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Host Community Economic Development Grants Program

Annual Report to the Legislature

As required by Minnesota Statute 116J.548, Subd. 5

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Minnesota Statute 116J.548, Subd. 5, requires the Department of Employment and Economic Development (DEED) to report to the committees of the legislature with jurisdiction over economic development by February 15 of each year on the grants awarded under the Host Community Economic Development Grants Program. This report fulfills that requirement.

The Host Community Economic Development Grants Program was passed by the 2013 legislature, and created a program within DEED for “host communities” to pay for capital costs of eligible projects. These state grants can cover 100% of the total costs of the project, and do not require any matching funds. Grants may be used to finance the capital costs of development or redevelopment projects to create jobs, increase the city tax base and enhance the city’s attractiveness to private investment.

Eligible Recipients

Minnesota Statute 116J.548 defines a Host Community as “a city located within the seven-county metropolitan area, as defined in Minnesota Statutes, Section 473.121, Subd. 2, that is the site of a waste disposal facility that meets the standards in Minnesota Statutes 473.849, that accepts unprocessed mixed municipal solid waste generated in the metropolitan area.”

DEED consulted with the Minnesota Pollution Control Agency (MPCA) shortly after the Host Community legislation was passed to identify communities that met these requirements. It was determined that only the cities of Burnsville and Inver Grove Heights were eligible for grants under the Host Community statute. The MPCA confirmed in 2014 that Burnsville and Inver Grove Heights were still the only eligible communities.

Grants Awarded

In 2014 DEED implemented a formal application process for the Host Community Economic Development Grant Program and received a total of three applications for grant funds, two of which were submitted by Burnsville and one by Inver Grove Heights. DEED’s review of these applications determined that each met the Host Community statute’s goal of generating economic development, and DEED awarded three grants totaling \$1,125,000. Below are details on each of the three awarded grants:

1) City of Burnsville – Heart of the City Parking Deck - \$395,000 (Awarded February 11, 2014)

The city of Burnsville will use these grant funds to construct an addition to a city-owned parking deck in the Heart of the City (HOC) redevelopment area. The majority of the HOC area has already been redeveloped, but the parking deck is adjacent to the last remaining vacant parcel. There is not currently enough parking available in the HOC area to support the redevelopment of the remaining parcel. The expansion of the parking deck will enable the city to find a developer for the vacant parcel and complete the redevelopment of the HOC area.

The city will market the parcel for development as a hotel, office building, or mixed-use project. Depending on the nature of the final development, the city estimates that the expansion of the

parking deck will increase tax revenue by over \$147,000 per year and create 19 new permanent jobs. The construction is expected to be complete in April 2015.

2) *City of Burnsville – Cliff Road & 35W Interchange Improvement - \$90,000 (Awarded February 11, 2014)*

The city of Burnsville will use these grant funds to pay for the preliminary design of improvements to the intersection of Cliff Road and interstate highway 35W. The existing interchange was only designed to accommodate limited truck access to heavy industry nearby. The city has a long-term plan to redevelop this area, known as the Minnesota River Quadrant (MRQ), and move from heavy industrial uses to commercial/office uses.

The Cliff Road and 35W intersection serves as the primary access point to the MRQ area, and the city's long term vision for the redevelopment of the MRQ cannot be realized unless the interchange is improved. Though the full redevelopment of the MRQ will not be complete until the Burnsville Sanitary Landfill and Kraemer Quarry cease operations in 15-20 years, the city plans to begin redeveloping portions of the MRQ in the next 3-5 years in tandem with the intersection improvements. The city estimates that the redevelopment of the MRQ, once complete, could result in over \$20M of increased tax revenue per year and the creation of many permanent jobs. The preliminary design is underway and will be completed in 2015.

3) *City of Inver Grove Heights – River Country Cooperative Site - \$640,000 (Awarded in two increments on June 25, 2014 and August 7, 2014)*

The city of Inver Grove Heights used these grant funds to acquire a vacant parcel with useable acreage of 4.17 acres. The site has been generally underutilized, and was used by the previous owner for outdoor storage and material stockpiling. The city plans to sell the property, which falls within the area covered by the Concord Boulevard Neighborhood Master Plan, to a developer who will construct approximately 40,000 square feet of light industrial space.

The city purchased the property in December 2014 and has begun searching for a development partner. The city estimates that the light industrial development, once complete, will generate over \$77,000 in additional taxes per year and create 15-20 new permanent jobs. Construction of the building is expected to be complete by 2017 or 2018.

Use of Remaining Funds

DEED has \$537,500 in FY15 funds to award before June 30, 2015. In order to allocate these funds evenly as required in the statute, DEED anticipates awarding \$346,250 to Burnsville and \$191,250 to Inver Grove Heights. Both cities are working on applications for this additional grant funding.