in the amount of \$15,200 that was awarded to the project. This project will require the rezoning of a portion of the project site; that rezoning was approved by the Planning Commission on October 3, 2011 and by the City Council on November 4, 2011. On November 2, 2012, the City Council approved an AHTF loan of up to \$430,000 for this project.

Greenway Heights Family Housing (2845 Bloomington Ave.): On February 10, 2012, the City Council approved Affordable Housing Trust Fund (\$525,000) and Non-Profit Development Assistance (\$30,000) funds for this project. On November 2, 2012, the City Council approved Affordable Housing Trust Funds (\$525,000) for this project. On November 16, 2012, the City Council authorized the appropriate City officials to sign an Acknowledgement of Receptivity to an LCA Funding Award in the event that the Metropolitan Council awards Livable Communities Local Housing Incentive Account grant funds to this project. On January 11, 2013, the City Council

accepted and appropriated a Metropolitan Council Livable Communities Local Housing Incentive Account (LHIA) Grant (\$300,000) awarded to the City of Minneapolis on behalf of this project.

Minnesota Innovation Park (445, 501 and 518 Malcolm Ave. SE; 419 and 505 29th Ave. SE): On December 27, 2007, the City Council accepted a DEED Redevelopment Grant Program award in the amount of \$520,000 for this project. That award was subsequently relinquished to DEED in December of 2011 because the project had not progressed at the pace that had been originally anticipated.

Praxis Marketplace (1256 Penn Ave. N.; 1235, 1237 & 1243 Oliver Ave. N.): On July 20, 2012, the City Council awarded exclusive development rights to Praxis Foods (through December 31, 2013).

Shapco Printing Redevelopment (524 5th Street N.): On April 26, 2013, the City Council authorized the submission of a brownfield investigation grant applications to DEED, the Metropolitan Council and Hennepin County on behalf of this project.

Prepared by: Kevin Carroll, Principal Project Coordinator

Approved by: Charles T. Lutz, Deputy Director, CPED _____

Catherine A. Polasky, Dir. of Economic 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 grant that is ultimately approved by DEED will have a 50% "local match" requirement. For private sector projects, typical sources for the required match are developer funds, governmental assistance (if any) and/or grant proceeds from sources other than DEED.

Community Impact -- Neighborhood Notification:

807 Broadway (807 Broadway St. NE; 1100, 1110 and 112 Quincy Street NE): Hillcrest Development's proposal for this site was one of several that were endorsed or supported by the Logan Park Neighborhood's 807 Broadway Task Force.

Cameron, The (756 N. 4th Street): The North Loop Neighborhood Association has issued letters of support dated August 1, 2011 and September 26, 2012.

Greenway Heights Family Housing (2845 Bloomington Ave.): Letters of support have been issued by the Midtown Phillips and East Phillips neighborhood groups (on May 19, 2011 and March 3, 2013, respectively) and by the Midtown Greenway Coalition on February 28, 2013.

Minnesota Innovation Park (445, 501 and 518 Malcolm Ave. SE; 419 and 505 29th Ave. SE): The Prospect Park East River Road Improvement Association has issued a letter of support dated June 11, 2013.

Praxis Marketplace (1256 Penn Ave. N.; 1235, 1237 & 1243 Oliver Ave. N.): The Northside Residents Redevelopment Council issued a letter of support dated June 26, 2012.

Shapco Printing Redevelopment (524 5th Street N.): United Properties made a presentation to the Planning and Zoning Committee of the North Loop Neighborhood Association on April 17, 2013.

City Goals:

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

--Livable Communities, Healthy Lives (Strategic Directions: "Equitable, Integrated Transit Systems," "High Quality, Affordable Housing")

--A City That Works (Strategic Direction: "Infrastructure — streets, bridges, sidewalks, sewers, bike lanes & paths — well-managed and maintained")

Sustainability Targets:

The projects identified herein are expected to contribute to one or more of the following targets identified in or by the City's Sustainability Initiative: Stormwater, Brownfield Sites, Lead Poisoning and Affordable Housing.

Comprehensive Plan:

The commercial projects herein are consistent with Policies 4.1.2 and 4.11.1 of the Minneapolis Plan for Sustainable Growth (adopted 10/2/09), which provide that Minneapolis will "seek out and implement long-term redevelopment projects that catalyze revitalization and private sector investment" and "enhance and maintain transportation, wastewater, green space, and other physical infrastructure to serve the needs of businesses where appropriate."

The residential projects herein are consistent with policies of the Minneapolis Plan for Sustainable Growth, including the following:

3.1.1 Support the development of new medium- and high-density housing in appropriate locations throughout the city.

3.2.1 Encourage and support housing development along commercial and community corridors, and in and near growth centers, activity centers, retail centers, transit station areas, and neighborhood commercial nodes.

3.3.3 Work to provide affordable housing for both rental and ownership markets at a broad range of income levels.

Zoning Code:

The proposed projects are either in compliance or will comply.

Living Wage/Business Subsidy Agreement: Yes__ No_X__

Job Linkage: Yes__ No_X__

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.

For the first time in several years, and due to action taken during the 2013 legislative session, this grant program currently has two sources of funding – state bond funds and a state General Fund allocation. In order to access the bond funding, a project must either (a) be constructed on publicly owned land and have a public purpose or (b) be public infrastructure associated with a private redevelopment project. However, General Fund dollars can be used for the aforementioned types of public projects and for purely private sector projects as well.

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 currently 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 insufficient 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.

DEED staff members have not specified the amount of grant funding that will be provided in this particular round. However, DEED reportedly has \$6 million in General Fund money and about \$750,000 in bond funds available, to be spread over two or three semi-annual grant rounds, which suggests that the amount available in the August 1 round could potentially be in the \$2.2-\$3.3 million range. Accordingly, Minneapolis projects will likely be competing with other metro-area projects for an amount in the \$1.1-\$1.65 million range, with Greater Minnesota projects competing for the remaining 50% of the available funding (unless

relatively few applications are received for Greater Minnesota projects, in which case "extra" funding may be available for metro-area projects).

The City's internal grant application process required developers to submit a grant assessment worksheet that included a project fact sheet with information important to the City such as jobs created or displaced and the number of affordable housing units to be constructed. The staff review also included an analysis of readiness measures, policy alignment and developer experience.

Details of Recommended Projects:

[This section of the report presents projects, in alphabetical order, that City staff are recommending for submission to DEED. The summary descriptions were based upon information provided by the developers or by others familiar with the details of the projects in question.]

807 Broadway (807 Broadway St. NE; 1100, 1110 and 112 Quincy Street NE) *Projected DEED Request: \$350,000*

This is a 5.8 acre site with six existing structures that were built between 1914 and 1971. The site was originally a lumberyard in the early 1900's. General Electric then manufactured light bulbs on the property from 1914 to about 1930. Since 1930 the property has been the Minneapolis Public Schools Educational Services Center. The developer, Hillcrest Development, plans to demolish a garage and some metal storage buildings and then convert the remaining brick structures into 170,000 square feet of commercial "creative class" office space. The total projected development cost is \$15,000,000. DEED funding is being sought to assist with the demolition of two structures, stormwater management, and lighting of pedestrian walkways/sidewalks.

The 807 Broadway site is zoned I1 with an Industrial Living Overlay District. It is classified as a light industrial and office use, which is a permitted/conditional use in the I1 district. At this point, it is not clear what land use applications will be required, though it is likely to require site plan review. In general, the project design is supportable, but there may be changes recommended by staff during the public hearing review and approval process. The development site is located on the Broadway St NE Community Corridor, as identified in The Minneapolis Plan for Sustainable Growth. The future land use map in The Minneapolis Plan for Sustainable Growth designates the site as transitional industrial which supports the proposed use. This project would be an appropriate use and would be in conformance with the comprehensive plan for land use.

Cameron, The (756 N. 4th Street) *Projected DEED Request: \$79,520*

"The Cameron" is an adaptive reuse of a former historic warehouse. Schafer Richardson intends to construct 44 affordable apartment units on this 0.68 acre site. The projected total development cost is \$10,469,271. DEED funding is being sought for the demolition of existing street, curb and sidewalks; the installation of public street lighting fixtures, pedestrian lighting, new sidewalks and curbs, new

street, and water/sanitary/storm lines; and the paving of a parking lot. The Cameron has gone through the City's development review process and has been approved by the City for affordable workforce housing and historic rehabilitation as consistent with the *North Loop Small Area Plan*.

Greenway Heights Family Housing (2845 Bloomington Ave.)

Projected DEED Request: \$200,000

Phoenix Development Co., working with PRG, Inc., intends to construct 42 units of affordable housing on a 0.62 acre lot, located adjacent to the Midtown Greenway. The projected total development cost is \$9,242,723. DEED funding is being sought for site acquisition and excavation. The Greenway Heights project requires a number of land use applications – a rezoning, two setback variances, Site Plan Review, a plat, and an alley vacation. All were approved by the City Planning Commission on June 10, 2013 and will soon be considered by the City Council. The development site is located on Bloomington Avenue, which is designated as a Community Corridor in the comprehensive plan. Detailed policy guidance for this site is provided by the Midtown Greenway Land Use and Development Plan, which calls for high-density housing on the site, consistent with what is proposed.

Minnesota Innovation Park (445, 501 and 518 Malcolm Ave. SE; 419 and 505 29th Ave. SE)

Projected DEED Request: Yet to be determined. The developer initially proposed a \$1.5 million request, but discussions between the developer and City staff are currently in progress regarding the final amount.

The developer, Wall Development Co., intends to eventually construct four buildings (98,129 sq.ft. of lab space and 147,193 sq.ft. of office space, in total) on this 12.39 acre site, representing “the four centers of excellence in Life Sciences, Energy & Cleantech, Food, and Robotics.” The overall redevelopment site includes four parcels that are already owned by the developer and one parcel that the developer intends to acquire (Factory Lumber). There are three structures on the developer-owned property (the Del Mar grain elevator complex and two Stone Lab buildings) and two buildings on the Factory Lumber site. DEED funding is being sought for the demolition of the Del Mar Grain elevator complex, which has (to date) been an impediment to the progress of the Minnesota Innovation Park [MIP] project. The projected total development cost for the four planned buildings is \$59,523,400.

The staff recommendation is that this particular DEED application be limited to the planned site of, and costs and “deliverables” (new jobs, new market value, etc.) related to, the proposed Life Sciences building. The developer has indicated that it has verbal commitments from sufficient prospective tenants to justify the construction of the Life Sciences building as the first phase of the overall MIP project, but no current leasehold commitments (verbal or otherwise) for the other three planned buildings. Inasmuch as this project was awarded a \$520,000 DEED grant in 2007 that had to be relinquished to DEED in 2011 when the project did not commence as quickly as initially predicted, and given the fact that from DEED's perspective any MIP grant application is actually a City application submitted on behalf of the MIP project, the staff recommendation is that the City Council

authorize City staff to determine the content, parameters and amount of the final application to be submitted to DEED on August 1, 2013.

The Minnesota Innovation Center site is zoned I1 and I2. It is classified as a light industrial and office use, which is a permitted/conditional use in the I1 and I2 districts. At this point, it is not clear what land use applications will be required, though it is likely to require site plan review. In general, the project design is supportable, but there may be changes recommended by staff during the public hearing review and approval process. The development site is located in the SEMI Industrial Employment District and within the Prospect Park Transit Station Area, as identified in The Minneapolis Plan for Sustainable Growth. The future land use map in The Minneapolis Plan for Sustainable Growth designates the site as industrial which supports the proposed use. This project would be an appropriate use and would be in conformance with the comprehensive plan for land use.

Praxis Marketplace (1256 Penn Ave. N.; 1235, 1237 & 1243 Oliver Ave. N.)
Projected DEED Request: \$200,000

The developer, Praxis Foods, Inc., intends to construct a new 30,000 square foot full-service grocery store with underground parking on several parcels that are currently City-owned (1.3 acres in total). The City Council awarded the developer exclusive development rights to the site through December 31, 2013 following a Request for Proposals process. Approximately 108 new full-time and 35 new part-time jobs are projected. The total projected development cost is \$7,800,000. Grant funds, if awarded, will be used for sidewalks, landscaping, lighting, stormwater management and new utility connections. The projected total development cost is \$7,800,000.

This site is zoned C2 Neighborhood Corridor Commercial District. The proposed grocery store use is permitted in the C2 District. The current proposal will require site plan review. Additional applications may be identified at the time of the land use submittal. In general, the project design is supportable, but there may be changes recommended by staff during the public hearing review and approval process. The development site is located at the southeast corner of Penn Avenue North and Plymouth Avenue North. The future land use map in The Minneapolis Plan for Sustainable Growth designates the intersection as a Neighborhood Commercial Node which supports retail sales and services that serve the surrounding neighborhood. A grocery store would be an appropriate use in a Neighborhood Commercial Node and would be in conformance with the comprehensive plan for land use.

Shapco Printing Redevelopment (524 5th Street N.)
Projected DEED Request: \$63,000

The developer, United Properties, intends to demolish the existing Shapco Printing building on this 1.21 acre site and construct a new single tenant office building that will accommodate up to 1,100 employees. The planned 8-story building will be about 250,000 square feet, with one level of underground parking. The projected total development cost is \$56,900,000. Grant funds, if awarded, will be used for the demolition of the existing printing building.

The development site is located along 5th St N between 5th and 6th Aves N in the North Loop neighborhood. The future land use map in The Minneapolis Plan for Sustainable Growth designates the area as Mixed Use, and it is within the Interchange Transit Station Area (TSA). Office is an appropriate use in this area. While the project is still conceptual, the development proposal as written seems to be consistent with policies in the *North Loop Small Area Plan* and the current zoning. No development review process has yet occurred.

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RESOLUTION of the CITY OF MINNEAPOLIS

Authorizing Applications to the Minnesota Department of Employment and Economic Development [DEED] Redevelopment Grant Program for the following projects: 807 Broadway, The Cameron, Greenway Heights Family Housing, Minnesota Innovation Park, Praxis Marketplace, and Shapco Printing Redevelopment.

BE IT RESOLVED by the City Council of the City of Minneapolis:

That the City of Minneapolis (City) has approved the following Redevelopment Grant applications to be submitted to the Minnesota Department of Employment and Economic Development (DEED) on or by August 1, 2013: 807 Broadway, The Cameron, Greenway Heights Family Housing, Minnesota Innovation Park, Praxis Marketplace, and Shapco Printing Redevelopment.

BE IT FURTHER RESOLVED that the City act as the legal sponsor for the projects contained in the Redevelopment Grant applications to be submitted to DEED on or by August 1, 2013 and that the Director of the Department of Community Planning and Economic Development (or his designee) is hereby authorized to apply to DEED for funding of the aforementioned projects on behalf of the City.

BE IT FURTHER RESOLVED that the City has the legal authority to apply for financial assistance, and the institutional, managerial and financial capacity to ensure adequate project administration.

BE IT FURTHER RESOLVED that the sources and amounts of the local matches identified in the applications are committed to the identified projects.

BE IT FURTHER RESOLVED that 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.

BE IT FURTHER RESOLVED that upon approval of its applications by the state and acceptance by the City Council, the City of Minneapolis may enter into agreements with the State of Minnesota for the above-referenced projects and the City certifies that it will comply with all applicable laws and regulations as stated in said agreements.

BE IT FINALLY RESOLVED that upon approval of its applications by the state and acceptance by the City Council, the Finance Officer or his designee will be authorized to execute any agreements that may be necessary to implement the projects.