



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: January 17, 2012
To: Council Member Lisa Goodman, Chair, Community Development Committee
Subject: Land Sale Public Hearing
1100 2nd Street South / Izzy's Ice Cream

Recommendation:

1. Approve the sale of 1100 2nd Street South for a purchase price of \$437,850 to River Road Holdings, LLC, an entity affiliated with Izzy's Ice Cream, for development of an ice cream making facility, administrative office, and retail outlet.
2. Authorize appropriate City officials to enter into a redevelopment contract and related documents in accordance with the terms herein, including the attached Term Sheet.

Previous Directives: November 4, 2011, City Council authorized environmental remediation grant applications; September 30, 1994, MCDA acquired 1100 2nd Street South.

Prepared by: Miles Mercer, Phone 612-673-5043

Approved by: Charles T. Lutz, Deputy CPED Director _____

Catherine A. Polasky, Director Economic Policy & Development _____

Presenters in Committee: Miles Mercer

Financial Impact

- Land sale proceeds, net of closing costs, a portion of environmental cleanup costs, and preliminary planning fund reimbursement for this property, will be deposited into the Development Account.
- Other financial impact: Eliminate property management costs, e.g. in 2011 through November, \$2,630; in 2010, \$2,400. Return property to tax rolls generating an estimated \$25,000 annually as redeveloped.

Community Impact

- Neighborhood Notification: The project was presented to the Downtown Minneapolis Neighborhood Association (DMNA) at its November 8, 2011 meeting. DMNA will also review the project as part of the City land use approval process.
- City Goals: Jobs & Economic Vitality, Eco-Focused
- Comprehensive Plan: On December 12, 2011 the Planning Commission approved the sale of this parcel as being consistent with the Comprehensive Plan.
- Zoning Code: I-1 Light Industrial, overlay districts: MR Mississippi River, DP Downtown Parking, DH Downtown Height, IL Industrial Living
- Living Wage/Business Subsidy Agreement Yes_____ No X
- Job Linkage is not applicable, but Developer will provide job opening notifications and hiring reporting for five years
- Other: On October 19, 2011, the Planning Staff completed a land sale review of this proposed development and deemed it consistent with future land use plans.

Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
Outlot C	1100 2nd Street South	\$437,850

PURCHASER

River Road Holdings, LLC
3433 East 25th Street
Minneapolis, MN 55406

BACKGROUND

The Minneapolis Community Development Agency (MCDA) acquired 1100 2nd Street South on September 30, 1994. At the time, the property was a bigger parcel of approximately 31,700 sf. MCDA subsequently divided the parcel to create an extension of 11th Avenue South to the River Road. What remains of 1100 2nd Street South is a 9,730 sf vacant lot.

In September 2010, the City issued a Request for Proposals (RFP) for redevelopment of the site for commercial, residential, industrial, or mixed-use purposes. The RFP contained an asking price of \$437,850, which was based on an outside appraisal. The City received one response to the RFP from Shamrock Development, Inc. Shamrock owns the neighboring property and received final City planning approval in November 2010 to build a 150 unit residential project called Park Vista on its property. The City and Shamrock negotiated over the terms of a potential sale of 1100 2nd Street South for several months, but were unable to come to agreement on important issues such as price and development on the property. Shamrock consistently offered no more than \$350,000 and did not plan to develop the property. Rather, Shamrock proposed to use the property for a driveway and passive green space serving the Park Vista project. In December 2010, the City received a letter from Shamrock stating their "Final Offer to Purchase," which reflected no change in offer price or proposed development. The City turned that final offer down.

Months later, in June 2011, the City received an inquiry from Izzy's Ice Cream on the property. Izzy's owners had seen the for-sale sign posted on the lot. Since that inquiry, City staff has been in conversation with Izzy's owners regarding their proposed acquisition of this property for an ice cream facility.

Izzy's Ice Cream is a small, family-owned business, which has been operating a retail store and ice cream making space in Saint Paul at 2034 Marshall Avenue since 2000 (www.izzysicecream.com). Izzy's sells its own ice cream to retail customers, as well as to restaurants, food co-ops, and other stores in the region. Izzy's also hosts corporate teams and other small groups for ice cream making team building activities. Izzy's is outgrowing its space on Marshall Avenue, but will retain its retail presence there.

Izzy's formally submitted an Offer to Purchase form for the property on October 31, 2011. They have offered to pay the asking price for the property, \$437,850, which assumes a clean site. Izzy's and the City collaborated on grant applications for environmental cleanup on the site in the Fall 2011 grant round. The Minnesota Department of Employment and Economic Development and Hennepin County have announced awards aggregating \$142,532 for the site.

On November 22, 2011, the City received a letter from Shamrock offering to buy 1100 2nd Street for \$450,000 with several conditions. This offer comes too late, as staff has been working in good faith for several months with Izzy's on a purchase. Staff notified Shamrock that staff was recommending another project for approval.

This parcel is in the mined underground space area of the City that was conceptualized in the 1970's as part of the technology corridor. At the time, it was thought that equipment associated with the technology corridor could be accommodated underground where the temperature can be controlled. Consistent with

other projects in the Mill District, the City will exclude such space from conveyance and thus preserve ownership for this potential future underground space mining.

PROPOSED DEVELOPMENT:

Izzy's proposes to build an approximately 5,200 sf, 1½ story building. The building would provide space for Izzy's ice cream making operations and event hosting, an administrative office, and a retail outlet for pre-packaged ice cream such as pints and Izzy Pops. The project costs (excluding acquisition) are estimated to be approximately \$1.8 million. David Salmela, a Minnesota-based architect renowned for his warm, modern style, is designing the building (www.salmelaarchitect.com). The building and its operations will incorporate many green features such as a green roof, an efficient freezer system design, waste heat capture, a fuel-efficient delivery vehicle, chemical-free cleaning processes, and compostable packaging.

Izzy's is attracted to this location for many reasons. The site's location in the Mill District, across the street from Gold Medal Park, with views of the Guthrie Theater, the Mississippi Riverfront, and other structures provides Izzy's the opportunity to associate its brand with a beautiful and memorable place. The location also provides excellent access for Izzy's employees and business customers. Izzy's largely employs young people in high school and college. The site's proximity to the University of Minnesota, transit, and riverfront bikeways and other bike routes will aid commutes to work. Izzy's business customers benefit too. Many of Izzy's restaurant customers are located in downtown Minneapolis. And with access to Interstates 35 and 94 just blocks away, Izzy's will be able to make deliveries around the region with relative ease. A downtown location also benefits Izzy's corporate and small group tours business, making their facility easily accessible from the entire metro.

The community likewise will benefit from the Izzy's project for many reasons.

- The project will contribute to the vibrancy and mix of activity in the area. Local residents, visitors to Gold Medal Park and other area attractions, and walkers and cyclists on the Riverfront will have the opportunity to stop in for an ice cream treat, contributing to their experience of the district.
- The iconic design of the building will provide another ingredient to the unique architecture and natural features that characterize this vibrant area.
- Bringing a food production business to Minneapolis supports the City's *Homegrown Minneapolis* initiative and will be a unique addition to our local food and restaurant market.
- The project will provide expanded job opportunities for youth, resulting in the creation of 14 full-time equivalent jobs and the retention of 10 full-time equivalent jobs, as well as work for dozens of construction workers.
- Finally, the project will take a vacant lot that currently provides no property taxes because of its public ownership and costs public money to maintain and develop it into a tax-generating asset.

Some neighboring residents and property owners have voiced concerns. One concern is the truck traffic the facility would generate. While Izzy's would need to make and receive deliveries, the frequency, hours, duration, and vehicles types of these deliveries is of relatively low impact. Specifics of the expected traffic include Izzy's own mini-van sized vehicle making 2-7 trips daily on weekdays and 0-2 trips on weekends; FedEx, UPS, or other similar-sized cargo vans making 4-6 stops per week on weekdays between 9:00 am and 5:00 pm, for 5 to 30 minutes in duration with the average trending towards 10 minutes; and one semi trailer delivering ice cream mix from the dairy once a week on Thursdays between 9:00 am and noon, with four other quarterly, weekday, business hour, semi trailer deliveries, all for a range of 10 to 30 minutes in duration with the average trending towards 15 minutes. In short, the vehicles commonly associated with truck traffic (i.e. semis) would on average visit the site two days a week during regular business hours for about 15 minutes.

Other concerns have been around the design of the project and the compatibility of the project with city planning for the area. On planning, the City's Comprehensive Plan governs this area and designates it as Mixed Use. City Planning Staff and the City Planning Commission have found that the project's use is consistent with the Comprehensive Plan. On design, the project will go through the City zoning approval process and will need to be consistent with the City's regulations. This process will involve consultation with the local neighborhood group, DMNA, review by City Planning Staff and the City Planning

Commission, and a public hearing. Because of this input, as well as the involvement of a renowned architect, the building stands to be a distinctive yet complementary addition to the area.

LAND DISPOSITION POLICY:

This property is a buildable lot as defined by City policy and is being sold for development.

FINANCING:

The project is in the process of securing a bank loan that is expected to finance 85% of the project costs (including acquisition), with the balance of the acquisition and construction costs to be provided by equity from the developer.

OFFERING PROCEDURE:

Public Advertisement/Direct Sale. The sales price of this property reflects the re-use value.

Staff is recommending approval of the sale for redevelopment subject to the terms that follow. The property will be subject to a redevelopment contract incorporating these terms.

Term Sheet
for the 1100 2nd Street South Izzy's Ice Cream Development

1. Property: 1100 2nd Street South, PID 2602924110108
2. Purchaser/Owner: River Road Holdings, LLC
3. Minimum Improvements: This project consists of the construction of an approximately 5,200 sf, 1½ story building that will house space for Izzy's ice cream making operations, an administrative office, and a retail outlet for pre-packaged ice cream items.
4. Purchase Price: \$437,850.00 (~9,730 sf at \$45.00/sf).
5. Environmental Clean Up: River Road Holdings, LLC will contract and oversee environmental clean up of the property. Eligible clean up costs estimated to be \$192,000 will be reimbursed from clean up grants from the Minnesota Department of Employment and Economic Development for \$130,052 and Hennepin County for \$12,480 and an escrow of \$88,000 from land sale proceeds. Costs will be first reimbursed from grant proceeds while being consistent with a grant matching funds requirement. The developer will be responsible for any additional costs, however the developer will not be precluded from requesting additional grant or other assistance if unexpected extraordinary environmental clean up costs are encountered.
6. Closing Date - not later than June 1, 2012
Construction start – not later than June 30, 2012
Completion – not later than 18 months after closing
7. Good Faith Deposit: 10% of Purchase Price at contract execution
8. Prevailing Wage and Apprenticeship Requirements, Job Reporting
9. Mined Underground Space: 1100 2nd Street South is in the mined underground space area and thus the City will exclude such space from the conveyance and subject itself to the typical declaration of restrictive covenants regarding future use of such underground space rights.

**Authorizing sale of land Industry Square Land Acq/Disp
Disposition Parcel No. Outlot C.**

Whereas, the City of Minneapolis (the City) has received an offer to purchase and develop Disposition Parcel Outlot C (Outlot C), in the Downtown East neighborhood, from River Road Holdings, LLC (the Redeveloper), Outlot C being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

Outlot C; 1100 2nd Street South:

That part of Outlot C, Eleventh Avenue 2nd Addition[, to be replatted as Lot 1, Block 1, Eleventh Avenue 3rd Addition], Hennepin County, Minnesota, which lies above, but not below, a horizontal plane having an elevation of 790 feet above sea level according to the National Geodetic Datum 1929 Adjustment

Whereas, the Redeveloper has offered to pay the sum of \$437,850 to the City for Outlot C and the Redeveloper's proposal is in accordance with the Industry Square Redevelopment Plan, as amended; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with the accepted methods in aiding the City in determining a re-use value for Outlot C; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on January 6, 2012, a public hearing on the proposed sale was duly held on January 17, 2012, at the regularly scheduled Community Development Committee meeting of the City Council, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the re-use value for uses in accordance with the Industry Square Redevelopment Plan, as amended, is hereby estimated to be the sum of \$437,850 for Outlot C.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the parcel in accordance with the Redevelopment Plan, as amended.

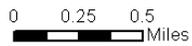
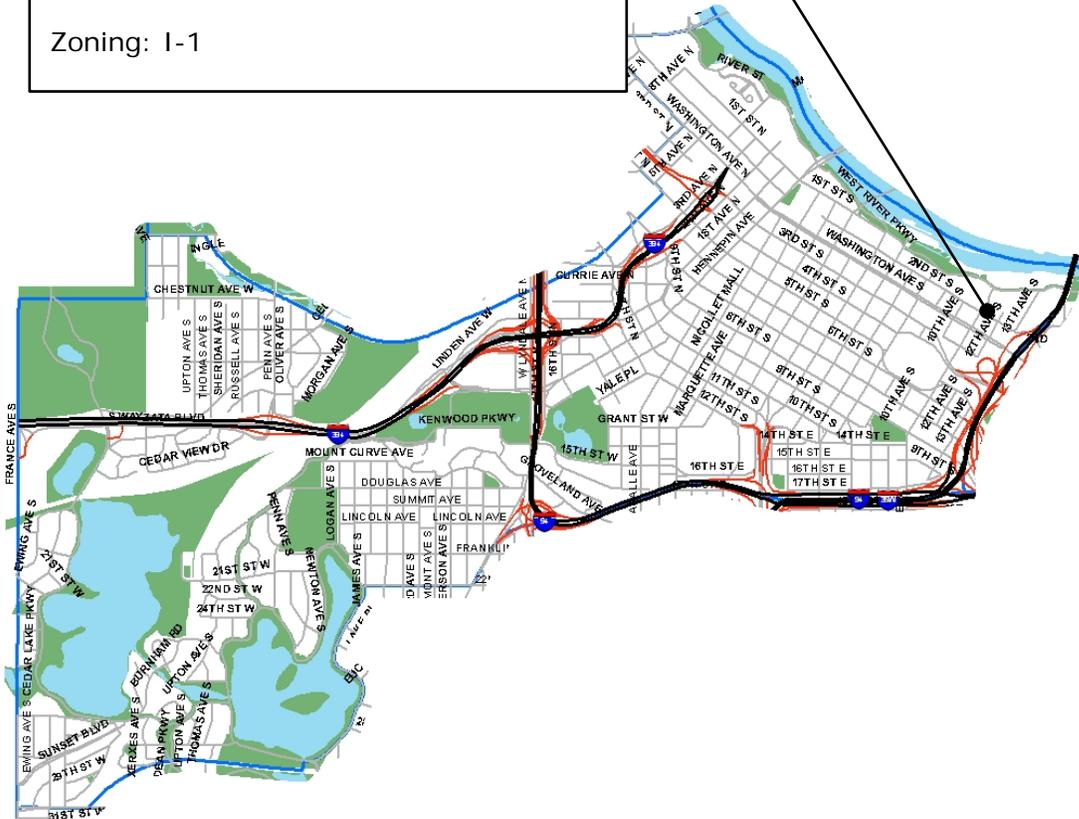
Be It Further Resolved that, to the extent the permitted uses and other land use requirements in the Redevelopment Plan, as amended, are inconsistent with the current zoning and land use controls, it is in the best interests of the Project and the City and will contribute to achievement of the objectives of the Redevelopment Plan to apply current official controls.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that upon publication of this Resolution, the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed and delivered by the Finance Officer or other appropriate City official of the City.

WARD 7

Address: 1100 2nd Street South
Parcel: Outlot C
Purchaser: River Road Holdings, LLC
Sq. Footage: 9,730
Zoning: I-1



TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:

Date: January 17, 2012
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 Izzy’s Ice Cream
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 Purchaser: River Road Holdings, LLC

Disposition Parcel No. Acq Date	Address	Total CPED Costs*	Less Sales Price	Write Off
Outlot C 9/30/1994	1100 2nd Street South	\$140,722.50	(-) \$437,850.00	-\$297,127.50

* Total CPED Costs reflect the prorated costs of the site acquisition in 1994 and the costs of demolishing a structure in 1995.

Re-Use Value Opinion	Less Sales Price	Write-Down
\$437,850	\$437,850.00	\$0

Write-Down
 Reason: n/a

Developer History with CPED:

No previous projects with CPED

Developer Information:

- Single Individual(s)
- Married Individual(s)
- Limited Liability Partnership of the State of Minnesota
- Limited Liability Company of the State of Minnesota
- Corporation of the State of Minnesota
- Nonprofit Corporation of the State of Minnesota
- Other