

**LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS**

**COMMUNITY & ECONOMIC DEVELOPMENT COMMITTEE**

**MARCH 12, 2009**

**Item 8, File #081520**

File Number 081520 is a resolution authorizing the Department of City Development to apply for, accept and fund a U.S. Department of Housing and Urban Development Economic Development Initiative Grant for site remediation and improvements on former Esser Paint Co. properties in the vicinity of N. 32<sup>nd</sup> Street and W. Cherry Street.

**Background**

1. The T.C. Esser Paint Company formerly operated a paint production facility on property in the block bounded by W. Galena Street, W. Cherry Street, the Soo Line Railroad (formerly Milwaukee Road) and N. 32<sup>nd</sup> Street. The Esser facility included over 90,000 square feet of industrial space in six multi-story buildings. It is currently owned by Galena Redevelopment Corporation, LLC.
2. Esser ceased manufacturing operations at this location in 1982. The facility continued to be used for warehousing and sales until 2000. The property has been vacant since that time and has suffered significant deterioration as a result of receiving minimal upkeep and maintenance. The Department of Neighborhood Services has an outstanding raze order on the property.
3. Besides its physical deterioration, the Esser property also has a number of environmental hazards, including friable asbestos throughout the buildings, hazardous liquids stored on site and 20-30 underground storage tanks that had been used for lead-based paint and fuel.
4. The Esser property is located in the 30<sup>th</sup> Street Industrial Corridor, which is a major focus of the Department of City Development's property redevelopment, business attraction and job creation efforts. The Esser site provides an opportunity to transform a blighted, tax-delinquent industrial site into new housing development, urban gardens and stormwater management features. However, future uses of the property will be determined by environmental conditions and physical restrictions of the site.

**Discussion**

1. This resolution authorizes the Department of City Development to apply for, accept and fund a U.S. Department of Housing and Urban Development Economic Development Initiative Grant in the amount of \$247,500 for site remediation and improvements at the Esser Paint site. The project is 100% grant-funded; there is no City match.
2. The grant will fund work on four properties. Three properties -- 3131 W. Galena Street (parking lot), 3207 W. Cherry Street (vacant lot) and 1542-46 N. 32<sup>nd</sup> Street -- are owned by Galena Redevelopment Corp., LLC. The fourth property is a City-owned vacant lot at 1500 N. 32<sup>nd</sup> Street which sits in the middle of the Esser properties.

3. The “site remediation” work to be conducted as part of this project includes removal of various underground storage tanks, soil and water quality assessment, and asbestos abatement. The “improvements” to be funded by the grant are primarily demolition of structures on the premises.
4. This resolution also authorizes the Commissioner of City Development to enter into the subcontracts and leases to complete the Economic Development Initiative Grant activities if awarded grant funds.
5. The grant period is February 25, 2008, to September 30, 2013. However, DCD anticipates commencing the work in April or May of this year, with completion of the project by April, 2010.
6. The City Treasurer has commenced the *in rem* foreclosure procedure to acquire the three Galena Redevelopment Corp.-owned parcels, which are tax delinquent for 2006, 2007 and 2008. It is anticipated that the City will take title to these properties in June or July. These parcels will then be conveyed to the Redevelopment Authority along with the adjoining City-owned lot. The Redevelopment Authority will then demolish the improvements and remediate the property using the grant funds. Ultimately, RACM will market the site for redevelopment.
7. The Redevelopment Authority held a public hearing on February 19, 2009, regarding possible blight designation of these properties. After the hearing, RACM determined that the properties meet the statutory definition of “blight” and authorized their acquisition.
8. This grant-funded project represents a significant step in the process of returning the Esser parcels to economically productive use. It appears to be consistent with the goals and objectives of the City’s overall redevelopment effort for the 30<sup>th</sup> Street Industrial Corridor.

**Fiscal Impact**

1. The total cost of this grant project is \$247,500, all of which is grantor-funded. There is no local/City match requirement.
2. The grant budget calls for the expenditure of \$198,000 (80%) for contractual services and \$49,500 (20%) for administrative costs (DCD salaries and fringe benefits). DCD anticipates hiring one contractor to do the demolition work and another to do the environmental remediation and assessment activities.

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