

C Community Development Committee
Meeting date: January 4, 2010

ADVISORY INFORMATION	
Date:	December 30, 2009
Subject:	Tax Base Revitalization Account (TBRA) Funding Recommendations
District(s), Member(s):	Council District 7, Annette Meeks Council District 8, Lynette Wittsack Council District 13, Rick Aguilar
Policy/Legal Reference:	Livable Communities Act, Minnesota Statutes §473.25
Staff Prepared/Presented:	Marcus Martin, Senior Planner, 651/602-1054 Paul Burns, Manager, 651/602-1106 Beth Reetz, Director, Housing and Livable Communities, 651/602-1060
Division/Department:	Housing & Livable Communities/Community Development

Proposed Action

That the Metropolitan Council award three (3) Tax Base Revitalization Account (TBRA) grants as follows:

Projects recommended for Fall 2009 TBRA funding	Recommended amount
Minneapolis – Lyndale Green*	\$170,000
Minneapolis – Walker Apartments*	\$258,500
Saint Paul – Renaissance Box II*	\$21,500
Total	\$450,000

* Applicant has requested to use the grant as a loan to a sub-grant recipient. If the Metropolitan Council approves an action to allow this practice, the grant agreement will include the required provisions.

Background

The Tax Base Revitalization Account awards grants for the cleanup of contaminated land and buildings. Funding totaling over \$74M has been awarded since the grant program's inception in 1996.

Rationale

Contamination cleanup grants are awarded based on the consistency of the recommended proposals with the Council's development goals indicated in the *2030 Regional Development Framework* and the Metropolitan Livable Communities Act. Each of the recommended proposals received in the fall funding cycle implements Council policy to work with local communities to accommodate growth in a flexible, connected,

and efficient manner. They are all redevelopment proposals; therefore the 2030 strategies for the “developed communities” are particularly applicable. The grant evaluation process, rankings, criteria and site details are explained in the Review Record attached.

Funding

Funding for TBRA grants comes from an annual levy capped at \$5,000,000. The amount of money available is typically awarded in two funding cycles each year. However, this is the only funding cycle in 2009. A total of \$3,000,000 is available to be awarded for the fall 2009 TBRA funding cycle.

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.

Review Record

Fall 2009 Funding Process

Background

Significant accomplishments are anticipated from current and previous funding. The following table shows the history of TBRA funding. The first column shows the expected accomplishments from the inception of the TBRA program in 1996 through the spring 2008 TBRA funding cycle. The second column shows what the accomplishments would be for the fall 2009 TBRA grant cycle if this recommendation is approved. The last column combines both previous TBRA accomplishments and proposed fall 2009 TBRA accomplishments.

	1996-Fall 2008	Fall 2009 Recommendation	Total 1996- 2009
# Communities Funded	38	2	38*
# Grants	263	3	266
TBRA Awards	\$77,519,106	\$450,000	\$77,969,106
Private Investment	\$4,317,583,351	\$34,866,793	\$4,352,450,144
Tax Base Increase	\$79,898,472	\$128,503	\$80,026,975
Acres cleaned	1,824	1.7	1,826
Jobs (new & retained)	34,143	39	34,182

* Represents the number of unique communities that have received TBRA funding. The applicants recommended for funding in 2009 are located in communities that have previously been awarded TBRA funding.

Fall 2009 Application Summary

The Council issued a notice in August that grant funds were available in November and held an applicant workshop collaboratively with the Department of Employment and Economic Development (DEED), Minnesota Pollution Control Agency (MPCA), Hennepin County, Ramsey County, Department of Agriculture and the Department of Commerce. The TBRA funding available is \$3,000,000 for the fall 2009 cycle. The funds are from the TBRA levy. Six applications were received this fall requesting \$1,205,005 in grant funding. The funds available could fund 100% of the total amount of funds requested. 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

In order to be eligible for TBRA funding proposed projects must:

Review Record

- be located within a Livable Communities Act participant community
- require little or no new regional infrastructure
- be consistent with the municipality's comprehensive plan or making significant progress on the required amendments to the plan
- submit a resolution of support from the municipality or development authority
- demonstrate a need for Council funding for the project to proceed
- demonstrate grant-eligible cleanup costs are equal to over 1% of the total project costs
- score a minimum of 40% (60 points) of the total points available to be awarded (150 points)
- have a Response Action Plan (RAP) approved by the MPCA and/or a hazardous materials survey conducted by inspectors licensed by the Minnesota Department of Health (MDH) that corresponds to the cleanup activities requested

In addition, if a project includes housing, it must include an affordable housing component within the proposed development.

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 may require comprehensive plan amendments to be in compliance with the guided land use indicated by applicant cities in recent updates to their decennial municipal comprehensive plans.

Applicant information was evaluated with the other brownfield funding partners in the metro area including DEED and Hennepin County (Ramsey County did not receive any applications this cycle that also requested funding from the Metropolitan Council). Questions about the information provided were clarified with city staff and/or the technical consultants that helped prepare the application. Project budgets were reviewed to determine if all of the requested expenses are eligible for TBRA grants. In this funding cycle, some of the requested funds were determined ineligible, so in some cases the amount that is eligible is less than the originally requested amount. In addition, some of the applicants also requested funding for the same expenses from other funders. Duplicative costs recommended for funding by other grantors have been subtracted from the grant requests to the Metropolitan Council. The reductions are included in the total recommended grant amounts for each applicant where applicable.

Demonstrated Need for TBRA Funding – The “but for” Requirement

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.

Review Record

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 clean up costs one-percent or less than the total project costs, it is expected that the clean up cost can be reasonably absorbed in the project costs without Council assistance. The eligible cleanup costs for all of the applicants in the fall 2009 round were over 1% of the project costs and were thus considered a significant barrier to development.

The second measure is the amount of funding available from other public and private sources to conduct the cleanup. Subsequently, a determination is made if the project as proposed will proceed "but for" Council funding. One cleanup project is likely to proceed without the need for Council funding because adequate funding is available from other sources (Whittier Cooperative).

Project Ranking

The funding recommendations were evaluated based on Council-adopted criteria as part of the Livable Communities Distribution Report in June relating to the projected increase in tax base, increase in jobs, anticipated wage levels, proximity to jobs, the amount of environmental risk and threats to health, project density, market demand, how the project helps implement Framework 2030 policies and support regional systems, efficiency (e.g., use of transportation demand management, efficient storm water and energy management techniques), partnerships, the need for supplemental funding to a previously awarded TBRA grant and the housing performance score of the city where the project is located.

Up to ten points are awarded to a project based upon the Housing Performance Score of the applicant city or county. Applications that involve cleanup to facilitate an affordable housing development receive their own community's score or the average score of all applicant communities, whichever is higher. Applications not involving cleanup to facilitate affordable housing receive their own Housing Performance Score.

Points were assigned to each project based on how well it met the TBRA criteria. The total possible points assigned per project are 150 points. The point assignments were reviewed and determined by the TBRA coordinator, other Livable Communities staff and management. Table 1 (on page 8) lists applications recommended for funding in rank order based on the points assigned.

Partner Funding

Applicants may request matching and additional non-matching TBRA funds when applying to both DEED and the Metropolitan Council. The DEED program funds a maximum of 75% of a project's clean up costs with the applicant expected to cover the other 25%. The TBRA legislation allows for TBRA funds to be used for up to 13% of the total project cleanup costs to help cover a portion of the 25% local match requirement. Hennepin County and Ramsey County also have cleanup funds available to help with cleanups in their respective counties.

- DEED has awarded funding for the following joint Metropolitan Council and DEED contamination cleanup project for the fall 2009 grant cycle: Renaissance Box.

Review Record

- A funding recommendation is expected in early January from Hennepin County for the following joint Metropolitan Council and Hennepin County contamination cleanup project: Whittier Cooperative. (Funding from Hennepin County will be awarded by the County Board after the Metropolitan Council funding is expected to be awarded.)
- No joint Metropolitan Council and Ramsey County cleanup funding requests were received.

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.

The Council has the discretion to make up for shortfalls from funding partners using Council criteria limiting eligible awards to 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.

Projects Recommended for TBRA Funding

The following projects are listed in alphabetical order by applicant. The information describes the financial aspects of the TBRA recommendations including information about funding requested from funding partners when applicable. Starting on page 11 of this memo, more detailed information for each project related to the use of the funds and the expected project results is provided. All recommendations are rounded down to the nearest \$100.

Minneapolis, Lyndale Green (62 points) – The application requests \$170,000 in TBRA funding for asbestos abatement. Upon review, all of the costs requested from TBRA (\$170,000) for abatement were determined to be eligible. The TBRA recommendation is \$170,000, the full amount of the TBRA request.

Minneapolis, Walker Apartments (65 points) – The application requests \$258,563 in TBRA funding for asbestos and lead-based paint abatement. Upon review, all of the costs requested from TBRA (\$258,563) for abatement were determined to be eligible. The TBRA recommendation is \$258,500, the full amount of the TBRA request as rounded.

Saint Paul, Renaissance Box II (96 points) – The application requests \$21,517 in TBRA funding for environmental investigation (including ground water sampling) and soil remediation of a vacant 7-story commercial building. Upon review, \$151,894 of the costs required environmental investigation and soil remediation were determined to be eligible for funding. The TBRA recommendation is \$21,500, the full amount of the TBRA request as rounded. The balance of the cleanup costs are expected to be paid by funding awarded from DEED with the requisite local funding match.

Review Record

Projects Not Eligible for TBRA Funding

Applications that do not score the minimum number of points required (60 points) have not sufficiently met the TBRA program criteria to be eligible for funding. None of the following projects are recommended for funding.

Minneapolis, 1720 Madison Street NE – Upon review, this application scored 43 points.

Minneapolis, Florence Court Apartments – Upon review, this application scored 40 points. In addition, this proposal did commit to including a required affordable housing component as part of the redevelopment to be eligible for funding.

Minneapolis, Whittier Cooperative – Upon review, this application scored 47 points. A duplicate funding request to Hennepin County is pending.

Additional project information is provided for each project starting on page 14.

Review Record

Table 1

Tax Base Revitalization Account

Fall 2009 Ranking and Funding Recommendations

Rank	City - Project Name	Score	TBRA Request	Eligible Request Amount	Recommended Funding*
1	Saint Paul – Renaissance Box II	96	\$21,517	\$21,517	\$21,500
2	Minneapolis – Walker Apartments	65	\$258,563	\$258,563	\$258,500
3	Minneapolis –Lyndale Green	62	\$170,000	\$170,000	\$170,000
NA	Minneapolis – 1720 Madison Street NE	47	\$30,000	\$0**	\$0
NA	Minneapolis – Florence Court Apartments	43	\$524,925	\$0**	\$0
NA	Minneapolis – Whittier Cooperative	40	\$200,000	\$0**	\$0
TOTAL Recommended					\$450,000
Balance					\$2,550,000

(Shading indicates applicants not recommended for funding)

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

** Applicant does not meet minimum score (60 points)

Additional Review Considerations

Additional funding distribution constraints are listed in Table 2 below.

The Livable Communities Act requires that no more than three-quarters of the TBRA funding be awarded to cities of the first class (Minneapolis and St. Paul) if applications for grants exceed the available funds for an application cycle. In this round, the amount of funding requested did not exceed the amount of funding available. Two cities are

Review Record

recommended to receive 100% (\$450,000) of the funding awarded. No applications were received from suburban communities.

The Livable Communities Act also prohibits awarding more than half of the funding to a single city if the eligible requests for funding exceed the amount available. In this round, none of eligible communities exceeded the maximum amount available to award to a single community (\$1,500,000). The highest cumulative award amount recommended is \$428,500 (95% of the total recommended funding but only 14% of the funding available) for the City of Minneapolis.

Table 2
Tax Base Revitalization Account
Livable Communities Funding Recommendation Fall 2009

Communities	Recommendation	Percentage of Recommended Funding
Suburban	\$0*	0%
Cities of the First Class (Minneapolis and St. Paul)	\$450,000	100%
Total	\$450,000	100% of total recommended for funding 15% of total available
Remaining Balance	\$2,550,000	

City with the largest cumulative funding recommendation: Minneapolis	\$428,500	95% of total recommended for funding 14% of total available
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* No applications were received from suburban communities.

Project Details

Projects Recommended for TBRA Funding

Following is a summary of each project recommended for funding, listed alphabetically. The grant-funded activities for each of the projects are expected to be completed within a two-year grant term. At a minimum each redevelopment project facilitated by the grant must commence construction within the grant term. Not all of the total estimated cleanup costs submitted in an application may be 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 Response

Review Record

Action Plan (RAP) approved by the Minnesota Pollution Control Agency (MPCA), ineligible 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 net tax capacity were calculated using a comparison of the net tax capacity assessed in 2009 and payable in 2010 and the future estimated net tax capacity for improvements that will be completed within a two-year grant term. In some instances the estimated number of jobs created or retained listed in an application was also reduced to correspond to improvements that will be completed within a two-year grant term.

Minneapolis – Lyndale Green (62 points)

Location:	610 West 28th Street
Council District:	7 – Annette Meeks
Acres:	0.89 acres (excluding Salem English Lutheran Church portion of the site)
Total Estimated Cleanup Cost:	\$170,000 for asbestos abatement, all of which is eligible for TBRA funding. (Other funding previously awarded includes \$65,000 from Hennepin County for environmental investigation and soil remediation and soil vapor mitigation.)
Funding request:	\$170,000
Private Investment:	\$11,246,365
Increase in Net Tax Capacity:	\$57,850
Jobs:	7 FTE
Affordable Housing Units:	13 affordable rental units at 50% AMI and 48 rental units at 60% AMI
Project Summary	<p>The applicant is requesting \$170,000 in TBRA funding for asbestos abatement of a church addition on a 0.9-acre site formerly included a filling station and other commercial and residential structures prior to the construction of an addition to the Salem English Lutheran Church in the early 1960s. Abatement required as part of the renovation of the original Salem English Lutheran Church is not part of the TBRA request. The applicant has received \$65,000 from Hennepin County for the soil remediation and soil vapor mitigation costs associated with the petroleum-impacted soil on site. Expected benefits include the development of 61 affordable rental units and 8,900 square feet of commercial space and 51 units of underground parking. Thirteen (13) of the units will be affordable at 50% AMI and 48 units will be affordable at 60% AMI. An LCDA grant for \$850,000 was awarded in 2008 for land acquisition and demolition of the church addition.</p> <p>The TBRA recommendation is \$170,000, to fully fund the eligible costs requested. Funding is to be used for asbestos abatement of the church addition. (Bid preparation costs are not eligible for grant funds.)</p>

Minneapolis – Walker Apartments (65 points)

Location:	1121 & 1127 Hennepin Avenue
Council District:	7 – Annette Meeks
Acres:	0.39 acres
Total Estimated Cleanup Cost:	\$322,963 for asbestos and lead-based paint abatement, soil remediation and soil vapor mitigation all of which is eligible for TBRA funding. (Other funding previously awarded includes \$64,400 from Hennepin County for soil remediation.)
Funding request:	\$258,563
Private Investment:	\$10,523,575
Increase in Net Tax Capacity:	\$76,080
Jobs:	30 FTE (The projected number of jobs expected was discounted due to the lack of end user commitments.)
Affordable Housing Units:	45 affordable rental units at 50% AMI and 45 rental units at 60% AMI.
Project Summary	<p>The applicant is requesting \$258,563 in TBRA funding for asbestos and lead-based paint abatement of an existing single-story office building, soil remediation and soil vapor mitigation on a 0.39-acre site formerly used as an auto gas and service station. The applicant has also received \$64,400 in funding for soil remediation and soil vapor mitigation from Hennepin County. Expected benefits include the development of 90-unit rental residential units including 45 units affordable at 50% AMI (the remaining 45 units will be affordable at 60% AMI) and with 6,245 square feet of commercial space and 42 underground parking spaces.</p> <p>The TBRA recommendation is \$258,500, to fully fund the eligible costs requested. Funding is to be used for asbestos and lead-based paint abatement of an office building, soil remediation and soil vapor mitigation.</p>

Saint Paul – Renaissance Box II (96 points)

Location:	509 Sibley Street
Council District:	13 – Richard Aguilar
Acres:	0.43 acres
Total Estimated Cleanup Cost:	\$158,204 for environmental investigation and soil remediation of which \$151,894 is eligible for TBRA funding. (Funding previously awarded includes \$192,500 from TBRA in 2008 for asbestos and lead-based paint abatement.)
Funding request:	\$21,517
Private Investment:	\$13,096,853
Increase in Net Tax Capacity:	\$0
Jobs:	2 FTE
Affordable Housing Units:	70 unit affordable at 50% AMI
Project Summary	<p>The applicant is requesting \$21,517 in TBRA funding for environmental investigation and soil remediation below a single-story addition to a vacant 7-story commercial building on a 0.43-acre site formerly used as a shoe factory and warehouse. The building addition will be demolished. Expected benefits include the development of 70 new affordable rental units with approximately 5,000 square feet of new green space. A TBRA grant for \$192,500 was awarded in 2008 for asbestos and lead-based paint abatement.</p> <p>The TBRA recommendation is \$21,500, to fully fund the eligible costs requested. Funding is to be used for environmental investigation (including ground water sampling), and soil remediation. (Costs for response action plan addendums and removal of old building foundations are not eligible for grant funding.)</p>

Projects Not Recommended for TBRA Funding

Following is a summary of each projects not recommended for funding listed alphabetically.

Minneapolis – 1720 Madison Street NE (43 points)

Location:	1720 Madison Street NE
Council District:	8 – Lynette Wittsack
Acres:	1.1 acres
Total Estimated Cleanup Cost:	\$30,000 for environmental investigation and asbestos/vermiculite abatement of which \$16,767 would have been eligible for TBRA funding if the project had met the other eligibility criteria.
Funding request:	\$30,000
Private Investment:	\$12,000
Increase in Net Tax Capacity:	\$720
Jobs:	2 FTE
Affordable Housing Units:	NA
Project Summary	<p>The applicant is requesting \$30,000 in TBRA funding for asbestos/vermiculite abatement of a small vacant addition (1,200 square feet) connecting two commercial buildings (14,400 square feet and 18,000 square feet) used for artist workspace on a 1.1-acre site with various former uses including manufacturing of caskets, hearses, prison equipment and was also used as a paint supplier . Expected benefits include the use of the existing 1,200 square foot addition as rental space for artists or sculptors.</p> <p>Upon review, this application scored 43 points. Applications that do not score the minimum number of points required (60 points) have not sufficiently met the TBRA program criteria to be eligible for funding. The TBRA recommendation is for no funding.</p>

Minneapolis – Florence Court Apartments (40 points)

Location:	1000 and 1022 University Avenue SE
Council District:	8 – Lynette Wittsack
Acres:	1.74 acres
Total Estimated Cleanup Cost:	\$555,600 for environmental investigation, asbestos and lead-based paint abatement, demolition, soil remediation, dewatering and soil vapor mitigation of which \$236,925 would have been eligible for TBRA funding if the project had met the other eligibility criteria.
Funding request:	\$524,925
Private Investment:	\$11,500,000
Increase in Net Tax Capacity:	\$112,350
Jobs:	0 FTE (Job projections provided lacked substance.)
Affordable Housing Units:	0 units affordable at 50% AMI
Project Summary	<p>The applicant is requesting \$524,925 in TBRA funding for environmental investigation, asbestos and lead-based paint abatement, demolition, soil remediation, dewatering and soil vapor mitigation of a gas station and apartment building on a 1.74 acre site. Expected benefits include the construction of 84-units of student housing with 121 underground parking stalls, renovation of an existing 33-unit apartment building and four homes. The applicant has also submitted duplicate requests for \$524,925 to Hennepin County and \$191,700 to DEED for the same cleanup costs.</p> <p>Upon review, this application scored 40 points. Applications that do not score the minimum number of points required (60 points) have not sufficiently met the TBRA program criteria to be eligible for funding. The TBRA recommendation is for no funding.</p>

Minneapolis – Whittier Cooperative (47 points)

Location:	2609 Blaisdell Avenue South
Council District:	7 – Annette Meeks
Acres:	2.34 acres
Total Estimated Cleanup Cost:	\$218,125 for environmental investigation, asbestos and lead-based paint abatement and soil remediation of which \$94,300 would have been eligible for TBRA funding if the project had met the other eligibility criteria.
Funding request:	\$200,000
Private Investment:	\$2,911,275
Increase in Net Tax Capacity:	\$0
Jobs:	1 FTE
Affordable Housing Units:	15 affordable rental units at 50% AMI and 30 at 80% AMI
Project Summary	<p>The applicant is requesting \$200,000 in TBRA funding for asbestos and lead-based paint abatement and soil remediation on a 2.34-acre site formerly used as a school that may have soil contaminated by a leaking above ground or underground fuel oil tank. The site is also adjacent to a former dry-cleaning business and auto gas and service station. The applicant has also submitted a request for \$200,000 to Hennepin County for the same cleanup costs. Expected benefits include the rehabilitation of the existing 45 affordable rental units including 15 affordable at 50% AMI and 30 at 80% AMI.</p> <p>Upon review, this application scored 47 points. Applications that do not score the minimum number of points required (60 points) have not sufficiently met the TBRA program criteria to be eligible for funding. Furthermore, a duplicate funding request to Hennepin County is pending. The TBRA recommendation is for no funding.</p>