



## REQUEST FOR COUNCIL ACTION

**AGENDA DATE:** January 12, 2026

**AGENDA ITEM:** Consider the adoption of a resolution committing local match for Department of Employment and Economic development (DEED) Demolition Loan Program and authorizing contract signature

**PREPARED BY:** Rob Mattei, Director of Community Development

---

### BACKGROUND:

GREDA recently completed the Highway 2 Land Use and Development Plan. This planning effort was born out of growing community concern about increasing blight, environmental contamination challenges, underperforming and poorly configured commercial properties and poor visual appeal of the Highway 2 commercial corridor between 5th Ave. E. and 17th Ave. W. With considerable engagement of the business community and residents, the Plan establishes a community supported vision and goals for redevelopment and enhancement of the corridor.

The Plan assessed the age of buildings, the market value of properties, the level of lot coverage, ownership status, and known presence of contamination together with community input to identify and prioritize areas that were best positioned for redevelopment that will spur spinoff investment in the near term. One of those areas encompasses the former Itasca County Farm Co-op, owned by GREDA. This area is identified in the Plan as the “10th Avenue Node”.

In 2021, the Itasca County Farm Co-op closed its doors and entered chapter 7 bankruptcy proceedings. Through foreclosure, title to the property reverted to Deerwood Bank.

The property was listed for sale by Deerwood for approximately two-plus years. During that time, a Phase I and Phase II Environmental Report were completed, with assistance from the ARDC Brownfields Assistance Program. This work confirmed the existence of contaminants left by the Co-op and other past uses. The existence of contaminants and the requirements for mitigating them combined with the functional obsolescence and deteriorated condition of the building has been a burden that private investors have not been willing to tackle.

To better control the outcome of the re-use of the site in a manner that advances the Plan for the Highway 2 corridor, GREDA purchased the site for a nominal amount, in July of 2024. Since the

acquisition, GREDA has completed a hazardous material survey received demolition pricing information from two contractors and hired Braun Intertec to prepare and submit a Construction Contingency Plan for approval by the MPCA for the initial demolition and an application to the MN Dept. of Agriculture for similar clearance, which is necessitated by the presence of residual agricultural chemicals from the prior use.

On GREDA's behalf, the City of Grand Rapids has previously applied to MN IRRR for a Commercial Redevelopment (demo) grant to raze the structure. Staff has been given a verbal indication that the grant will be funded in an amount of \$175,000. To fund the remaining cost of the demolition and site preparation, staff is proposing an application to Minnesota DEED for a \$420,000 Demolition Loan.

#### Demolition Project Sources and Uses

Sources/Revenue:		Uses/Development Costs:	
IRRR Comm. Redev. Grant	\$175,000	Site Acquisition	\$1
DEED Demo Loan	\$420,000	Demolition	\$457,438
GREDA Cash	\$16,433	Contingency (10%)	\$45,748
		Engineering (20%)	\$91,488
		MPCA RAP/CCP preparation	\$5,558
		MDA AgVIC preparation	\$11,200
Total:	\$611,433	Total:	\$611,433

If awarded, the DEED Demolition loan bears an interest rate of 2%, but interest will not accrue for the first two years. Semiannual interest and principal payments would not begin until year three of the loan. The loan will have a term of 10 years.

With this program, DEED does require that the City issue a general obligation tax abatement bond in the amount of the loan. That note is then issued to the State as security. On January 12<sup>th</sup>, the City Council will consider resolutions that commit the local match and authorize GREDA's application to the program.

#### **REQUESTED COUNCIL ACTION:**

Make a motion to adopt a resolution committing local match for Department of Employment and Economic development (DEED) Demolition Loan Program and authorizing contract signature.