



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

Date: November 19, 2013

To: Lisa Goodman, Chair of Community Development Committee

Subject: Extension of Exclusive Development Rights—Praxis Foods

Recommendation: Grant a one year extension to the exclusive development rights to Praxis Foods through Dec 31, 2014 for the Penn/Plymouth properties at 1256 Penn Ave N & 1235-1243 Oliver Ave N.

Previous Directives: July 20, 2013 grant exclusive development rights to Praxis Foods through Dec 31, 2013.

Department Information

Prepared by: Beth Grosen, Sr. Project Coordinator

Approved by: Catherine A. Polasky, Economic Development Director _____

Charles T. Lutz, Deputy Director of CPED _____

Presenters in Committee: Beth Grosen, Sr. Project Coordinator

Financial Impact

- City owned land will be sold for fair market value
- Action is within the Business Plan

Community Impact

- Neighborhood Notification- The Northside Residents Redevelopment Council's Residential Commercial Task Force discussed the request on November 11. NRRC Letter of support is attached.
- City Goals- Jobs and Economic Vitality—this project involves the launch of a major business providing quality jobs and needed healthy food products in North Minneapolis.
- Comprehensive Plan- The Penn/Plymouth intersection is a Neighborhood Commercial Node. A retail commercial use such as a grocery store is an appropriate use in a Neighborhood Commercial Node.
- Zoning Code- The site is zoned C2. A grocery store is a permitted use in the C2 District. A new building will require site plan review. Additional zoning applications may be necessary depending on the specific proposal.

Supporting Information

Late in 2011, an RFP was issued for City-owned property at the intersection of Penn and Plymouth. Hennepin County proposed to enter into a ground lease to construct an interim parking lot on the southwest corner, primarily to be used by North Point. Glenn Ford of Praxis Foods proposed to construct a full service 25,000-30,000 SF grocery store on the southeast corner. The City Council in July 2012 authorized the ground lease with Hennepin County and granted exclusive development rights to Praxis Foods until Dec 31, 2013.

The purpose of this Council request is to seek a twelve month extension to allow Praxis more time to complete their development plans and finalize financing. A large reason that Praxis was not able to complete their plans this year was that Ford strived for several months to increase the density of the development by working with DEED and other tenants to build a multi-story development, including the grocery store, at this site. Ultimately, the conclusion was that this site is not large enough to accommodate everyone's needs, and it would be difficult to acquire adjacent properties. The plan now is to construct a 25,000-30,000 urban grocery store, including a second-story mezzanine and underground parking, on the 1.3 acre site. The total development cost for the project is estimated at \$7.2 million.

The Praxis Foods project continues to be a very compelling project for North Minneapolis.

- The 25,000-30,000 sq. foot grocery store will provide fresh produce, meat and fish, a delicatessen and a seating area for fully prepared meals made in the store in North Minneapolis, which has been identified as a "food desert" lacking healthy food shopping options. Furthermore, Praxis has expressed great interest in selling locally grown food.
- The attractive urban store will be sited up to the sidewalk on both the Penn and Plymouth sides, with a pedestrian-friendly design including many windows.
- Praxis Foods will employ 120, including over 75 full time workers in a variety of positions including marketing and management. Praxis is interested in employing skilled and unskilled Minneapolis residents, including providing employment opportunities for young people as an entry level workplace.
- Glenn Ford is an experienced business person with a transformative vision and investor support to launch a series of urban grocery stores in other locations including Chicago and Kansas City.

Praxis has been working with International Creative Capital and other groups to secure up to \$5 million in EB-5 financing. The EB-5 program has been run by the US Customs and Immigration Service for many years to encourage foreign investment in designated economically-distressed areas throughout the US. The program grants immigrant investors a green card in exchange for making at least a \$500,000 qualified investment in a designated regional center and creating at least 10 US jobs. The effort to establish an EB-5 Regional Center in Minnesota was launched in the past couple of years. The Praxis Marketplace project is a great fit for EB-5 funding as it would create over 100 new jobs for North Minneapolis. Praxis has now identified alternative bridge financing to move the project forward during the EB-5 application period.

CPED staff are actively working with Mr. Ford to identify funding options for this project. We have secured \$230,530 in grants for brownfield remediation and will pursue additional development grants to support this development. This project is an ideal candidate for the City's new Grow North business recruitment incentive program and a potential candidate for tax abatement.

The key business points moving forward include:

Praxis will build a grocery store of 25-30,000 sq. ft.

An appraisal has been completed. The land is valued at \$350,000 (\$4 per sq. ft.) clean.

City will not market the property for sale during this period and will actively work with Praxis.

Praxis will submit by February 28, 2014 preliminary plans for initial review by Minneapolis Development Review and Public Works staff (PDR).

Praxis will submit applications for the \$200,000 Grow North forgivable loan and tax abatement incentives by March 14, 2014.

Before closing on the land sale and brownfield cleanup, Praxis will secure all entitlement approvals and bridge financing.

Provided that Praxis meets the above milestones, that the final development proposal is affirmed, and the sale of the City property for redevelopment is approved by the City Council through a subsequent action, Praxis will enter into a redevelopment contract and comply with all applicable City requirements including preparation of affirmative action plans, competitive bidding, Apprenticeship Training Policy, the Small and Underutilized Business Enterprise Program, the Business Subsidy Act/Living Wage Ordinance, Job Linkage, and Prevailing Wage Policies.

