



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

Date: June 21, 2005

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Jim Forsyth, Senior Project Coordinator, Phone 612-673-5179

Presenter in Committee: Jim Forsyth, Senior Project Coordinator

Approved by: Mike Christenson, Director, Economic Development _____
Jack Kryst, Director, Development Finance _____

Subject: Project Analysis Authorization for Humboldt Industrial Park proposed by Real Estate Recycling (RER)

RECOMMENDATION: Authorize staff to continue analysis of the Humboldt Industrial Park proposal; negotiate terms and conditions of a redevelopment contract with RER; and prepare a redevelopment plan and tax increment financing plan for the proposed Humboldt Industrial Park.

Previous Directives: At its meeting of April 29 this year the City Council authorized submission of Environmental Remediation Grant Applications, (including those of RER), to DEED, the Metropolitan Council and Hennepin County.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): A PPF account administratively established by CPED using the recommended fee as described in the report.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 4

Neighborhood Notification: The Shingle Creek Neighborhood Association endorsed this proposal in a letter dated March 25, 2005.

City Goals: Consistent with The Minneapolis Plan section 9.25: Minneapolis will establish industrial districts to provide locations for industrial land uses and 9. 26: Minneapolis will prioritize growth in light industrial land uses to increase the tax base and create jobs for city residents.

Comprehensive Plan: The site is identified as an Industrial Park Opportunity Area.

Zoning Code: Consistent

Living Wage/Job Linkage: A living wage/job linkage agreement will be required of the developer as a part of any redevelopment agreement that is reached.

Background:

Real Estate Recycling (RER) has proposed development of a 13-acre parcel of land in the northwest corner of the Canadian Pacific Railroad's (CPR) Humboldt Yards as an industrial park (Humboldt Industrial Park). The proposal for this site, which is presently vacant, is for construction of two multi-tenant light industrial buildings totaling 150,000 square feet. One of the buildings could be expanded by an additional 27,000 square feet. RER projects generation of 180 to 235 new jobs for the project. As proposed the project requires both brownfield remediation grants and tax increment financing.

The affected Shingle Creek neighborhood has recommended development of the site and the proposal is consistent with their plan for the area. The neighborhood also endorsed the RER application in May this year for brownfield remediation grants from the Minnesota Department of Employment and Economic Development (DEED), the Metropolitan Council and Hennepin County.

Though the proposal is heavily dependent on several sources of public assistance, the initial project team review indicates that the potential benefits warrant the project analysis requested in this report. RER has indicated that CPR, the owner of the site, had offers from others for uses of the site that were not acceptable to the neighborhood while RER's is consistent with the neighborhood's approved plan.

Project Description

Site: The 13-acre site is at the northwest corner of the Canadian Pacific Railroad's Humboldt Yards. The address is 2601 49th Ave. North and the PID# is 1-118-21-32-0048.

Development Entity: Real Estate Recycling (RER)

Proposed Development: RER proposes an industrial park consisting of two multi-tenant buildings. Building 1 is proposed to be 24 foot clear span and 86,000 square feet, expandable to 113,000 square feet. Building 2 is also proposed to be 24 foot clear span and would be 64,000 square feet.

Public Assistance Requested: \$1,600,830 in Tax Increment assistance.

Proposed Timeframe: RER intends to start construction on building #2 in the fall of 2005 with completion in February of 2006. Construction of building # 1 is proposed to start on the summer of 2006 with completion in December of 2006.

Current Status of Project: Developer has site control through purchase agreement with the CPR. Developer is waiting notification on remediation grant applications (late June to early August).

Results of Preliminary Staff Analysis

Public Purpose: Job creation, property tax generation and pollution remediation.

Consistency with City Goals: Consistent

Consistency with Applicable Plans and Development Objectives: Consistent

Sources and Uses Analysis: A preliminary analysis of the sources and uses indicates a high possibility of success provided the applied for brownfield remediation grants are forthcoming.

Financial Feasibility and Appropriate Level of Public Participation: At this time the team believes that additional analysis as requested in this report is necessary to determine the appropriate level of public participation. The project is dependent on both the requested tax increment financing and on receipt of brownfield remediation grants. The granting agencies report that their award notices will not be sent before late June (DEED and the Metropolitan Council) and the Hennepin County grant notification will not be made till August 9 at the earliest. However, RER hopes to have a redevelopment plan and tax increment plan approved in time to begin construction this year. That schedule requires initiation of more detailed analysis now. The team does believe that the benefits that are proposed to be derived from the project will justify public participation.

Developer Qualifications: Developer has successfully developed similar projects and has demonstrated an ability to work with the City. Developer has indicated that if remediation grants and tax increment plan are approved they will have financing in place for the project.

Need for Consultant: Not necessary

Proposal Strengths and Weaknesses: Proposal would result in development of a property never previously developed. It would therefore result in a significant increase in property taxes for the site (estimated by the developer to increase from the current \$70,000 per year to \$275,000 after redevelopment) and generation of

between 180 and 235 new jobs. Proposal is on a fast track that is dependent on both tax increment financing and on receipt of \$1,741,000 in brownfield remediation grants from three granting agencies (DEED, Metropolitan Council and Hennepin County). Final notification regarding award of all the requested grants is not anticipated till early August.

Project Analysis Fee

A Project Analysis Fee of \$15,000 is recommended. This is approximately half of the estimated cost for staff to analyze the proposal and prepare the requested Redevelopment Plan and Tax Increment Plan. If this Project Analysis Authorization is approved, a Preliminary Planning Fund will be established administratively by CPED using the fee paid by the developer.