

Community Development Committee

Meeting date: April 17, 2017

Subject: City of Minneapolis request for a Project Change to the TBRA Grant, Leef Park, Grant No. SG-01957

District(s), Member(s): 7 – Gary Cunningham

Policy/Legal Reference: 473.252

Staff Prepared/Presented: Paul Burns, Manager, Livable Communities (651-602-1106)

Division/Department: Community Development/Livable Communities

Proposed Action

That the Metropolitan Council (1) approve a project change and term extension for the Tax Base Revitalization Account grant for the *Leef Park* project in the City of Minneapolis; and (2) authorize the Community Development Director to execute an amendment to Grant No. SG-01957 reflecting the change.

Background

Because Livable Communities grants are awarded competitively, guidelines established by the Community Development Committee (CDC) require that projects undergoing significant changes obtain CDC approval to retain their grants. For TBRA grants, a project change is considered significant if the original project is replaced with a completely different project. The original project proposed for Leef Park was replaced with a completely new project and therefore needs approval by the CDC.

The City was awarded a \$641,000 Tax Base Revitalization Account (TBRA) grant in 2014 for environmental investigation, asbestos abatement, lead-based paint abatement, soil remediation, and soil vapor mitigation. The project as originally proposed included 60 condominiums of which 13 would be affordable at 60% AMI (22% of the units). The original developer was unable to deliver the proposed project, and a new developer has now purchased the property. The City submitted a request for a change of project to the Metropolitan Council on March 29th (see attached request letter).

The new developer's proposal includes 105 apartments, 82 of which will be affordable at 60% AMI (78% of the units). Over 50,000 feet of "creative" office space will also be included which will bring an estimated 200 FTEs to the site (though it is currently unclear how many of the jobs will be new or relocated from elsewhere in the region.) Abatement is planned to begin in June of 2017 with construction to begin in September. Although an extension was not requested, staff recommends a one-year extension to better ensure construction will commence during the grant term.

Rationale

Livable Communities staff analyzed the impact of project changes in part by estimating how the 2014 application would have scored using the new project scope. Rescoring the project using the approved 2014 evaluation criteria for TBRA grant applications with the current proposed number of housing units, number of jobs and estimated net tax capacity increase shows the new proposed project would have scored better than the original project and therefore would have been recommended for funding in the 2014 grant round.

Thrive Lens Analysis

This project is located in an area of concentrated poverty. By redeveloping a contaminated site and buildings with a project that will bring additional mixed-

income housing units, and commercial space that will bring jobs to the area, the new project will help achieve a better mix of jobs and housing opportunities to the area.

Funding

There is no impact to funding.

Known Support / Opposition

The City is supportive of the project, and there is no known opposition.

March 29, 2017

Josiah Waderich
Livable Communities Program
Metropolitan Council
390 Robert Street
St. Paul, MN 55101-1805

RE: Request to Amend Project Summary for SG-01957 Leef Park (212 James Avenue North, Minneapolis)

Dear Josiah,

On behalf of the City of Minneapolis, I am requesting an amendment to the Project Summary for TBRA Grant Agreement SG-01957 for the Leef Park project. Funds were awarded (\$641,000) during the November 2014 funding round. The original developer was unable to deliver the proposed project. Another developer has purchased the Leef Services property holdings (which are larger than the 212 James site and will be redeveloped in future phases) and is well on their way to securing approvals and financing for a project at 212 James that is not only stronger by every metric test of significance to the Livable Communities Tax Base Revitalization Account (TBRA) program, but will also more thoroughly address the contamination issues present at the site.

Background

On November 1, 2014, the developer on whose behalf the City applied for grant funds, Abdo Marketplace, had a purchase agreement for the property, and was finalizing development plans and identifying various construction financing options (Section I-E-1.) for their project. The Proposed Redevelopment (Section I-D-1.) stated, *"The project will consist of first repositioning the existing 88,000 sq ft building to (sic) 60 for sale condominiums (Phase 1), 13 of which are expected to be affordable. This will be followed by further development of the surrounding properties into more, varied residential, with the potential for a retail component, thereby creating a cohesive community. Design, number and type of residential units in Phase 2 TBD."*

City staff discussed the project with Abdo representatives at least every three months. Quarterly reports filed with Livable Communities for the project disclosed the growing issues:

- March 31, 2015 – soils may be structurally unsuitable to support the additional structure planned for the project
- September 30, 2015 – the developer will be opening the footings inside the building in late October, after which they will finalize the project design and costs. The developer hopes to make a "go-no-go" decision by the end of November 2015.
- December 31, 2015 – with some significant effort, City staff learn that Abdo has lost site control. *"We are trying to learn more about the new prospective buyer and their intentions to redevelop the site. If the intended reuse will also be mixed-income housing, we may request that the grant funds remain with the site."*
- By June 30, 2016, we reported, *"Wellington Management, in partnership with Artspace, plans to develop 80-100 units of housing, of which 25-30 units will be affordable, with underground parking and a courtyard. The north half of the Leef Services, building, which is in very poor repair and creates an attractive nuisance for neighborhood children, will soon be demolished. The remainder of the building will be renovated into ~52,000 square feet of office creative commercial space. Wellington hopes for a May 2017 construction start."*

Market 212, an entity under common control with Wellington Management, Inc., purchased the project site and surrounding parcels on July 1, 2016. City and Wellington Management staff have been discussing the proposed new project (now known as “Leef Project”) with Livable Communities staff since July 2016. Marcus Martin advised City staff to provide a copy of the Response Action Plan (RAP) for the new project. The RAP was submitted to the MPCA on August 31, 2016, and on October 31, 2016, the MPCA issued a letter approving the Response Action Plan. These materials have been provided to Livable Communities staff. The environmental consultant (Nova) is working on a further revision to the RAP to allow for a more innovative and complete groundwater remediation solution. A side-by-side comparison of the Abdo RAP and the revised RAP is included with this request.

Since July 2016, Wellington and Artspace have entered into a letter of intent and are in the final stages of negotiating a purchase and sale agreement, which is expected to be executed by mid-April 2017. Both developers have been working on their own architectural and financing plans. It took several months for this work to mature to the stage where it could be reliably shared with Livable Communities staff, and City staff presented these materials, which will be discussed further in this letter, to Livable Communities staff at the Metropolitan Council offices on March 2, 2017. The Currie Market commercial project and Artspace Leef North Lofts apartment project were jointly submitted to the City for preliminary design review on December 29, 2016, and the final Site Plan Application was submitted in late-January 2017. The horizontal mixed-use, planned-unit development proposal was heard by the Minneapolis Planning Commission on March 20, 2017, and was unanimously approved. Both projects have secured neighborhood support.

Significant Changes

The Wellington/Artspace proposal for redevelopment of the former Leef Services site will trigger a finding of Significant Change.

Redevelopment Metrics:	ORIGINAL PROPOSAL	CURRENT PROPOSAL	
Renovated sq ft	88,000	50,000	North structure to be demolished Apartment building on north parcel Up to 110 units
New construction sq ft	n/a	178,997	
Total housing units	60	105	
Housing type	Condos	Apartments	
Total market rate housing units	47	23	
Total affordable housing units	13	82	
# change in market rate units		(24)	
# change in affordable units		69	
% of units affordable	22%	78%	
Commercial sq ft	0	55,505	It is likely that some of the commercial jobs will be retained (relocated).
Jobs (FTEs) retained	0	0	
Jobs (FTEs) created	1	201	
# change in jobs retained/created		200	
Net tax capacity (NTC) increase	\$125,750	\$298,367	
Est % change in NTC increase			137%
Est \$ change in NTC increase			\$172,617
Tons of contaminated soil removed Soil Remediation - disposal in lined cell (5,824 Tons @ \$40/Ton)	5,824	5,824	Location of the former UST
Soil Remediation (Daily Cover) (6,976 Tons @ \$25/Ton) May 1, 2017 DEED Request	0	6,976	Estimate based on existing topography and new development grading plan. Current RAP approval letter requires export of excavated soils with PID readings above background, creating additional volume for export.

Description of project funded by the grantors: Development of 47 market-rate condominiums and 13 affordable condominiums with surface parking in development phase 1 (additional housing and potentially retail will be considered for phase 2). RAP included active sub-slab vapor depressurization system and groundwater soil vapor extraction.

Current revised proposal for redevelopment: Wellington Management (commercial) and Artspace (housing) will develop different sections of the site. Wellington proposes to renovate the south portion of the building into 50,000 square feet of creative office space. Artspace proposes to demolish the north building and construct up to 110 units of apartment housing, of which 82 will be affordable at 60% AMI and 28 will be market rate. Employment at the site is estimated at ~200, but it is not known at this time how many of those FTEs will be relocated and how many will be newly-created.

Current revised proposal for cleanup & groundwater management:

Soil Remediation: The primary change to soil remediation work is the volume required for the modified development plan; RAP components for managing the soil are similar between the two plans. A grant application will be submitted to DEED on May 1, 2017 seeking funds to remediate an additional 6,976 tons of contaminated soil.

Vapor Mitigation (Residential): Vapor mitigation for the previously funded project and the proposed residential project is similar (sub-slab depressurization system (SSDS)), but it will cost less to install the system in new construction rather than as a building retrofit.

Vapor Mitigation (Commercial): Additional investigations revealed high water table elevations below the commercial building, so SSDS was abandoned, and an above-slab vapor mitigation system consisting of (i) Retro-Coat vapor barrier membrane and (ii) modifications to the HVAC system to create a slight positive pressure within the building are now proposed. A basis of design document or RAP Addendum with the proposed commercial building system HVAC modifications is required per the MPCA RAP approval of the current (Nova) RAP.

SVE Groundwater Remediation/Monitoring: One of the major changes in the current RAP vs. the previously approved RAP is the approach to treating the groundwater contamination. The previously approved RAP proposed a soil vapor extraction (SVE) system, whereas the current RAP proposes in-situ chemical oxidation. Wellington's environmental consultant recommends in-situ chemical oxidation due to the following benefits: (i) lower overall cost of treatment compared to SVE and no on-going system O&M - which we believe is important since the reprogrammed site has a much higher density of affordable units and structural constraints on operating costs because it is primarily an affordable housing project, and (ii) in-situ chemical oxidation is estimated to treat the groundwater vapors more quickly compared to the estimated 2-year operation of the SVE system (because the space marketed and targeted to families we believe it is important to install a treatment system that will provide efficient delivery and remedy).

Wellington Management has already invested in the remediation and cleanup of the 212 James building. Nova Consulting performed additional investigation and hazardous materials survey work in 2016 and prepared a new RAP, which will be added upon approval of the proposed groundwater remediation plan. We will be seeking additional cleanup funds for the revised project from DEED in May, and are considering a 2017 application to the LCDA program for site improvements as well. The project will be submitted under the moniker "Leef Project". Therefore, should our request to amend the Project Summary for SG-01957 be approved, we request that the project name be changed to Leef Project if possible.

Additional materials are being provided which you may find helpful:

- Budget Comparison – Abdo Marketplace vs. Currie Market Lofts RAP Implementation Costs
- Project Schedule
- Soil boring maps and vapor mitigation system map
- Current site photos and renderings for proposed redevelopment of 212 James Avenue North
- Bassett Creek Valley Redevelopment Oversight Committee letter of support
- Harrison Neighborhood Association letter of support

If you have questions about any of these materials, or believe you are missing information, please contact me at (612) 673-5129 and I will make sure you get the information you need. Thank you for meeting with us earlier this month, and for considering our request to amend the grant agreement.

Sincerely,



Paula Mazzacano
Development Grants Coordinator

Cc: Andrea Brennan, CPED
Casey Dzieweczynski, CPED

Enclosures