

HENNEPIN COUNTY

MINNESOTA

Environmental Response Fund fall 2019 funding recommendations



Newport Midwest, LLC's Hook & Ladder Apartments site, located in Minneapolis, received ERF grants in 2016 and 2017 for soil cleanup. The ERF grants helped transform this once blighted site into 118 units of affordable/work-force housing.

For Communication on January 21, 2020

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Overview

Background

The Environmental Response Fund (ERF) helps revitalize properties by providing funding to assess and clean up contamination. This helps overcome barriers that added costs of environmental cleanup pose to site improvement or redevelopment. Cleaning up these sites 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

Since 2001, ERF has funded 396 projects totaling \$55,999,787. Funding for the ERF grant program comes from the Hennepin County mortgage registry and deed tax that was authorized in 1997 under Minnesota Statutes, sections 383B.80 and 383B.81. The board established the ERF in 1997 (Resolution 97-06-410R1) and authorized the grant program in 2001 (Resolution 01-615).

Applications and review process

A committee of six staff from Environment and Energy, Community Works, 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 in an effort to maximize collaboration among the three funders.

Summary of award recommendations

Eleven applications were received and reviewed. Although this report describes all 11 applications, the committee recommends awarding the following 10 grants totaling \$1,557,304;

- **1345 Minneapolis, Minneapolis** - \$40,800 for assessment costs associated with planning for the construction of an estimated 120 units of affordable senior housing. (Grantee: Aeon or affiliated entity)
- **14th and Central, Minneapolis** - \$100,000 for investigation and contaminated soil cleanup associated with the construction of a 175-unit affordable housing building, a 5,700-square foot industrial building, a public art gallery, and a playground. (Grantee: City of Minneapolis)
- **Amber Apartments, Minneapolis** - \$149,550 for contaminated soil cleanup, asbestos abatement, and a portion of building demolition costs associated with the construction of an apartment building with 76 affordable and five market-rate housing units. (Grantee: City of Minneapolis)
- **Amundson Flats, Edina** - \$247,340 for contaminated soil cleanup associated with the construction of 62 units of affordable apartments. (Grantee: City of Edina)
- **Former Brooklyn Center Sears, Brooklyn Center** - \$163,000 for assessment costs in preparation for the planned construction of two light-industrial buildings. (Grantee: Honey Badger Acquisitions, Inc. or affiliated entity)

- **Hennepin Lead-Safe Housing, countywide** - \$300,000 for continued assistance for a countywide program that performs assessment and abatement of lead-based paint hazards in homes with sensitive populations, such as pregnant women and children 6 years old or younger. (Grantee: Hennepin County Community Works Department)
- **Leef Townhomes, Minneapolis** - \$97,183 for contaminated soil cleanup costs associated with the construction of 18 affordable townhomes. (Grantee: Twin Cities Habitat for Humanity or affiliated entity)
- **Lydia Apartments, Minneapolis** - \$100,000 for contaminated soil cleanup and abatement costs associated with the renovation and expansion of the current Lydia Apartments from 40 to 80 units of affordable housing. (Grantee: Lydia Apartments Housing Limited Partnership or affiliated entity)
- **Minnesota Brownfield Gap Financing Program, countywide** - \$225,000 to continue the Brownfields Gap Financing Program, which provides small environmental assessment grants to government entities and non-profit organizations. (Grantee: Minnesota Brownfields or affiliated entity)
- **Stonehouse Square Apartments, Minneapolis** - \$134,431 for contaminated soil cleanup and abatement costs associated with rehabilitating 71 units of affordable apartments. (Grantee: City of Minneapolis)

Expected outcomes

The recommended ERF grant awards will fund asbestos and lead-based paint abatement and contaminated soil assessment and cleanup. This funding supports projects that create economic development by increasing the tax base, creating permanent jobs, enhancing green space, and creating affordable and moderately priced market-rate housing. The recommended grants provide for the renovation or construction of an estimated 611 affordable housing units, 144 of which are considered Section 8 housing units and five market rate 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 funding comes from the county's EPA grant funds. The EPA grant funds and the Minnesota Brownfields Gap Financing Program, funded through the ERF, have helped many organizations develop the environmental assessment information needed to submit applications to the ERF 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

Americans with Disabilities Act (ADA)

Area Median Income (AMI)

City of Minneapolis Department of Community Planning and Economic Development (CPED)

Full Time Equivalent (FTE)

Hennepin County Transit-Oriented Development (HC TOD)

Minnesota Department of Employment and Economic Development (DEED)

Polychlorinated Biphenyls (PCBs)

Polycyclic Aromatic Hydrocarbons (PAHs)

United States Department of Housing and Urban Development (HUD)

United States Environmental Protection Agency (EPA)

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1345 Minneapolis

Address: 1335 and 1345 Central Avenue NE, 1300 Tyler Street NE, Minneapolis

Applicant: Aeon submitted on behalf of 1345 Minneapolis LLC

Property owner: Youngblood Lumber Company and T.E. Youngblood Properties LLC

Recommended award: \$40,800 (\$40,800 requested)

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: None

Metropolitan Council: \$40,800

Economic development/housing impact

- Increases tax base
- Adds 120 affordable units (one and two bedrooms between 30% - 80% AMI). Of the 120 units, 10-12 units will be Section 8 housing.
- Affordable housing for seniors 55 and older

Site description

Eight vacant buildings that were historically used as warehouse space for the neighboring sheet metal manufacturing plant.

Contamination issues: Unknown at this time. This assessment funding will help delineate the potential contamination extent on site.

Project plans: Demolish existing buildings and construct a new, affordable apartment building.

Requested use of ERF grant: Funding for assessment work to prepare a work plan and conduct a phase II environmental site assessment.



14th and Central

Address: 854, 902 and 904 14th Avenue NE, Minneapolis

Applicant: City of Minneapolis on behalf of 14th and Central, LLP

Property owner: Jacobson Brothers Real Estate, LLC

Recommended award: \$100,000 (\$100,000 requested)

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: \$600,000 requested

Metropolitan Council: \$370,519 requested

Economic development/housing impact

- Increases tax base
- Adds 25 Section 8 housing units and 150 affordable rental units at 60% AMI; consisting of 23 studio, 59 one-bedroom, 47 two-bedroom, 41 three-bedroom and five four-bedroom units.

Site description

Currently occupied by a single-story office building, three dilapidated sheds and a single-family residence.

Contamination issues: Soil contaminated with metals, PAHs, and various petroleum and non-petroleum volatile organic compounds. Soil vapor contamination is present. Asbestos and PCB contaminated concrete are also present.

Project plans: Demolish the existing structures and construct a six-story, 175-unit, multi-family affordable housing building along with a single-story industrial building and art gallery.

Requested use of ERF grant: Funding for a portion of the soil cleanup costs and environmental consulting/regulatory fees.



Amber Apartments

Address: 4525 Hiawatha Avenue, Minneapolis

Applicant: City of Minneapolis on behalf of RS Eden

Property owner: RS Eden

Recommended award: \$149,550 (\$180,750 requested)

Award recommendation

A portion of the demolition (approximately 40% of the total demolition cost) is necessary to complete remediation of underlying contaminated soil and is eligible for funding. Therefore, the recommended award for demolition is 40% of the request. The remaining activities are eligible for funding in full, and the recommended award for those activities is equal to the amount requested in the grant application.

Previous ERF awards: \$13,109 for assessment funding through Minnesota Brownfields Gap Financing program.

Other funding sources

DEED: None

Metropolitan Council: \$180,750 requested

Economic development/housing impact

- Increases tax base
- Estimated three new FTEs
- Adds 76 affordable, supportive housing units and five market-rate housing units (efficiencies at 50% AMI and market-rate efficiencies at \$900/month)

Site description:

Vacant office/warehouse structure and surface parking lot.

Contamination issues: Asbestos-containing building materials and metals in soils.

Project plans: Demolish existing building and construct 81 units of mixed-income housing.

Requested use of ERF grant: Funding for a portion of the abatement costs, building demolition, and soil cleanup costs.



Amundson Flats

Address: 7075 and 7079 Amundson Avenue located in Edina

Applicant: City of Edina

Property owner: East Edina Housing Foundation

Recommended award: \$247,340 (\$247,340 requested)

Award recommendation

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

Previous ERF awards: \$9,375 in assessment funding through Minnesota Brownfields Gap Financing Program.

Other funding sources

DEED: None

Metropolitan Council: \$400,500 requested

Hennepin County's EPA Grant: \$24,354 committed

Economic development/housing impact

- Increases tax base
- Provides 62 units of affordable housing with a combination of 30%, 60% and 70% AMI levels. Consisting of eight one-bedroom units; 23 two-bedroom units; 31 three-bedroom units.

Site description

The property currently has a vacant, single-story industrial building with surface parking.

Contamination issues: Soil and groundwater contaminated with metals and dry-cleaning solvents. Dry-cleaning solvent also has been detected in soil vapor above residential regulatory standards. Asbestos and lead-based paint are also present in the existing building.

Project plans: Demolish existing building and construct 62 new units of affordable housing.

Requested use of ERF grant: Funding for a portion of the soil clean-up, asbestos abatement, lead-based paint abatement, and environmental consulting/regulatory fees.



CLCLT Homes

Addresses: 3451 Knox Avenue N, 701 Thomas Avenue N, 3432 16th Avenue S, 2014 44th Avenue N, 4211 4th Avenue S, 3830 Bryant Avenue N, 3654 Aldrich Avenue N, 3041 14th Avenue S, 4409 32nd Avenue S, 3221 Longfellow Avenue and 3649 Newton Avenue N in Minneapolis.

Applicant: City of Lakes Community Land Trust (CLCLT)

Property owner: CLCLT owns the land, homeowners own the building.

Recommended award: \$0 (\$300,000 requested)

Award recommendation

The activities are eligible for funding; however, CLCLT currently has significant funding available from previous ERF grants. Therefore, no additional award is recommended at this time.

Previous ERF awards: \$225,000 fall 2017; \$230,000 fall 2016; \$115,000 fall 2015; and \$170,000 fall 2014 (all for different addresses).

Other funding sources

Minnesota Housing – 2016: \$155,500 committed

Minnesota Housing – 2016: \$155,500 committed

Minneapolis Home Ownership Works - \$50,000 committed

Economic development/housing impact

- Creates permanently affordable single-family housing.

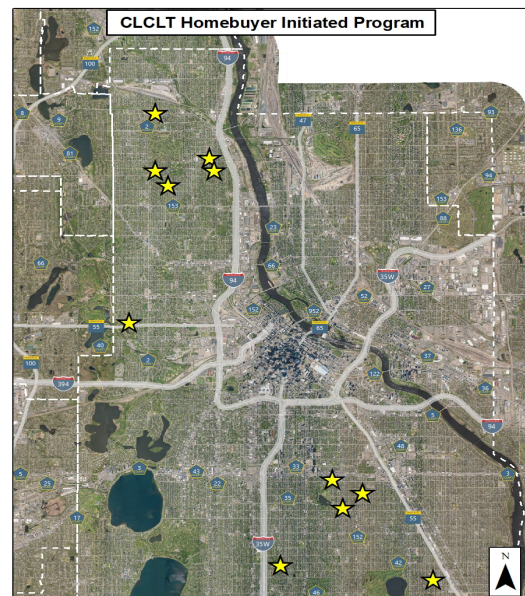
Site description

Occupied single-family homes.

Contamination issues: Asbestos-containing materials and lead-based paint need to be abated before renovation of the current structure.

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 abatement.



Former Brooklyn Center Sears

Address: 1297 Brookdale Center, Minneapolis

Applicant: Honey Badger Acquisitions, Inc. (an affiliate of Hyde Development)

Property owner: Sears Roebuck and Co.

Recommended award: \$163,000 (\$163,000 requested)

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: None

Metropolitan Council: None

Economic development/housing impact

- An estimated 450 new FTEs
- Removal of blight and contamination cleanup
- Tax base increase

Site description

Two vacant buildings and a vacant parking lot adjacent to the Brookdale Mall.

Contamination issues: Unknown contamination but petroleum is likely due to prior use. This assessment funding will help delineate potential contamination on site.

Project plans: Construction of two multi-tenant, light-industrial buildings.

Requested use of ERF grant: Funding for assessment to include a phase I environmental site assessment (ESA), a phase II ESA, and develop a cleanup plan.



Hennepin Lead Safe Housing

Address: Multiple homes throughout Hennepin County

Applicant: Hennepin County Community Works

Property owner: Individual property owners

Recommended award: \$300,000 (\$300,000 requested)

Award recommendation

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

Previous ERF awards: \$29,350 spring 2002; \$250,000 spring 2004; \$150,000 spring 2006; \$300,000 fall 2007; \$150,000 spring 2010; \$150,000 spring 2014; and \$200,000 fall 2016.

Other funding sources

HUD: \$5,600,000 Committed

Affordable Housing Incentive Fund Revolving Loans: \$50,000 Committed

Minnesota Housing Finance Agency: \$50,000 Committed

Hennepin County Property Tax \$150,000 Pending

Economic development/housing impact

The grant will preserve existing affordable housing units while improving health outcomes that have disproportionately impacted low-income communities and communities of color. Households served typically have an AMI of less than 80% and historically, 58% had household incomes of less than 50% AMI.

Site description

Occupied residences.

Contamination issues: The lead-based paint hazard control program includes assessment and abatement or removal of lead-paint hazards including lead in soils.

Project plans: The 2019 Lead Hazard Reduction project will complete 400 lead paint inspection/risk assessments resulting in 350 lead-safe units. The project will also train 130 individuals as licensed lead abatement workers and supervisors, or property owners trained in lead-safe renovation, repair and painting.

Requested use of ERF grant: Funding for a portion of the lead-based paint inspection/risk assessments.

Leef Townhomes

Address: 164 Cedar Lake Road N, 217 James Avenue N, 213 James Avenue N, 205 James Avenue N and 203 James Avenue N, Minneapolis

Applicant: Twin Cities Habitat for Humanity

Property owner: South Lot LLC

Recommended award: \$97,183 (\$97,183 requested)

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

Minnesota Housing Finance Agency: \$1,024,471 requested

City of Minneapolis – Missing Middle Housing Pilot Program: \$931,137 requested

Economic development/housing impact

- Increases tax base
- Creates 18 affordable housing owner-occupied units restricted to 80% AMI in a predominately rental neighborhood

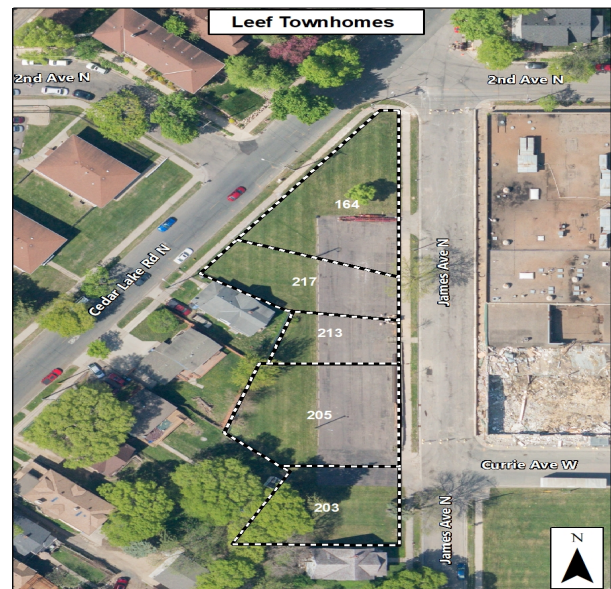
Site description

Vacant lots with paved parking areas.

Contamination issues: Soil contaminated with PAHs and metals. Soil gas vapor is contaminated above regulatory levels for residential land use.

Project plans: Construct four buildings housing 18 townhomes.

Requested use of ERF grant: Funding for soil cleanup, vapor mitigation system installation, and environmental consulting/regulatory fees.



Lydia Apartments

Address: 1920 LaSalle Avenue, Minneapolis

Applicant: Lydia Apartments Housing Limited Partnership

Property owner: Lydia House Limited Partnership

Recommended award: \$100,000 (\$100,000 requested)

Award recommendation

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

Previous ERF awards: \$15,000 for asbestos and lead paint assessment in 2002; \$15,000 through Minnesota Brownfield's Gap Financing program in 2018.

Other funding sources

DEED: None

Metropolitan Council: None

Economic development/housing impact

- Increases tax base
- Adds 40 more units of Section 8 housing to support people with mental illness and/or chemical dependency issues
- Retains three FTEs and provides two new FTEs

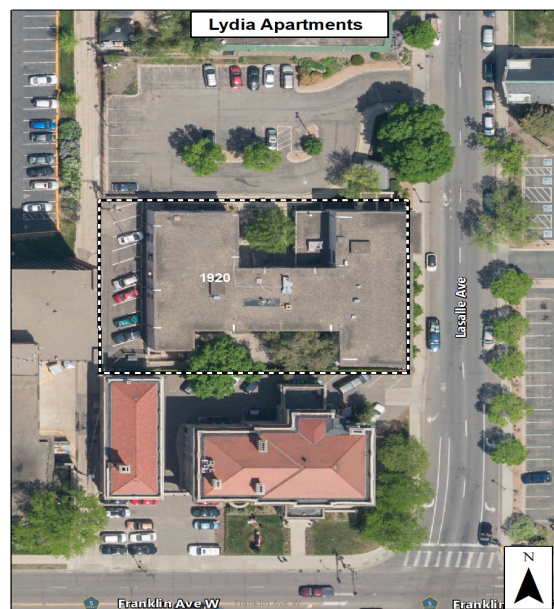
Site description

Current apartment building has 40 units of Section 8 housing.

Contamination issues: Asbestos-containing building materials. Soil contaminated with metals and PAHs.

Project plans: Renovate the current building and add an additional 40 units of Section 8 housing.

Requested use of ERF grant: Funding for a portion of the pre-demolition survey, asbestos abatement, and soil cleanup costs.



Minnesota Brownfield Gap Financing Program

Address: County-wide, multiple addresses (to be determined)

Applicant: Minnesota Brownfields (501c3 nonprofit)

Property owner: Various (to be determined)

Recommended award: \$225,000 (\$225,000 requested)

Award recommendation

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

Previous ERF awards: \$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

DEED: None

Metropolitan Council: None

Economic development/housing impact

- Will promote affordable housing and neighborhood level economic development.

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 2012. 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. Historically, funding has supported projects that have made improvements to green space, recreation facilities, affordable housing, educational facilities, community centers, and neighborhood level economic development and funded soil testing for community gardens. As of November 20, 2019, the Minnesota Brownfield Gap Financing Program had fully expended its original \$200,000 awarded in fall 2018, with projects waiting in line for future funding.

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

Stonehouse Square Apartments

Address: 215 Broadway Street NE, Minneapolis

Applicant: City of Minneapolis on behalf of Common Bond

Property owner: CB Stonehouse Holding LLC

Recommended award: \$134,431 (\$145,179 requested)

Award recommendation

The applicant's request included previously incurred environmental investigation costs. Therefore, we recommend a reduced award of \$134,431 to exclude these ineligible costs. The remaining tasks are eligible for funding and recommended to be fully funded.

Previous ERF awards: \$14,007 from Minnesota Brownfield Gap Financing Program

Other funding sources

DEED: \$176,179 requested

Metropolitan Council: \$138,812 requested

Economic development/housing impact

- Increases tax base
- Retained 2.5 FTE jobs
- 71 affordable apartments with all units being priced at 50% to 70% AMI. Of the 71 units, 29 units will be Section 8 housing. Units consist of four studios, 48 one-bedrooms, and 19 two-bedrooms.

Site description

An apartment complex that is considered naturally occurring affordable housing.

Contamination issues: Asbestos-containing building materials and soils contaminated with metals, petroleum products, and PAHs.

Project plans: Rehabilitate existing buildings and bring all the housing units into the tax credit program to maintain their future affordability.

Requested use of ERF grant: Funding for a portion of the asbestos abatement and contaminated soil cleanup costs.

