



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

Date: August 20, 2013

To: Council Member Lisa Goodman, Chair, Community Development Committee

**Subject:** Land Sale Public Hearing  
Seward South  
2644 Minnehaha Avenue

**Recommendation:** Approve the sale of 2644 Minnehaha Avenue to RCK Development, LLC for \$5,000 and the grant of a driveway easement over 2620 Minnehaha Avenue, as fee owner of the land.

**Previous Directives:** The MCDA acquired the Milwaukee Road rail properties on February 18, 1988. The MCDA conveyed the property to the City of Minneapolis via Quit Claim Deed dated November 30, 2004 and filed on record on December 1, 2004.

### Department Information

Prepared by: Rebecca Parrell, Senior Project Coordinator, Phone 612-673-5018  
Approved by: Charles T. Lutz, Deputy CPED Director \_\_\_\_\_  
Catherine A. Polasky, Director Economic Policy & Development \_\_\_\_\_  
Presenters in Committee: Rebecca Parrell, Senior Project Coordinator

### Financial Impact

- Land sale revenues will be directed to repay City expenditures related to the disposition of the property.
- Action is within the Business Plan
- Elimination of future property management costs estimated at \$5,200 per year.
- Estimated annual property tax revenue from site: \$ 4,000<sup>1</sup>
- Proposed Total CPED Land Assembly Costs Write-Off: \$146,762
- Proposed Sales Price Write-down from Re-Use Value Appraisal: \$122,000<sup>2</sup>

<sup>1</sup> The \$127,000 appraised value would have resulted in 2013 taxes payable of \$4,264.

<sup>2</sup> The appraised fair market value of \$127,000 assumes a clean site and a motivated buyer and seller. However, there is only one logical buyer, as it is a land-locked parcel, and it is known to be contaminated. The predevelopment clean up estimate is \$162,071.

### Community Impact

- Neighborhood Notification: Staff notified the Longfellow Community Council and Seward Neighborhood Group (SNG) of the proposed sale on June 6, 2013.
- City Goals: Jobs & Economic Vitality- Epicenter for the new green jobs economy
- Sustainability Targets: Green Jobs, Waste Reduction and Recycling
- Comprehensive Plan: On April 22, 2013, the Planning Commission approved the sale of this parcel as being consistent with the Comprehensive Plan.
- Zoning Code: On August 22, 2013, the Zoning and Planning Committee will receive a staff recommendation to rezone the subject parcel from I1 to I2.
- Living Wage/Business Subsidy Agreement: Yes \_\_\_\_\_ No X
- Job Linkage: Yes \_\_\_\_\_ No X
- Other: On March, 21, 2011, the Planning Staff completed a land sale review of this parcel and supports the sale of the subject parcel.

### Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
B3D pt & B4A pt-a	2644 Minnehaha Avenue	\$5,000

### PURCHASER

RCK Development, LLC  
2640 Minnehaha Avenue  
Minneapolis, MN 55406

### PROPOSED DEVELOPMENT:

The purchaser will use the property in the near-term for drying cut lumber, staging and cutting logs, and storing processing equipment related to their business Wood From The Hood (housed in the building on the adjacent property). The purchaser's long-term development plans for the property are to construct an industrial building that would completely house Wood From The Hood and all of its operations in a state-of-the-art green building, allowing year round operations. Any development contract entered into as a result of an approved sale will include (a) screening and landscaping required by City Zoning Code, (b) replatting from an outlot to a buildable parcel, (c) rezoning from I1 to I2, (d) acknowledging identification by the State Historic Preservation Office of possible historic significance (see *Archaeological Review* below), (e) entering into a non-exclusive driveway easement (see below), (f) acknowledging an existing easement agreement (see below).

The parcel to be purchased is landlocked and therefore a non-exclusive driveway easement will be entered into between (1) RCK Development, LLC, proposed purchaser of subject parcel; (2) BW Development, LLP, owner and controller of improvements and property through a bond lease; and (3) the City of Minneapolis, fee owner of the parcel, pursuant to a revenue bond financing lease.

Additionally, there is a fence located precisely on the property line between the subject parcel and the Metropolitan Council-owned right of way to the west of the subject parcel. The fence was erected by the City of Minneapolis Public Works Department and Public Works has an easement agreement with the Metropolitan Council allowing the City to maintain said fence. A development agreement will require the purchaser to honor the full easement agreement.

The lot size is 82' x 442' = 36,244 total square feet.

**LAND DISPOSITION POLICY:**

This property is being sold as surplus development property.

**FINANCING:**

The purchaser has cash to buy the property and pay for the proposed screening project.

**OFFERING PROCEDURE:**

This is a direct sale of a land-locked parcel to an adjacent property owner. The sale price does not reflect the full re-use value because there is only one logical buyer, as it is a land-locked parcel and because the appraisal assumed a clean site, while the costs of contamination remediation exceed the appraised value.

**BACKGROUND:**

*History*

The Minneapolis Community Development Agency (MCDA) acquired the vacant Soo Line Railroad Yard Facility site via eminent domain from the Chicago, Milwaukee, St. Paul, and Pacific Railroad Company with tax increment revenues in 1988. The subject parcel was a small portion of the 40+ acre purchase. Historic maps indicate that the Southtown rail yard roundhouse once spread across the subject parcel. The roundhouse was removed sometime between 1952 and 1956, after which the site was used for other rail yard uses until it became a surface parking lot in the early 1970s. Given the site's history, the State Historic Preservation Office (SHPO) flagged the property for further review in 2002.

*Archaeological Review*

CPED contracted with an engineering firm to provide an archival and archeological overview of the parcel to evaluate the possibility of future property development. The literature search and ground penetrating radar investigation revealed concrete structural remains of the roundhouse. The review determined, however, that these physical remains are unlikely to provide new information that could contribute to the understanding of this roundhouse or the historic activities that occurred there.

*Environmental Investigation*

The City of Minneapolis has sold several parcels for redevelopment that were part of the original purchase of the Soo Line Railroad Yard Facility and all of the sites have required

pollution remediation. CPED used grant funds from the Environmental Protection Agency (EPA) to conduct a Phase I Environmental Site Assessment (ESA) and Phase II ESA, prepare a Response Action Plan (RAP) and Construction Contingency Plan (CCP), and develop a remediation cost estimate for the subject parcel. The cost estimate for clean-up prior to industrial redevelopment was \$162,071. The property can be used for outdoor storage without remediation, but any development or property improvements will trigger cleanup.

#### *Purchaser's Business*

Rick and Cindy Siewert founded Wood From The Hood in 2008 to turn locally-sourced trees, otherwise destined for the chipper or dump, into high quality hardwood products such as flooring, bottle openers, one-of-a-kind furniture pieces, and picture frames. Many of the small products are sold at local businesses in Minneapolis, like the Seward Co-op. Wood From The Hood reclaims urban trees, helps conserve our natural forests, and reduces the carbon footprint by only processing trees from within 100 miles of the business. They work with the Minneapolis Park and Recreation Board, local arborists, and business and home owners as the primary source for logs. Their lumber is Forest Stewardship Council certified which helps home and business owners using their products achieve LEED (Leadership in Energy and Environmental Design) certification. They also hold a Minnesota Grown Certificate and are certified for the safe handling of ash by the United States Department of Agriculture and the Minnesota Department of Agriculture.

**Authorizing sale of land Seward South  
Disposition Parcel No B3D pt & B4A pt-a.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel B3D pt & B4A pt-a, in the Longfellow neighborhood, from RCK Development, LLC , hereinafter known as the Redeveloper, the Parcel B3D pt & B4A pt-a, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

B3D pt & B4A pt-a; 2644 Minnehaha Avenue  
Outlot A, Minnehaha Industrial Park 6<sup>th</sup> Addition

Whereas, the Redeveloper has offered to pay the sum of \$5,000, for Parcel B3D pt & B4A pt-a to the City for the land, and the Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; 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 the Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on August 9, 2013, a public hearing on the proposed sale was duly held on August 20, 2013, 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 Seward South plan, as amended, is hereby estimated to be the sum of \$127,000 for Parcel B3D pt & B4A pt-a, however, in accordance with public purpose considering future contamination and remediation costs estimated at \$162,071, The City is selling Parcel B3D pt & B4D pt-a for the sum of \$5,000.

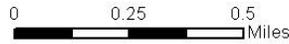
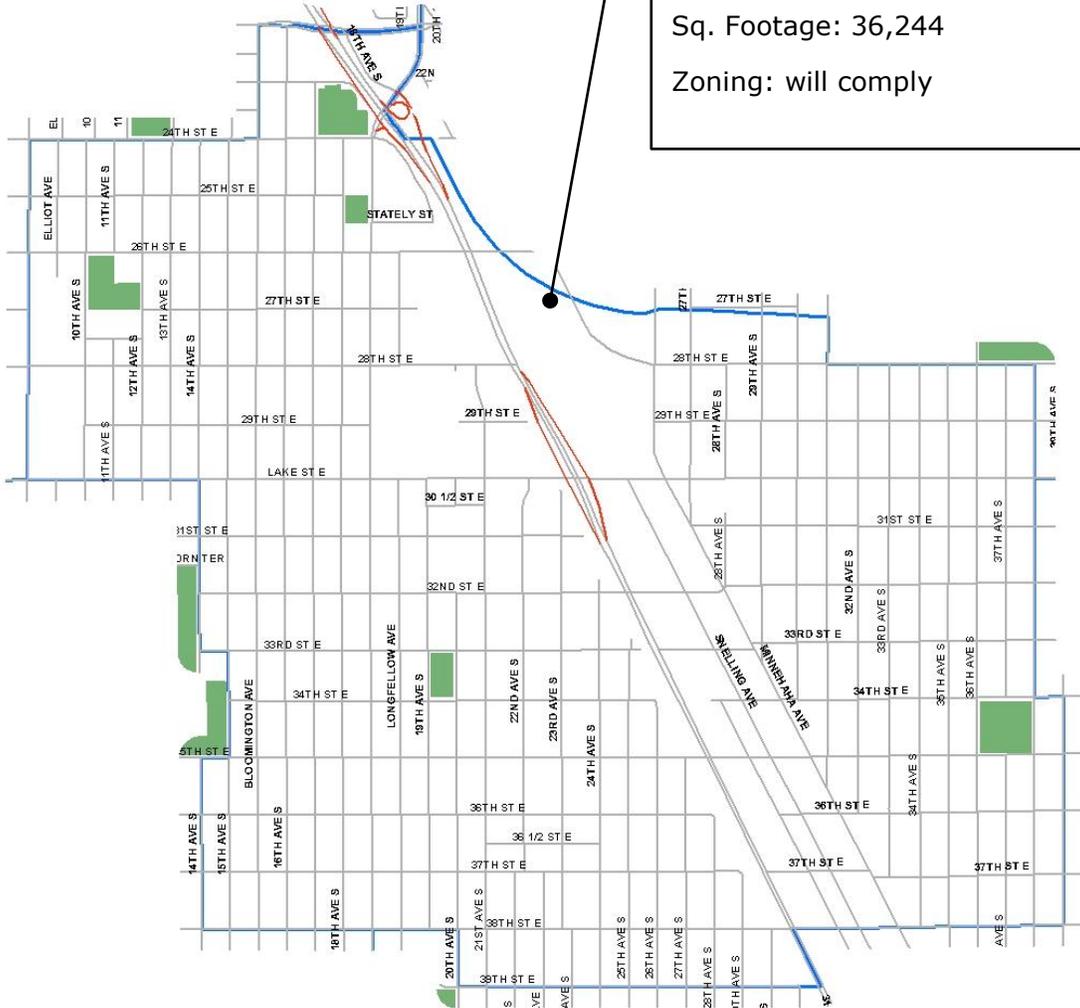
Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the parcel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

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 9

Address: 2644 Minnehaha Avenue  
Parcel: B3D pt & B4A pt-a  
Purchaser: RCK Development, LLC  
Sq. Footage: 36,244  
Zoning: will comply



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

Date: August 20, 2013

Subject: Land Sale – Public Hearing for 2644 Minnehaha Avenue

Address: 2644 Minnehaha Avenue

Purchaser: RCK Development, LLC

Address	Purchase Price	Acquisition/ Demolition/ Other Costs	Total CPED Cost to Assemble (A+B)	Re-Use Value Opinion	Sale Price	CPED Cost Write-Off (E-C)	Re-Use Value Write Down (E-D)
2644 Minnehaha Av	\$151,762.00		\$151,762.00	\$127,000.00	\$5,000.00	(\$146,762.00)	(\$122,000.00)
<b>Total</b>	<b>\$151,762.00</b>	<b>\$0.00</b>	<b>\$151,762.00</b>	<b>\$127,000.00</b>	<b>\$5,000.00</b>	<b>(\$146,762.00)</b>	<b>(\$122,000.00)</b>

Write-Down:

An outside appraisal, complete in March 2011, concluded the highest and best use as assemblage with the adjacent property and derived a fair market value at \$127,000 (\$3.50 per square foot) assuming a clean site. Estimated contamination remediation costs are \$162,071. The property can be used for outdoor storage without remediation, but any future development or property improvements will trigger cleanup. A value of \$5.00 per square foot discounted 30 percent to reflect the subject parcel’s land-locked status.

The City ordered an outside review of the March 2011 appraisal to update the value in April 2013. The reviewer considered the analysis valid, but noted the amount of the discount for a land-locked parcel is subjective and difficult to support with available data. “In the definition of *Market Value* used in the appraisal under review, *both buyer and seller are typically motivated*. However, in the case of the subject parcel, there is only one logical buyer - the adjoining property owner - who is not typically motivated...knowing that competitive offers are unlikely, undermines the definition of *Market Value* for the subject parcel.” Deriving a fair market value in essentially a non-market situation is challenging and the appraisal reviewer noted it is common to accept what the adjacent owner is willing to pay, regardless of any derived value and concluded that a reuse value negotiated between the City and the buyer will be significantly lower.

Developer History with CPED:

RCK Development, LLC is a new entity created by the business owners of Wood From The Hood to hold real estate for the business.

Developer Information:

  X   Limited Liability Company of the State of Minnesota