



To: MAYOR & CITY COUNCIL

Agenda Item #: IV. G.

From: Bill Neuendorf
Economic Development Manager

Action
Discussion
Information

Date: October 16, 2012

Subject: Resolution No. 2012-143 Authorizing An Application To The Metropolitan Council For A Livable Community Act Tax Base Revitalization Account For The Redevelopment Of The Pentagon Park Property

Action Requested:

Adopt the attached resolution so that the application for grant funding can be submitted in advance of the November 1st deadline.

Information / Background:

ABOUT TBRA: The Met. Council's Tax Base Revitalization Account (TBRA) is a competitive grant program that funds the investigation and clean-up of polluted areas that have lost commercial/industrial activity. The grants are intended to help make such under-performing sites available for economic re-development that enhances the local and regional tax base while promoting job retention and job growth. Grant funds are awarded twice annually. The source of funds is the Metropolitan Council and the grant requires NO matching City funds.

Program rules require that the City of Edina apply for the grant on behalf of the private developer/owner. When grants are awarded, the City will then enter into a sub-recipient agreement with the developer/owner.

PREVIOUS GRANT AWARD: In 2008, the City and previous owner were awarded a \$317,400 TBRA grant for asbestos abatement in the mid-rise office building at West 77th Street and Highway 100. Due to the failure of that previous redevelopment effort, the grant agreement was never executed and the funds were retained by the Metropolitan Council for other eligible projects in the region.

CURRENT REDEVELOPMENT PROJECT: Located in Edina's Gateway Redevelopment Area, several parcels in the Pentagon Park office complex have been purchased by Pentagon North, LLC, which is owned by Hillcrest Development, LLLP. The 37-acre site includes eleven separate buildings constructed in the late 1960s and early 1970s. Despite their outstanding location, the buildings have exceptionally high vacancy rates. The building's age, outdated systems and deferred maintenance hinder the productive re-use of the site. A previous redevelopment effort was unable to secure financing and the site has declined for the last several years. The new owner is prepared for and committed to a long-term redevelopment effort.

The first phase of redevelopment focuses on the seven low-rise office buildings located along West 77th Street. Several of these buildings will be gutted, stabilized and remodeled to restore their desirability for occupancy. This work requires the removal of significant amounts of asbestos and lead-based paint.

Extensive environmental survey work has been completed by Pentagon North, LLC. These investigations indicate that a substantial amount of asbestos and lead-based paint removal is necessary. These hazardous materials are required to be addressed for these properties to achieve their highest and best uses.

Subsequent phases of redevelopment will perform similar work on the remaining buildings on the site. Additional grant applications are anticipated to increase the viability of the future phases of reinvestment.

The developer/owner will clarify the extent of the work once the level of grant funding is determined in January 2012. Failure to secure the environmental grant funds will require Pentagon North, LLC to reconsider the redevelopment strategy and likely limit site redevelopment alternatives. Such limitations are likely to result in delayed occupancy and less investment in the City's office/industrial district.

Attachment

Resolution No. 2012-143

RESOLUTION NO. 2012-143
AUTHORIZING AN APPLICATION TO THE METROPOLITAN COUNCIL
FOR A LIVABLE COMMUNITY ACT TAX BASE REVITALIZATION ACCOUNT
FOR THE REDEVELOPMENT OF THE PENTAGON PARK PROPERTY

BE IT RESOLVED by the City Council of the City of Edina, Minnesota, as follows:

WHEREAS the City of Edina is a participant in the Livable Communities Act's Local Housing Incentives Account Program for 2012 as determined by the Metropolitan Council, and is therefore eligible to make application apply for funds under the Tax Base Revitalization Account; and

WHEREAS the City has identified a contamination clean-up project within the City that meets the Tax Base Revitalization Account's purpose/s and criteria; and

WHEREAS the City has the institutional, managerial and financial capability to ensure adequate project and grant administration; and

WHEREAS the City certifies that it will comply with all applicable laws and regulations as stated in the contract grant agreements; and

WHEREAS the City finds that the required contamination cleanup will not occur through private or other public investment within the reasonably foreseeable future without Tax Base Revitalization Account grant funding; and

WHEREAS the City represents that it has undertaken reasonable and good faith efforts to procure funding for the activities for which Livable Communities Act Tax Base Revitalization Account funding is sought but was not able to find or secure from other sources funding that is necessary for cleanup completion and states that this representation is based on the following reasons and supporting facts:

- Due to existing conditions and lack investment by the previous ownership, the property has limited occupancy; by the end of October 2012 it will be 85% vacant.
- The property's condition and value will continue to decline until it is properly repositioned and stabilized.
- Due to the extent and location of asbestos containing materials and lead-based paint throughout the buildings, redevelopment of the properties for their highest and best use is extremely difficult and not feasible without grant assistance.

BE IT FURTHER RESOLVED that, if the City is awarded a Tax Base Revitalization Account grant for this project, the City Council of Edina, Minnesota acknowledges it will be the grantee and agrees to act as legal sponsor administer and be responsible for grant funds expended for the project contained in the Tax Base Revitalization grant application submitted on November 1, 2012.

Adopted by the Edina City Council this 16th day of October, 2012.

Attest:

Debra A. Mangan, City Clerk

James B. Hovland, Mayor

STATE OF MINNESOTA)
COUNTY OF HENNEPIN)
CITY OF EDINA)

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CERTIFICATE OF CITY CLERK

I, the undersigned duly appointed and acting City Clerk for the City of Edina do hereby certify that the attached and foregoing City Council Minutes is a true and correct copy of the Resolution duly adopted by the Edina City Council at its regular meeting of October 16, 2012, and as recorded in the Minutes of said regular meeting.

WITNESS, my hand and seal of said City this _____ day of _____, 2012.

Debra A. Mangen, City Clerk