

# HENNEPIN COUNTY

## MINNESOTA

### Environmental Response Fund Fall 2022 Funding Recommendations



Beacon Interfaith's Lydia Apartments received a Fall 2019 ERF grant for abatement activities in advance of building renovation. Prior to the ERF funded work, the site received a \$15,000 grant from Minnesota Brownfields to complete lead and asbestos assessments. This ERF grant helped transform the building into 80 units of permanent supportive housing for people with mental illness and/or chemical dependency issues. The images above show the site condition before (left) and after (right) renovation.

## Table of contents

Overview	2
200 Central	5
Emerson Village Apartments	6
Seven Points	7
Northstar	8
MorningStar Coffee Co.	9
Intersect	10
Como	111
Kenzie Terrace Apartments	122
Douglas Drive Development	133
Minnesota Brownfields Gap Financing Program	144
CLCLT Homes	155

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# Overview

## Background

The Environmental Response Fund (ERF) helps revitalize properties by providing funding to assess and cleanup contamination. This helps overcome barriers that the cost of environmental cleanup pose to site improvement or redevelopment. Cleaning up these sites also reduces the risk to human health and the environment.

ERF grants are used for a variety of activities that provide community benefit, including:

- Assessment and cleanup of soil and groundwater
- Evaluation and abatement of asbestos and lead-based paint
- Protection from contaminated soil gas vapor intrusion

Since 2001, ERF has funded 448 projects totaling \$66,561,421. Funding for the ERF grant program comes from the Hennepin County mortgage registry and deed tax that was authorized in 1997 under Minnesota Statutes, section 383B.80. The board established the ERF in 1997 (Resolution 97-06-410R1) and authorized the grant program in 2001 (Resolution 01-9-615).

## Applications and review process

A committee of seven staff from Environment and Energy, Housing and Economic Development and Resident and Real Estate Services reviewed the applications and made recommendations for funding. Applications were evaluated on project need, the risk posed by the contamination and the appropriateness of the cleanup approach, creation, or preservation of affordable and/or moderately priced market-rate housing, the creation of economic development, and the readiness of the project to proceed.

The timing of the ERF grant round coincides with contamination cleanup grant programs administered by the Minnesota Department of Employment and Economic Development (DEED) and the Metropolitan Council to maximize collaboration among the three funders.

## Summary of award recommendations

Twelve applications were received and reviewed. During the application review period, the application for the Oxboro project in Bloomington was withdrawn by the applicant. The application for the Intersect project in Minneapolis was determined to be ineligible because the work that would have been eligible for ERF funding had already been completed. The committee recommends awarding ten grants totaling \$2,000,000. The twelve applications are described below:

- **200 Central, Minneapolis** — \$50,719 for soil cleanup and vapor mitigation costs associated with the development of a mixed-use commercial and residential building with 180 market-rate and 179 affordable housing units. (Grantee: City of Minneapolis on behalf of Alatus LLC)
- **Emerson Village, Minneapolis** — \$92,617 for soil cleanup and asbestos abatement costs associated with the construction of 40 affordable housing units for low-income families and people with disabilities. (Grantee: City of Minneapolis on behalf of Beacon Interfaith and Emerson Village LLC)

- **Seven Points, Minneapolis** — \$163,033 for soil cleanup and vapor mitigation costs associated with development of a mixed-use commercial and residential building with 267 market-rate housing units. (Grantee: City of Minneapolis on behalf of Doran Companies)
- **Northstar Center – East Tower, Minneapolis** — \$378,916 for asbestos and lead-based paint abatement costs associated with the renovation of existing building to create 44 affordable and 172 market-rate housing units. (Grantee: Sherman Associates Ventures LLC)
- **MorningStar Coffee, Minneapolis** — \$113,350 for vapor mitigation costs at an existing minority-owned coffee roaster and adult daycare. (Grantee: Morningstar Coffee Co.)
- **Como Student Community Cooperative Parking Lots B and C, Minneapolis** — \$290,610 for soil cleanup costs associated with the reconstruction of two parking lots serving affordable housing apartments on the University of Minnesota campus. (Grantee: University of Minnesota)
- **Kenzie Terrace Apartments, St. Anthony**—\$265,825 for soil cleanup and vapor mitigation costs associated with construction of 76 market-rate housing units. (Grantee: City of St. Anthony Village on behalf of Interstate Development)
- **Douglas Drive Development, Crystal**—\$169,930 for soil cleanup and vapor mitigation costs associated with construction of eight market-rate townhome units. (Grantee: City of Crystal Economic Development Authority on behalf of Hampton Companies LLC)
- **MN Brownfields Gap Financing Program, countywide** — \$300,000 for the Brownfields Gap Financing Program, which provides small environmental assessment grants to government entities and non-profit organizations. (Grantee: Minnesota Brownfields)
- **CLCLT Homes, Minneapolis**—\$175,000 for asbestos and lead-based paint abatement associated with the rehabilitation of seven affordable owner-occupied single-family homes. (Grantee: City of Lakes Community Land Trust)

### Expected outcomes

The recommended ERF grant awards will fund asbestos and lead-based paint abatement, soil cleanup, and vapor mitigation. The awards will also assist developments that increase the tax base, create permanent jobs, enhance green space, and create affordable and moderately priced market-rate housing. The recommended grants provide for the renovation or construction of 270 affordable housing units. ERF grants reduce environmental contamination and support projects in communities with disparities in health, housing, employment, and income.

### Other funding accomplishments

In addition to ERF assistance, county staff routinely conduct outreach and provide additional funding for contamination assessment to cities and nonprofit organizations in between ERF rounds. This assessment funding comes from the county's Revolving Loan Fund loan repayment proceeds (funded through the EPA) and the Minnesota Brownfields Gap Financing Program (funded through the ERF). These flexible funding sources have helped many organizations develop the environmental assessment information needed to submit applications to the ERF, DEED, and the Metropolitan Council for cleanup funding.

## **Application summaries**

Summaries of the individual applications received are attached to this report and include a description of each project and the funding rationale.

## **Key of acronyms**

Affordable Housing Incentive Fund (AHIF)

Area Median Income (AMI)

Affordable Housing Trust Fund (AHTF)

Economic Development Authority (EDA)

Full Time Equivalent (FTE)

Minnesota Department of Employment and Economic Development (DEED)

Minnesota Pollution Control Agency (MPCA)

Polycyclic Aromatic Hydrocarbons (PAHs)

Transit-Oriented Development (TOD)

United States Environmental Protection Agency (EPA)

Volatile Organic Compounds (VOCs)

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# 200 Central

Address: 200 Central SE & 113 Second Street

Applicant: City of Minneapolis on behalf of Alatus LLC

Property owner: Alatus LLC

**Recommended award: \$50,719**

## Award recommendation

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

Previous ERF awards: None.

## Other funding sources

DEED: \$310,000 requested

## Economic development/housing impact

- Increases tax base
- Redevelopment of a vacant property
- Estimated 7 new FTEs
- Adds 21 studio, 141 one-bedroom, and 17 two-bedroom units priced at 50% and 80% of the AMI
- Adds 180 market-rate housing units and 3,800 square feet of retail space

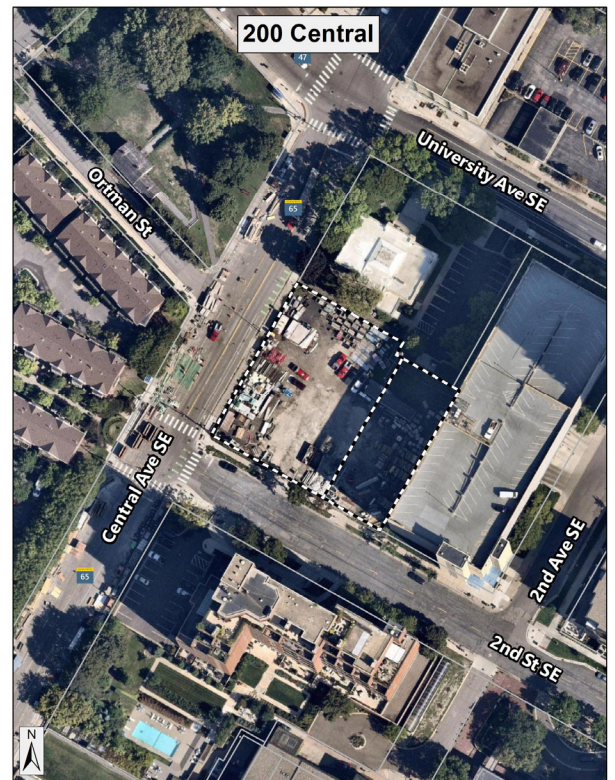
## Site description

The site is a vacant commercial property formerly used as a gas station and funeral home.

**Contamination issues:** Soil contaminated with arsenic and formaldehyde, and petroleum-contaminated soil vapors.

**Project plans:** Construct a 27-story mixed-used retail and housing building.

**Requested use of ERF grant:** Funding for contaminated soil disposal & transport and installation of a soil vapor mitigation system.



# Emerson Village Apartments

Addresses: 1800 & 1826 Emerson Avenue N.

Applicant: City of Minneapolis on behalf of Beacon Interfaith

Property owner: FMF Housing

**Recommended award: \$92,617**

## Award recommendation

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

Previous ERF awards: None

## Other funding sources:

- Hennepin County TOD: \$1,000,000 requested
- Hennepin County AHIF: \$600,000 committed
- Hennepin County Supportive Services: \$1,200,000 committed
- Hennepin County Accelerator Funding: \$800,000 committed
- Hennepin County Coordinated RFP: \$2,000,000 committed
- Metropolitan Council: \$750,000 requested

## Economic development/housing impact

- Increases tax base
- Estimated 8 new FTEs
- Adds 29 two-bedroom, 7 three-bedroom and 4 five-bedroom units priced between 30-50% AMI

## Site description

Partially vacant site formerly occupied by a school, apartments, electronics manufacturing company, and other commercial uses.

**Contamination issues:** Contamination consisting of metals and PAHs in soils. Asbestos and lead-based paint are present in the building.

**Project plans:** Construct a 40-unit affordable supportive housing development with units set aside for high priority homeless and people with disabilities.

**Requested use of ERF grant:** Funding for a portion of the soil cleanup and asbestos and lead-based paint abatement costs.



# Seven Points

Address: 3005 Hennepin Avenue

Applicant: City of Minneapolis on behalf of Doran Companies.

Property owner: NP Uptown, LLC

**Recommended award: \$163,033**

## Award recommendation

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

Previous ERF awards: None

## Other funding sources

- DEED: \$256,755 requested

## Economic development/housing impact

- Adds 267 market-rate housing units. Includes 104 studio, 126 one-bedroom, 27 two-bedroom, and 10 three-bedroom units.
- Estimated 30 new FTEs

## Site description

The site is occupied by Calhoun Square shopping center.

**Contamination issues:** Petroleum contaminated soil, soil vapor contamination from petroleum and solvents, and asbestos-containing materials are present on site.

**Project plans:** Construct market-rate housing units and retain retail and restaurant space.

**Requested use of ERF grant:** Funding for a portion of soil cleanup costs and installation of a soil vapor mitigation system.





# Northstar Center – East Tower

Address: 608 Second Avenue South, Minneapolis

Applicant: NS Propco East Office, LLC and Sherman Associates Development LLC

Property owner: NS Propco East Office LLC

**Recommended award: \$378,916** (\$1,775,646 requested)

## Award recommendation

The requested amount for abatement activities includes removal of materials that are assumed, rather than confirmed, to contain asbestos. Removal of material assumed to contain asbestos is not eligible for ERF assistance. In addition, funding the entire amount requested would exceed the ERF spending allocated for this grant round. Therefore, we recommend a reduced award of \$378,916, which is equivalent to the remainder of the grant round allocation.

**Previous ERF awards:** Spring 2022 for \$106,539 (relinquished)

## Other funding sources

- None

## Economic development/housing impact

- Increases tax base
- Adds 44 affordable housing units with a rental rate of 50% AMI. Includes 6 studio, 15 one-bedroom, and 23 two-bedroom units.
- Adds 172 market-rate housing units ranging from studios to three-bedrooms.

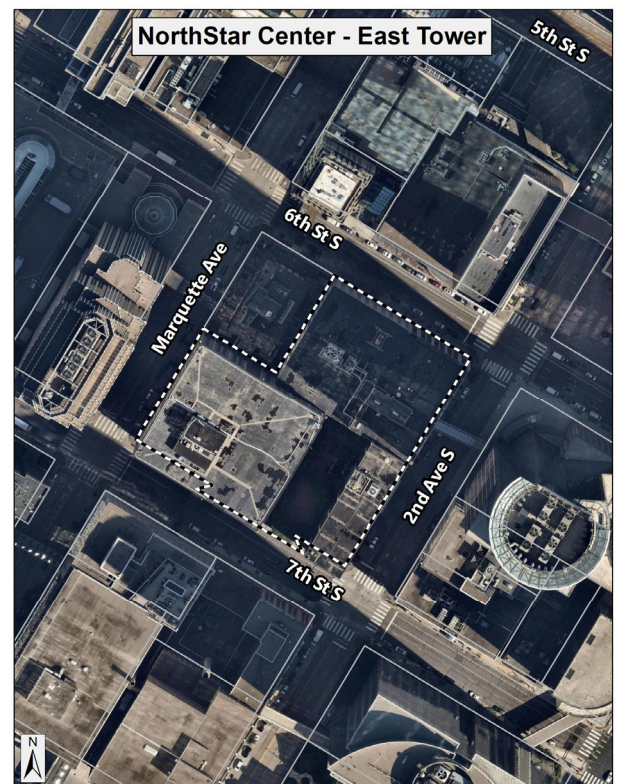
## Site description

An existing 13-story office and retail building.

**Contamination issues:** Asbestos and lead-based paint are present on site.

**Project plans:** Renovate the existing building into 216 apartment homes with amenity space.

**Requested use of ERF grant:** Funding for asbestos and lead-based paint abatement.



# MorningStar Coffee Co.

Address: 2309 Snelling Avenue, Minneapolis

Applicant: MorningStar Coffee Co.

Property owners: MorningStar Coffee Co.

**Recommended award: \$113,350**

## Award recommendation

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

Previous ERF awards: None

## Other funding sources

- None

## Economic development/housing impact

- Supports a small minority-owned business coffee wholesaler who sells coffee locally and employs 10 local staff.
- Installation of a vapor mitigation system to protect human health in the building.
- Protects other building occupants including a minority-owned adult day care utilized primarily by minority/immigrant community members

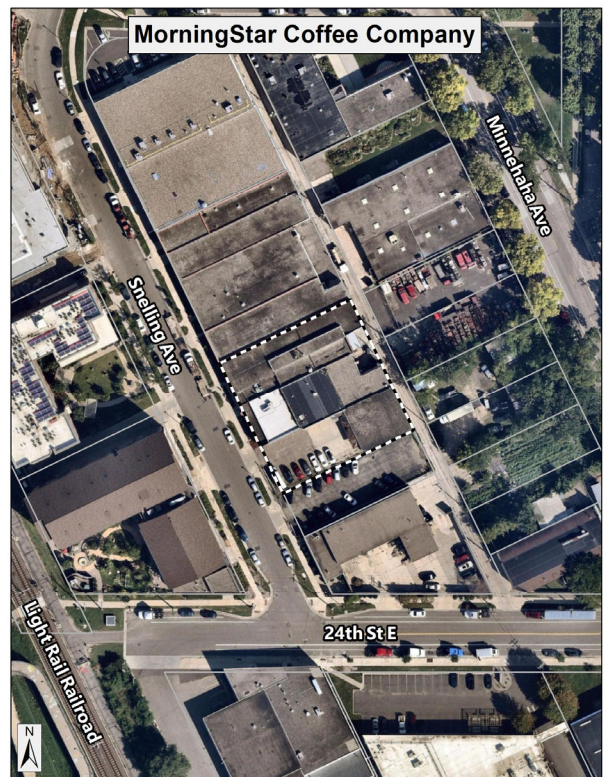
## Site description:

Occupied by a small business coffee wholesaler, lawn care company, and adult daycare. Historical operations at the site have included machining, repair, and manufacturing.

**Contamination issues:** Soil vapor is contaminated with solvents.

**Project plans:** Install a vapor mitigation system for the building.

**Requested use of ERF grant:** Funding for vapor mitigation system installation costs.



# Intersect

Address: 316 Second Street, Minneapolis

Applicant: Crowe Companies

Property owners: RPM2LLC

**Recommended award: \$0 (\$175,000 requested)**

## Award recommendation

The activities are not eligible for funding – the project is currently under construction and the cleanup costs have already been incurred indicating that ERF assistance isn't necessary for the project to proceed.

**Previous ERF awards:** None

## Other funding sources

- None

## Economic development/housing impact

- Estimated up to 12 new FTEs
- Increases tax base
- Adds 4 affordable housing units with a rental rate of 30% AMI and 96 market-rate housing units ranging from studios to two-bedrooms.

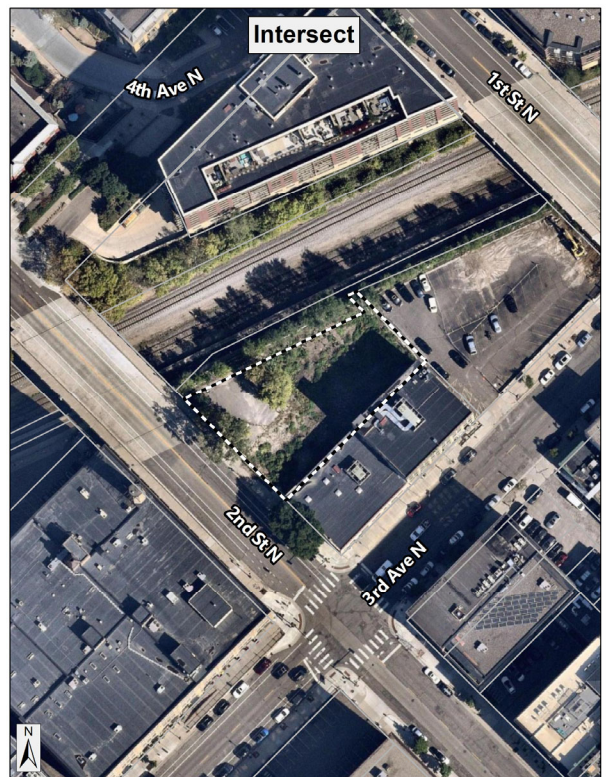
## Site description:

Currently a vacant site. Historical operations at the site have included battery manufacturing and other industrial uses.

**Contamination issues:** Soil potentially contaminated with metals, PAHs and petroleum. Soil vapor potentially contaminated with chlorinated solvents.

**Project plans:** Construct a seven-story mixed-use retail and residential building.

**Requested use of ERF grant:** Funding for soil cleanup costs and vapor mitigation system installation costs.



# Como Student Community Cooperative Parking Lots B and C

Address: 1024 27<sup>th</sup> Avenue Southeast

Applicant: University of Minnesota

Property owner: University of Minnesota

**Recommended award: \$290,610**

## Award recommendation

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

**Previous ERF awards:** \$50,000 in 2008/2009; \$712,437 in 2009; \$429,063 in 2010

## Other funding sources

- None

## Economic development/housing impact

- Supports existing affordable housing
- Installation of eight electric vehicle charging stations

## Site description

Parking lots that support affordable housing for University of Minnesota students.

**Contamination issues:** Metals and PAHs contamination in soils. Ash-impacted fill materials.

**Project plans:** Replacing the parking lots that support the nearby housing complex.

**Requested use of ERF grant:** Funding for soil cleanup costs.



# Kenzie Terrace Apartments

Address: 2401 Lowry Avenue Northeast, St. Anthony

Applicant: City of St. Anthony on behalf of Interstate Development

Property owners: Interstate Development

**Recommended award: \$265,825**

## Award recommendation

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

Previous ERF awards: None

## Other funding sources

- None

## Economic development/housing impact

- Increases tax base
- Adds 76 units of market-rate housing. Includes 47 one-bedroom, 24 two-bedroom, and 5 three-bedroom units.

## Site description:

The site is currently occupied by a bank.

**Contamination issues:** Petroleum and solvent contaminated soil vapors. Soil contaminated with metals and volatile organic compounds.

**Project plans:** Construct a four-story residential building.

**Requested use of ERF grant:** Funding for soil cleanup and vapor mitigation system installation costs.



# Douglas Drive Development

Address: 3401 & 3415 Douglas Drive North, Crystal

Applicant: City of Crystal Economic Development Authority (EDA) on behalf of Hampton Companies LLC

Property owner: Hampton Companies LLC

**Recommended award: \$169,930**

## Award recommendation

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

**Previous ERF awards:** None

## Other funding sources

- City of Crystal: \$300,000 committed
- MPCA Brownfields Assistance Program: \$33,489 committed

## Economic development/housing impact

- Increases tax base
- Creating 8 three-bedroom market-rate housing units.

## Site description

The site is currently vacant and was formerly a gas station.

**Contamination issues:** Soil and soil vapor contaminated with petroleum.

**Project plans:** Creates 8 market-rate townhomes.

**Requested use of ERF grant:** Funding for soil cleanup and soil vapor mitigation system costs.



# Minnesota Brownfields Gap Financing Program

Address: County-wide, multi-site (to be determined)

Applicant: Minnesota Brownfields [501(c)(3) nonprofit]

Property owner: Various (to be determined)

**Recommended award: \$300,000**

## **Award recommendation**

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

**Previous ERF awards:** \$250,000 Fall 2021, \$200,000 Fall 2020, \$225,000 Fall 2019, \$200,000 Fall 2018, \$200,000 Fall 2017, \$250,000 Fall 2016, \$200,000 Fall 2015, \$150,000 Fall 2014, and \$150,000 Fall 2013

## **Other funding sources**

- None

## **Economic development/housing impact**

Will promote affordable housing and neighborhood level economic development and community services.

## **Site description**

The county established the Brownfields Gap Financing program in 2007 to provide timely funding for local units of government and non-profit organizations to address smaller-scope environmental issues for projects with limited budgets. Minnesota Brownfields, a non-profit organization, has administered the program since 2013. Projects requesting assistance from the program submit applications on a rolling basis and are evaluated by Minnesota Brownfields and county staff.

**Contamination issues:** To be determined.

**Project plans:** To be determined. As of September 22, 2022, Minnesota Brownfields had fully committed all funds from the previous \$250,000 grant awarded in Fall 2021. Between 2013 and 2022, 102 affordable housing projects; 22 school and community garden projects; 22 neighborhood revitalization projects; 12 projects related to arts and culture; and 20 projects related to youth, family and health services have benefited from the Brownfield Gap Financing Program.

**Requested use of ERF grant:** Funding for environmental assessment to support the continuation of the Brownfield Gap Financing Program.

# CLCLT Homes

Addresses: 1117 47th Avenue N, 2947 Oliver Avenue N, 3617 Oakland Avenue, 2933 17th Avenue S, 1316 14th Avenue N, 2904 17th Avenue N, and 3715 Fourth Avenue S in Minneapolis

Applicant: City of Lakes Community Land Trust

Property owner: Buildings are owned by the homeowner, and the land is owned by CLCLT

**Recommended award: \$175,000**

## Award recommendation

The activities are eligible for funding. The recommended award is equal to the amount requested in the grant application.

**Previous ERF awards:** \$270,000 Fall 2021; \$150,000 Fall 2020; \$200,000 Fall 2018; \$225,000 Fall 2017; \$230,000 Fall 2016; \$115,000 Fall 2015; and \$170,000 Fall 2014 (all for different addresses)

## Other funding sources

Hennepin County AHIF: \$140,000 committed

## Economic development/housing impact

Creates and preserves permanently affordable single-family housing. The CLCLT program provides a pathway for low-income families to become homeowners with support and an emphasis on improving minority homeownership rates.

## Site description

Occupied single-family homes.

**Contamination issues:** Asbestos-containing materials and lead-based paint are present in the existing homes.

**Project plans:** Rehabilitation of single-family homes in exchange for making the homes permanently affordable.

**Requested use of ERF grant:** Funding for asbestos and lead-based paint assessment and abatement.

