

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

Date: October 28, 2008

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

Council Member Sandra Colvin Roy, Chair, Transportation and Public Works Committee and Members of the Committee

Referral to: Council Member Paul Ostrow, Chair, Ways and Means Committee and Members of the Committee

Subject: Bassett Creek Valley Exclusive Development Rights for city-owned property in Linden Yards and Impound Lot

Recommendation: (1) Contingent upon Ryan Companies ("Ryan") paying a \$20,000 good faith deposit consistent with the terms of this report, grant Ryan exclusive development rights to Linden Yards and the Impound Lot for a period of five years provided annual progress is demonstrated as described in this report, provided that because of the many complexities of the site, either Ryan or the City, based on further investigations, can walk away at the end of the approximately 8 month research period described herein, whereupon Ryan's \$20,000 deposit will be refunded.(2) Direct City staff to continue its analysis of Ryan's proposal, negotiate mutually agreeable terms and conditions for one or more redevelopment agreements under the basic framework outlined in this report and return to the Council for authorization and further direction when appropriate; (3) Contingent upon Ryan paying up to \$50,000 as an administrative fee to help pay for City expenses, direct staff to explore the cost and plan to relocate all of Linden Yards and all or portions of the City's impound facility, and to report back to the Council within 8 months (unless extended by mutual agreement of the Public Works Director and Ryan) with a tentative budget. (4) Direct CPED staff to determine the fair market value of the Linden Yards and Impound Lot under potential development scenarios, and to report back to the Council within 8 months (unless extended by mutual agreement of the Public Works Director and Ryan); (5) Authorize and direct appropriate city staff to allow environmental testing and monitoring wells on the Linden Yards site to facilitate future grant applications for Phase I; and (6) Express a willingness to consider providing tax increment financing assistance for the project in the future consistent with the terms described in this report.

Previous Directives: June 22, 2001 Direct City and MCDA staff to carry out the short term strategies for relocation and operation alternatives for the Impound Lot, Concrete Crushing, and Linden Yards Operations Storage facilities; January 12, 2007 approved Bassett Creek Valley Master Plan; February 15, 2008 approved zoning revisions in Bassett Creek Valley from industrial to primarily commercial and higher-density residential uses.

Prepared by:	Beth Grosen, Senior Project Coordinator (612)-673-5002
Approved by:	Charles T. Lutz, CPED Deputy Director _____ Catherine A Polasky, Econ. Dev. Director _____ Steven Kotke, Public Works Director _____
Presenters in Committee:	Beth Grosen

Financial Impact

Other financial impact-Transitioning Public Works operations to other locations involves significant investment. Land will be sold at fair market value, following a future Council action.

Community Impact

Neighborhood Notification-Extensive notification through the RFP process and presentations to the Harrison and Bryn Mawr neighborhoods and the Bassett Creek Valley Redevelopment Oversight Committee (ROC). The ROC strongly recommended that the City Council approve granting Ryan exclusivity rights, but noted the Ten Guiding Principles for the BCV Master Plan (attached).

City Goals-Contributes to "A Safe Place to Call Home", "Connected Communities", "Enriched Environment", "A Premier Destination"

Sustainability Targets—Supporting central infill development

Comprehensive Plan-Conforms with Minneapolis Plan for Sustainable Growth

Zoning Code-Proposed development meets recently revised zoning revisions

Living Wage/Business Subsidy Agreement Not at this time

Job Linkage Not at this time

Background Information

Considerable planning and development study has focused on Bassett Creek Valley in the last ten years. Bassett Creek Valley is situated between I-394 and Glenwood Avenue, I-94 and Cedar Lake Road. The final leg of Van White Memorial Boulevard, linking north and south Minneapolis through the center of the valley, will be constructed in 2009. The 2001 Bassett Creek Valley Master Plan called for this area to be redeveloped from its current mixture of industrial, commercial and residential uses into much higher density mixed uses. A more detailed Bassett Creek Valley Master Plan was spearheaded by a partnership between the neighborhood-based Bassett Creek Valley Redevelopment Oversight Committee (ROC) and Ryan Companies. The City Council adopted this as a small area plan in January 2007. Consistent with that, the Linden Yards area just north of I-394 specifically would shift to high density office and residential uses; the Impound Lot area east of Van White Boulevard medium density residential and light industrial; and the Impound Lot area west of Van White Boulevard would be converted into green open space use. Rezoning of this area to match the master plan was adopted by the City Council in Feb 2008.

The City of Minneapolis owns two large parcels of land in the study area, commonly referred to as the Impound Lot and Linden Yards. The City's Impound Lot is situated on approximately 30 acres of property between the north leg of the BNSF railroad line and Bassett Creek. Linden Yards, an outdoor storage and materials transfer area (that includes space for a concrete crushing operation), is on a 25-acre parcel located between the south leg of the BNSF rail line and Interstate 394.

A 2001 report completed by the City of Minneapolis analyzed the feasibility of relocating the Impound Lot and Linden Yards operations. It identified potential changes to the operations that might reduce their space requirements, and evaluated the requirements, challenges and rudimentary costs associated with finding new locations for them. The report was updated internally in 2007 and describes the smaller acreages required for the various Linden Yards operations. An initial estimate was also prepared for construction of an entirely new impound facility on a 15-acre site. No study has been done on actual moving costs or innovative approaches to the public works operations, including the long term police holds.

Planning efforts with the Harrison and Bryn Mawr neighborhoods, and the Redevelopment Oversight Committee which has coordinated efforts in this area since 2001, have been premised on leadership by the City to relocate operations from the Linden Yards and the Impound Lot sites. These actions are critical to launch redevelopment and remove the major blighting uses of the impounding of vehicles (particularly police holds), concrete crushing, and large scale outdoor storage.

The City issued a Request for Proposals (RFP) in late May 2007 for the 55 acres. RFP development and review was guided by a Technical Advisory Committee (TAC) involving representatives from CPED (Economic Development, Multi-family Housing, and Planning); Public Works (Property Services and Engineering Services); Finance; Mayor's Office; Aides to CM Goodman and CM Samuels; City Attorney's office.

Three proposals were received by the deadline of July 29, 2007. Only the Ryan proposal was fully responsive to the RFP.

- James Dayton Design-A limited architectural design concept packet was submitted for the development. No information was provided for many sections of the proposal.
- Investment Property Services-Concept of an Olympic swimming facility on approximately 3 acres of the eastern portion of Linden Yards was submitted. No information was provided for many sections of the proposal.

- Ryan Companies proposed a comprehensive redevelopment of Linden Yards and the eastern portion of the Impound Lot, with the City land to be purchased in three phases over the next 15 years. Ten to fifteen story office buildings and multi-family housing (both rental and ownership) were proposed. The proposal suggested Ryan would ultimately acquire 30 acres with the remaining 25 acres to be retained by the City for public park and right of way purposes. Total new taxable value was projected at over \$300,000,000 with 900 new housing units and over 2000 full time permanent jobs.

Based on the review of these proposals, the TAC recommended that the proposal by Ryan Companies be examined closely as it showed significant promise. Ryan Companies is a very experienced developer for difficult or challenging projects. Ryan is very familiar with this particular property and its neighborhoods.

Additional Information about Recommended Development Proposal

Ryan’s proposal initially included a bold approach involving constructing all structures on plinths (platforms with parking) to raise streets and all development up close to highway elevation while addressing future rail and soil/environmental issues. A real benefit to the plinth concept was reservation of space underneath the parking/plinth for the heavy rail commuter car storage for HCRRA. Ryan requested additional time to study their innovative approach and to refine cost estimates. Upon further study, the poor soils in the area required such an elaborate set of piles for both the plinth parking structure and then for the office structures above that the unfunded gap rose to over \$40 million.

Further engineering studies did identify that a more typical suburban development approach with 8-16 story structures and adjacent parking structures may be feasible on Linden Yards. Parking is constrained due to the long and narrow parcel, so light rail service in this TOD style development is very desirable for full build out. A Van White station is proposed for both Southwest LRT Kenilworth alignments; the decision regarding the final light rail alignment is over a year away as environmental studies continue.

Ryan’s revised proposal now suggests Ryan purchase 10 acres in 2010 (Linden Yards West of Van White Blvd) for approximately \$4.2 million (\$9.60 per sq. ft). The second phase would include purchase of 14 acres in 2015 (Linden Yards East of Van White Blvd & easterly portion of Impound Lot) for approximately \$6 million. Ryan would construct high density development in phases as shown below.

Phase	Timeframe	Est. Mkt. Value	Scale of Commercial	Square Footage	Scale of Housing	Housing Units
Phase I	2010-2015	\$162 Million	Three 8-10 story office buildings	800,000 sq. ft.	Two 12-16 story structures	408 units
Phase II	2016-2019	\$128 Million	Two 9-12 story office buildings	750,000 sq. ft.	One 8 story structure	196 units
Phase III	2017-2020	\$36 Million			Four buildings of 3-4 stories	290 units

No appraisals were obtained for the development site prior to issuance of the RFP. Upon Council approval of this report, CPED staff will procure an appraisal(s) of the site to determine whether Ryan’s proposed purchase price equals fair market value. CPED staff will return to the Council in eight months to obtain approval of the sale price for the property along with a proposed formula for increasing the purchase price over time.

Linden Yards West is the focus of Phase I. This is a challenging site, as there are no roads or utilities installed on this former rail yard. To solve the lack of access issues to the site, Ryan proposed the addition of a roundabout to the Van White Boulevard project to better accommodate the traffic generated

by this type of development. Linden Avenue would need to be constructed on Linden Yards West as part of the development.

Ryan is hoping to have one or more large corporate users located here. In Phase I, Ryan would develop Linden Yards West and the roundabout, with the first of three office structures to be built closest to the roundabout (see graphic). Speculative office space is not planned; this will be a project led by a large corporate employer desiring a campus site near downtown. The two housing structures in Phase I will be developed by a housing developer and not by Ryan directly. Final affordability percentages will be determined as housing developers are identified. A minimum of 20% affordable units will be in each phase, with a goal to achieve at least 33% overall in all three phases

All timelines and budgets are estimated. Once a tenant is identified, specific redevelopment contract terms can be negotiated. If and when redevelopment contract terms are negotiated, such terms will be brought back to the Council for relevant approvals. Because of the many challenges of this site, staff believes a five-year period of exclusive development rights is appropriate, provided Ryan makes annual progress demonstrated by an annual report from Ryan, citing progress on marketing and securing grants and tenants. City staff will also provide Ryan with annual reports on progress regarding public works relocation.

The preliminary land development budget includes the use of tax increment financing to help pay for the extraordinary development costs associated with the site. CPED staff and the Developer expect that such assistance could be requested in the future for up to 26 years of increment collection from one or more districts, with any required fiscal disparity contribution made from outside the TIF district. Such assistance would be subject to the City's Tax Increment Policy and the Procedures for Analyzing Applications for Public Financial Assistance and future Council approvals, but the developer is seeking an indication from the Council today as to whether it is willing to consider such a request in the future.

The RFP indicated City support to move operations off of Linden Yards with 12 months notice, and the Impound Lot with 24 months notice. It was originally contemplated that the City would work collaboratively with the selected developer to identify and acquire alternate sites for the Public Works operations and that proceeds from the land sales would be sufficient to cover such costs. Ryan's proposal does not include any purchase of the impound facilities west of Van White Blvd. Therefore, preliminary estimates indicate that the fair market value of the property that Ryan is intending to purchase from the City in Phase I (and indeed from all three Phases) would be insufficient to pay for all of the relocation costs. Ryan has indicated that at a minimum, Linden Yards West would need to be vacated by late 2010 and the Police hold section of the Impound Lot removed or transformed by 2012 in order to secure corporate commitments. The proposed administrative fee of up to \$50,000 to Ryan is intended to help defray some of the costs incurred by the City in exploring a solution. City staff seeks Council direction as to whether to continue exploring options for funding the "gap". In addition to the funding gap associated with relocation of these essential city services, finding alternative Minneapolis sites has proven very challenging in previous attempts.

Ryan and the City have collaborated to submit grant applications to help finance this effort. DEED has approved \$486,000 for storm water improvements and Hennepin County has approved \$86,000 to do environmental investigation. Testing on the site in coming months will facilitate future grant applications. A grant request has been submitted for \$1.5 million in TBRA funds from Met Council, primarily focused on site preparation for the roundabout and storm water improvements.

Ryan is the architect of the seven-point workforce plan which was created at Midtown Exchange. Ryan has expressed a commitment to comply with and strive to exceed all traditionally required City contracting and Small and Underutilized Business Program (SUBP) goals. Ryan has been having ongoing discussions with the Harrison neighborhood and the ROC about issues important to the neighborhoods. Ryan pledges to negotiate with the City a seven-point plan which includes the community benefits of SUBP goals, a summer job goal, a commitment to mentor North and Henry High School students for construction careers and hiring goals from northside zip codes. Consistent with the CPED Administrative Policy on Community Benefits Agreements (attached), these workforce goals will be incorporated into any final redevelopment agreement(s).

City staff is working closely with Hennepin County staff on several transportation related issues regarding this area and the Hennepin County Regional Rail Authority (HCRRA). These issues include a City-County land swap to facilitate construction of the Van White Memorial Boulevard south bridge, shifting the proposed alternative LRT alignment to the northern portion of Linden Yards, coordinating the route of the Cedar Lake Trail with the multi-modal station concepts downtown, and identifying a long-term proposed area to store commuter rail cars in Minneapolis. It is hoped that an understanding can be concluded in the next six months between the City and Hennepin County. Ryan Companies will participate in many of the discussions and both the City and Ryan will assess the situation regarding rail issues at the time of the review of fair market value and public works relocation next spring.

Granting Ryan exclusive development rights now will preclude one undesirable option discussed for the Van White pier land swap. Ryan's planned development for Linden Yards West cannot proceed under the alternate route scenario. For all other rail issues raised with respect to the Linden Yards or Impound Lot over the next five years, the City will attempt to collaborate with Ryan Companies to identify solutions that work for public transportation while facilitating private development on Linden Yards and at least portions of the Impound Lot.

Ryan will be required to provide the City with a \$20,000 good faith deposit upon City Council approval of this report. If Ryan and the City wish to continue Ryan's Exclusive Development Rights beyond the date staff returns to the Council with its report regarding fair market value for the site, evaluation of the newest plans to accommodate commuter rail storage for HCRRA, and the estimated budget for relocating operations currently on the Linden Yards and Impound Lot sites, such \$20,000 good faith deposit will become non-refundable and applied to the land sale acquisition price for the final phase of development. If either the City or Ryan wishes to terminate Ryan's Exclusive Development Rights within two weeks of such date, either may do so and Ryan will receive a reimbursement of the \$20,000 good faith deposit, exclusive of interest.

The approvals being granted to Ryan by this action relate only to exclusive development rights. The terms of future redevelopment contracts will be subject to future Council actions.

-CPED Administrative Policy on Community Benefits Agreements

February 4, 2008

In recent years community organizations in cities across the United States have begun to negotiate Community Benefits Agreements (CBAs) with developers. These CBAs address a wide variety of issues, from affordable housing and job creation goals to environmental factors and public art.

In Minneapolis, several communities are currently in the process of developing and implementing CBAs with developers, raising questions about 1) how CBAs relate to development and financial agreements between the City of Minneapolis and the same developers, 2) whether CBAs can be incorporated into City development and financial agreements, and 3) whether the City can take a role in the implementation, monitoring and enforcement of requirements included in CBAs.

In order to set clear expectations, the Department of Community Planning and Economic Development (CPED) has developed the following administrative policy regarding CBAs:

1. The City of Minneapolis only invests in development projects that will benefit the community. This is the purpose and guiding principle of all public investment in development.

2. Benefits to the community – and the city as a whole – are defined and enforced in many policies and regulations of the City of Minneapolis and other levels of government. These policies and regulations promote public health, safety and quality of life; the protection and enhancement of the built and natural environments; and the expansion of economic opportunity. The City welcomes the participation of individuals and community organizations in the development of these policies and regulations.

3. The City of Minneapolis incorporates some of these policies and regulations into its development and financial agreements. Incorporating these requirements into development and financial agreements gives the City the legal authority to contractually monitor and enforce them, ensuring that development projects deliver the required benefits. Agreements negotiated by others cannot be attached to, or incorporated into, City development and financial agreements.

4. The City of Minneapolis can only enforce – contractually and through its regulatory system – requirements that are consistent with public policies and regulations. The City of Minneapolis cannot be a party to or enforce an agreement that is inconsistent with existing policies and regulations. Organizations seeking City support for requirements that

differ from existing policies and regulations are welcome to work with elected leaders and with staff to develop public policy recommendations. However, it is not an appropriate use of public resources for City staff to review or assist in the development of agreements that the City cannot enforce.

October 23, 2008

Lisa Goodman
Chair, Community Development Committee
City of Minneapolis
350 South 5th Street Room 350
Minneapolis, MN 55415

Dear Councilmember Goodman;

The Redevelopment Oversight Committee (ROC) has been overseeing the Master Planning Process in the Bassett Creek Valley for the past several years. As you know, the ROC is a unique group made up of two very different neighborhoods, Harrison and Bryn Mawr, as well as local businesses, elected representatives, and even the master developer chosen by the Committee, Ryan Companies.

Since the staff report had not yet been prepared and few details were provided at the September 16, 2008 meeting, the ROC was not able to comment on specifics of granting development rights. However, the ROC passed the following motion in general support of the City Council granting exclusive development rights to Ryan Companies for the Bassett Creek Valley at that meeting:

Motion: Move that they [The Redevelopment Oversight Committee] strongly support the recommendation to grant Ryan exclusive development rights in so far as the development supports the guiding principles in the master plan.

While seeking development in the Valley, decreasing racial and economic disparities has been one of the themes throughout the process of choosing the developer and envisioning a successful redevelopment project which positively impacts the people who live and work in these neighborhoods. The Guiding Principles in the Master Plan referenced in the motion are attached.

We trust that the City Council will take our recommendation into consideration as they discuss granting exclusive development rights for Ryan Companies for a five year period.

Best regards,

Bassett Creek Valley ROC

/attachment

Cc: Robert Lilligren,
Cam Gordon,
Ralph Remington
Scott Benson
Don Samuels

