

Community Development Committee

Meeting date: June 17, 2013

For the Metropolitan Council meeting of June 26, 2013

Subject: LCA Tax Base Revitalization Account (TBRA) Grant Recommendations

District(s), Member(s): All

Policy/Legal Reference: Livable Communities Act, Minnesota Statutes §473.25

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Division/Department: Community Development/Housing & Livable Communities

Proposed Action

That the Metropolitan Council: (1) award 10 Tax Base Revitalization Account grants as recommended below; and (2) authorize its Community Development Division Director to execute the grant agreements on behalf of the Council.

Projects recommended for May 2013 TBRA funding cycle:	Recommended amount
Contamination Site Investigation	
Minneapolis - Thorp Building	\$24,300
Ramsey - Old Municipal Center	\$14,800
Contamination Cleanup	
Edina - Pentagon Park North Phase II	\$535,100
Minneapolis - Praxis Marketplace	\$179,300
Minneapolis - Shapco Printing	\$487,400
Minneapolis - Velo Flats	\$108,200
New Hope - Winnetka Learning Center	\$200,000
Saint Paul - 324 Johnson	\$719,400
Saint Paul - Hamm's	\$124,600
Saint Paul - Old Home Plaza	\$106,900
TOTAL	\$2,500,000

Background

The TBRA is one of three active accounts established by the Livable Communities Act (Minnesota Statutes §473.25). The TBRA awards grants for the cleanup and redevelopment of contaminated land and buildings. The funding recommendations proposed are evaluated based on criteria adopted annually by the Metropolitan Council as part of the Livable Communities Fund Distribution Plan (see http://www.metrocouncil.org/Council-Meetings/Committees/Metropolitan-Council/2013/3-27-13/0327_2013_91.aspx). Funding totaling over \$92M has been awarded since the start of the grant program in 1996.

Rationale

Contamination cleanup grants are awarded based on the consistency of the recommended proposals with the Metropolitan Livable Communities Act and the Council's development goals indicated in the 2030 Regional Development Framework. Each of the recommended proposals received in the May funding cycle implements Council policy by working with local

communities to accommodate growth in a flexible, connected, and efficient manner. All of the recommended projects are in accordance with guidelines established in the 2013 Livable Communities Fund Distribution Plan adopted in March.

Funding

The 2013 Livable Communities Fund Distribution Plan approved \$5M for TBRA awards including up to \$125,000 for the contamination investigation category. The plan approved two funding cycles offering both cleanup and investigation grant categories. Based on this schedule, half of the funds are reserved for the first cycle and half for the later cycle. This is the first TBRA application cycle for 2013.

The Livable Communities Act legislation provides limits on the amount of funding that can go to cities of the first class (Minneapolis and St. Paul) when competition for the funds exceeds requests. The TBRA received just over \$3M in requests from six communities on May 1. Funding was recommended based on the eligible request amount for the projects that best met the TBRA criteria adopted in the Livable Communities Fund Distribution Plan.

The Livable Communities Act requires that no more than three-quarters of the TBRA funding (\$1,875,000) be awarded to cities of the first class (Minneapolis and Saint Paul) and no more than half of the funding (\$1,250,000) be awarded to a single city if the eligible requests for funding exceed the amount available.

The highest cumulative total grant request amount from a single city (Saint Paul) did not exceed the 50% limit on the funding available. The combined total request amounts from Minneapolis and Saint Paul also did not exceed the 75% limit on funding available. In most cases, the recommended award amounts are slightly less than the requested amounts. Thus, the recommended awards are also below the statutory funding limits.

Known Support / Opposition

Resolutions endorsing each of the applications submitted were received from the respective cities. No documented opposition to any of the proposed projects was presented to staff during the application review process.

Background

The following table shows the history of TBRA funding. The first column shows the expected accomplishments from the start of the TBRA program in 1996 through the November 2012 TBRA funding cycle. The second column shows the expected accomplishments for the May 2013 TBRA grant cycle if this recommendation is approved. (Expected private investment, tax base increase, acres cleaned and jobs are listed for contamination cleanup applications only. TBRA-TOD funding provided starting in 2011 is excluded.) The last column combines both previous TBRA accomplishments and proposed May 2013 TBRA accomplishments.

Table 1: History of TBRA Funding

	1996- Nov 2012	May 2013 Recommendation	Total 1996- May 2013
# Communities Funded*	45	5	45
# TBRA Grants	346	10	356
TBRA Awards	\$92,464,806	\$2,500,000	\$94,964,806
Expected Private Investment	\$5,584,978,888	\$116,792,264	\$5,701,771,152
Anticipated Tax Base Increase	\$89,690,135	\$1,625,975	\$91,316,110
Acres cleaned	2,075	28	2,103
Jobs (new & retained)	39,019	1,766	40,785
Affordable Housing Units	5,161	168	5,329

* Represents the number of LCA-participant communities that have received TBRA funding.

May 2013 Application Summary

The Council issued a notice in March that grant funds were available in May. An 1,625,975 applicant workshop was held with the Department of Employment and Economic Development (DEED), Hennepin County and Ramsey County in March. The TBRA funding available is \$2,500,000 for the May 2013 cycle. The funds are from a portion of the Metropolitan Council's tax levy. Twelve applications were received this May requesting a total of \$3M in grant funding. The funds available could fund 81% of the total amount requested. However, individual applicants may apply to more than one of the grantors cited above for a single project. Regardless of the amount requested, proposed projects must meet all of the eligibility criteria in order to be considered for funding.

Eligibility and Review Process

The applications were evaluated based on criteria set in the Livable Communities Fund Distribution Plan adopted by the Metropolitan Council in March. The criteria include the projected increase in tax base, increase in jobs, anticipated wage levels, the amount of environmental risk and threats to health and corresponding improvement upon completion, market demand, how the project helps implement Framework 2030 policies and support regional systems (e.g., accommodating growth through increased redevelopment density, providing housing choices, multimodal transportation, support for regional parks and trails and efficient storm water management), partnerships and the housing performance score of the city where the project is located.

Points were assigned to each project based on how well it met the TBRA criteria. Contamination cleanup projects have a total of 150 points. Cleanup site investigation projects

have a total of 75 points. The point assignments were determined and reviewed by the TBRA coordinator and Community Development Division management. Table 3 (on page 6) lists applications recommended for funding in descending rank order based on the points assigned.

Council staff from Environmental Services, Transportation, Regional Parks, and Local Planning Assistance reviewed the applications and found the projects mostly consistent with Council plans and policies. Some of the projects, as described in the TBRA application, will require comprehensive plan amendments.

Applicant information was evaluated with the other brownfield funding partners in the metro area including DEED, Hennepin County and Ramsey County. Questions about the information provided were clarified with applicant city staff and/or the technical consultants who helped prepare the application. Project budgets were reviewed to determine if all of the requested expenses are eligible and reasonable for TBRA grants. In this funding cycle, some of the requested funds were determined ineligible, so in some cases the eligible amount is less than the originally requested amount. The reductions are reflected in the total recommended grant amounts for each applicant, where applicable.

Demonstrated Need for TBRA Funding

Eligible requests need to demonstrate that TBRA funding is essential for the project to be completed as proposed. This determination is made by reviewing the applications, verifying the data and gaining input from the various partners.

For requests for cleanup assistance, the first measure that is considered is a comparison of the amount of the eligible cleanup funding requested to the overall project costs. Where the cleanup costs are one percent or less than the total development costs, it is expected that the cleanup cost can be reasonably absorbed in the development costs without Council assistance. The eligible cleanup costs for all of the applicants in the May 2013 round were over one percent of the project costs and were thus considered a significant barrier to development.

The second measure considered is the amount of funding available from other public and private sources to conduct the environmental work. Subsequently, a determination is made if the project, as proposed, will proceed without (“but for”) Council funding. All the projects recommended for cleanup site investigation and contamination cleanup funding met the “but for” criteria.

Partner Funding

Other sources of public funding to investigate and clean up contaminated sites are available in addition to TBRA funding. The Council has the discretion to make up for shortfalls from other funding partners using Council evaluation criteria and limiting awards to TBRA-eligible cleanup expenses. The TBRA recommendations take into consideration the funding recommendations by the partners but the TBRA recommendations are not dependent on the decisions of the other funding partners.

The following table shows which applications made requests to the Metropolitan Council and other funding partners providing environmental investigation and cleanup funding.

Table 2: TBRA Funding Requests by Project and Grantor May 2013:

Applicant Project	Metropolitan Council	DEED	Hennepin County
Edina - Pentagon Park North Phase II	•		
Minneapolis - Praxis Marketplace	•	•	•
Minneapolis - Shapco Printing	•	•	•
Minneapolis - Thorp Building	•	•	•
Minneapolis - Velo Flats	•	•	
New Hope - Winnetka Learning Center	•		
Ramsey - Old Municipal Center	•		
Saint Louis Park EDA - Eliot Park Apartments	•		
Saint Paul - 324 Johnson	•		
Saint Paul - Hamm's	•		
Saint Paul - Old Home Plaza	•	•	
Saint Paul Port Authority - Phalen Park Office Center	•		

Applications are still under review by the funding partners. Grant awards from DEED and Hennepin County are expected to be made in late June.

Contaminant-specific funding is available in some instances for soil impacted by petroleum and drycleaner solvents from the Minnesota Department of Commerce and the MPCA, respectively. TBRA grant recommendations have taken into account funding expected from other sources.

Project Ranking

Projects are listed by evaluation point totals in descending order in Table 3 below. Ten projects are recommended for funding. More detailed information for each project related to the use of the funds and the expected project results is provided starting on page 9 of this memo.

Table 3
Tax Base Revitalization Account
May 2013 Ranking and Funding Recommendations

Rank	City - Project Name	Score	TBRA Request	Total Eligible Costs	Recommended Funding*
Contamination Cleanup Grant Applications					
1	Minneapolis - Velo Flats	120	\$108,256	\$802,560	\$108,200
2	Minneapolis - Shapco Printing	112	\$487,460	\$1,124,400	\$487,400
3	Saint Paul - Old Home Plaza	97	\$106,939	\$419,737	\$106,900
4	Minneapolis - Praxis Marketplace	91	\$179,320	\$515,532	\$179,300
5	Saint Paul - 324 Johnson	88	\$719,455	\$719,455	\$719,400
6	Saint Paul - Hamm's	84	\$131,302	\$124,690	\$124,600
6	New Hope - Winnetka Learning Center	83	\$200,000	\$202,276	\$200,000
8	Edina - Pentagon Park North Phase II	81	\$568,152	\$546,781	\$535,100
9	Saint Paul Port Authority - Phalen Park Office Center	75	\$200,000	\$200,000	\$0
10	Saint Louis Park EDA - Eliot Park Apartments **	71	\$322,470	\$0	NA
Cleanup Site Investigation Grant Applications					
Rank	City - Project Name	Score	TBRA Request	Total Eligible Costs [^]	Recommended Funding*
1	Minneapolis - Thorp Building	35	\$24,375	\$24,375	\$24,300
2	Ramsey - Old Municipal Center	31	\$14,821	\$14,821	\$14,800
TOTAL Recommended Balance					\$2,500,000 \$0

(Shading indicates applicants not recommended for funding)

[^] Eligible grant costs listed for investigations exclude 25% matching fund requirement

* Recommended funds are rounded down to the nearest \$100.

** Applicant did not meet required minimum score.

Additional Review Considerations

Additional funding distribution constraints are listed in Table 4 below.

The Livable Communities Act legislation provides limits on the amount of funding that can go to cities of the first class (Minneapolis and St. Paul) when competition for the funds exceeds funding available. The TBRA received just over \$3M in requests from 6 communities on May 1. The amount of funding available to be awarded in this funding cycle is \$2,500,000.

The Livable Communities Act requires that no more than three-quarters of the TBRA funding (\$1,875,000) be awarded to cities of the first class (Minneapolis and Saint Paul) and no more than half of the funding (\$1,250,000) be awarded to a single city if the eligible requests for funding exceed the amount available.

The highest cumulative total grant request amount from a single city (Saint Paul) did not exceed the 50% limit on the funding available. The combined total request amounts from Minneapolis and Saint Paul also did not exceed the 75% limit on funding available. In most cases, the recommended award amounts are slightly less than the requested amounts. Thus, the recommended awards are also below the statutory funding limits.

Table 4
Tax Base Revitalization Account
Livable Communities Funding Recommendation May 2013

Communities	Recommendation	Percentage of Recommended Funding
Suburban	\$749,900	70%
Cities of the first class (Minneapolis and St. Paul)	\$1,750,100	30%
Total	\$2,500,000	100% of total available
Balance	\$0	
City with the largest cumulative funding recommendation: Saint Paul	\$950,900	38% of total amount available

Projects Not Recommended for TBRA Funding

Saint Paul Port Authority, Phalen Park Office Center (75 points) – The applicant is requesting \$200,000 in TBRA for asbestos abatement and lead-based paint abatement of a vacant office building on a 5.6-acre commercial site. Due to the low evaluation score the proposed project was not considered a high enough priority for funding.

Projects Not Eligible for TBRA Funding

Saint Louis Park EDA, Eliot Park Apartments (71 points) – The applicant is requesting \$322,470 in TBRA for environmental investigation, asbestos abatement and lead-based paint abatement a 5.25-acre institutional site. Due to the low evaluation score the project did not meet the minimum score (75 points) required to be recommended for funding.

Projects Recommended for TBRA Funding

Following is a summary of each project recommended for funding, listed alphabetically by applicant and grant type. The grant-funded activities for each of the projects are expected to be completed within the grant term. At a minimum, each redevelopment project facilitated by the grant must commence construction within the grant term (i.e., 3 years for cleanup grants). Recommended funds are rounded down to the nearest \$100. For investigation applicants, grant amounts recommended exclude the 25% in required matching funds to be contributed by other public or private partners. It is possible that not all of the total estimated cleanup costs submitted in an application are eligible for reimbursement due to the responsibility by the individual or organization that caused the pollution, the type of contamination, the date the costs were incurred, costs that are not part of an RAP approved by the MPCA or Minnesota Department of Agriculture (when applicable), ineligibility according

to our grant administration guidelines or insufficient documentation of the proposed costs. For evaluation purposes, private investment is limited to redevelopment costs excluding land value or acquisition costs. Increases in the annual net tax capacity were calculated using a comparison of the net tax capacity assessed in 2013 with the future estimated net tax capacity for improvements that will be completed within a three-year grant term. Full-time equivalent jobs are based on the number of full-time and part-time hours divided by a 40-hour work week.

Project Summary

Applicant: Ramsey Type: Contamination Investigation
 Project Name: Old Municipal Center
 Project Location: 15153 Nowthen Boulevard NW, Ramsey
 Council District: 9 – Edward Reynoso

Request and Contaminant Summary:

The applicant is requesting \$14,821 in TBRA funding for an environmental site investigation. Investigation activities will include a Phase I environmental site assessment, Phase II environmental site assessment, a hazardous materials survey, an asbestos abatement plan and development of a response action plan on a 21.3-acre site formerly used as a municipal center. The site is made up of two properties. One property has two buildings totaling approximately 16,000 square feet partially occupied by a temporary fire station. The other property is a vacant lot. Potential contaminants of concern identified include petroleum impacts from a former fuel oil underground storage tank, trench drains connected to oil/water separators and contaminated fill soils on the site as well as asbestos in the existing buildings.

Funding:

Total Estimated Investigation Cost	\$21,842
Amount Requested	\$14,821
Amount Recommended	\$14,800
Use of Funds	Phase I environmental site assessment, Phase II environmental site assessment, a hazardous materials survey, an asbestos abatement plan and development of a response action plan (Costs for the Phase I ESA and hazardous materials survey incurred prior to the date of grant award but within 180 days of the application date may be used for grant matching purposes only.)

Deliverables:

Potential future benefits include the development of 47 single-family homes. All of the homes will be for sale.

Projected Increase in annual net tax capacity	\$76,329
Jobs	0 FTE
Affordable housing	0 units

Development Timeline:

Task	Start Date	End Date
Phase I environmental site assessment, Phase II environmental site assessment, a hazardous materials survey, an asbestos abatement plan and development of a response action plan (RAP) for approval by MPCA. [Projects using TBRA funding for soil or ground water environmental investigation must submit a Phase II Investigation Work Plan to the MPCA for review <u>prior</u> to conducting the Phase II Environmental Site Assessment.]		On or before 6/30/2014

Project Summary

Applicant: Edina Type: Contamination Cleanup
 Project Name: Pentagon Park North Phase II
 Project Location: 4640 and 4660 77th Street West, 7600 Parklawn Avenue, Edina
 Council District: 5 – Steve Elkins

Request and Contaminant Summary:

The applicant is requesting \$568,152 in TBRA funding for asbestos abatement and lead-based paint abatement of three low-rise office buildings on a 10.7-acre site. Two of the buildings have been vacant for four years and the third building is 75% vacant. The contaminants of concern identified include lead-based paint and asbestos within the existing buildings. (Contamination cleanup funding previously awarded for a previous development phase of the project includes \$568,000 from TBRA for asbestos and lead-based paint abatement in fall 2012 funding cycle.)

Funding:

Total Eligible Cleanup Cost	\$546,781
Amount Requested	\$568,152
Amount Recommended	\$535,100
Use of Funds	Asbestos abatement and lead-based paint abatement (Activities incurred before the date of grant award are not eligible for TBRA funding. Prior abatement surveys are not eligible for grant reimbursement.)

Deliverables:

Expected benefits include the renovation of the three existing buildings into approximately 199,000 square feet of Class B-C office space.

Increase in annual net tax capacity	\$213,550
Jobs	595 FTE
Affordable housing	NA

Development Timeline:

Task	Start Date	End Date
Complete asbestos abatement and lead-based paint abatement.		On or before 6/30/2016
Begin renovation of existing office space.	On or before 6/30/2016	

