

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

**Date:** September 25, 2007

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

**Refer To:** Council Member Paul Ostrow, Chair, Ways and Means Committee

**Subject:** Land Sale Public Hearing  
Central Avenue Redevelopment Plan

**Recommendation:** Approve the sale of 1701 Central Avenue NE to Wadi Investments LLC for \$25,000.

Increase the 2007 Revenue Budget for the Community Planning and Economic Development agency Fund CPP0 – Preliminary Planning Fund (CPP0-890-8490-3485) by \$3,000 and Fund 0400 - Community Development Block Grant (0400-890-8490-3845–VBPI) by \$18,700.

**Previous Directives:** MCDA acquired 1701 Central Avenue NE on November 23, 1998 through tax forfeiture.

Prepared by: Andy Carlson, Business Services Specialist, Phone 612-673-5026 Approved by: Charles T. Lutz, Deputy CPED Director _____ Presenter in Committee: Andy Carlson, Business Services Specialist
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**Financial Impact**

- Increase the 2007 Revenue Budget for the Community Planning and Economic Development agency Fund CPP0 – Preliminary Planning Fund (CPP0 890-8490-3485) by \$3,000 and Fund 0400 -Community Development Block Grant (0400-890-8490-3845– VBPI) by \$18,700.
- Other financial impact: Eliminate property management costs.
- Action is within the Business Plan.

**Community Impact**

- Neighborhood Notification: Northeast Park will review this proposal on September 11, 2007. Results will be reported during the Public Hearing.
- City Goals: A premier destination – Retain and grow businesses, create new jobs
- Sustainability Targets: None
- Comprehensive Plan: Central Avenue NE is a designated Community Corridor at this location. Unlike other Community Corridors in other places in the city, the Central Avenue NE Community Corridor is primarily industrial in character. Community Corridor policy supports limited commercial uses that do not have negative impacts on adjacent residential uses, such as the production of fumes or noise or negative aesthetics. On September 17, 2007, the Planning Commission will review this land sale's consistency with the Comprehensive Plan. Results will be reported during the Public Hearing.
- Zoning Code: C2, Neighborhood Corridor Commercial District
- Living Wage/Business Subsidy Agreement Yes\_\_\_\_\_ No x
- Job Linkage Yes x No\_\_\_\_\_

- On January 3, 2007, the three CPED divisions completed the internal land sale review process and recommended the sale of this property.

**Supporting Information**

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
TF-445	1701 Central Avenue NE	\$25,000

**PURCHASER**

Wadi Investments LLC  
P.O. Box 18380  
Minneapolis, MN 55418

**PROPOSED DEVELOPMENT:**

Wadi Investments LLC submitted an offer to purchase the City-owned property located at 1701 Central Avenue NE. The MCDA originally acquired the parcel on November, 23 1998 through tax forfeiture. Wadi Investments LLC has proposed to combine the parcel with 1617 Central Avenue NE and operate a wholesale bakery (see attached aerial photo).

The City-owned parcel at 1701 Central Avenue NE is a 5,347 square foot parcel, rectangular in shape, and presently vacant. Wadi Investments LLC owns the parcel at 1617 Central Avenue NE which is located immediately to the south of 1701 Central Avenue NE. The 16,670 square foot parcel has a rectangular shape and is improved with a 10,787 square foot one-story, brick building. The building is vacant and in need of repairs.

Wadi Investments intends to renovate the existing building at 1617 Central Avenue NE and operate a wholesale bakery. The bakery will produce and package pocket bread, pastries, pizza, and specialty breads. Products will then be shipped to local grocery stores and co-ops. The bakery will retain 10 employees currently working at Holy Land Deli located at 2513 Central Avenue NE and create 12-15 new jobs. The retained employees will be relocated to the new bakery and the new employees will operate a second production line. Currently, 95 percent of Wadi Investments LLC employees are Minneapolis residents. The 1701 Central Avenue NE parcel will be developed to provide much needed parking for the bakery and accommodate two small loading docks (see attached site plan).

On September 17, 2007, the Planning Commission will review the land sale's consistency with the Comprehensive Plan. At the same hearing, the Planning Commission will review and make a recommendation to the Zoning & Planning Committee of a re-zoning petition from C2, Neighborhood Corridor Commercial District to I1, Light Industrial District.

**LAND DISPOSITION POLICY:**

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

**FINANCING:**

Wadi Investments LLC proposes to purchase the City property for \$25,000, the fair reuse value. They will be reimbursed up to \$3,300 of survey costs they incurred related to the site. Total development costs are \$938,000 for building renovations, equipment, and site improvements. Wadi Investments LLC is not requesting any public assistance to purchase or improve this property. The developer provided satisfactory evidence of financing to purchase City-owned property and complete the redevelopment project. The following table states the project's sources and uses of funds. Staff received a letter of commitment from Wells Fargo Bank, in Minneapolis, Minnesota, for the purchase and development of 1701 Central Avenue NE.

Sources of Funds

504 Senior	\$485,000
504 Bridge	\$303,430
<u>CMDC</u>	<u>\$150,000</u>
TOTAL	\$938,430

Uses of Funds

Renovation/ Construction	\$835,000
Soft Costs	\$ 26,750
Interest	\$ 30,000
Contingency	\$ 30,000
Appraisal	\$ 5,250
Environmental	\$ 880
<u>Fees</u>	<u>\$ 10,550</u>
TOTAL	\$938,430

**OFFERING PROCEDURE:**

Direct Sale. The sales price of this property does reflect the full reuse value

**COMMENTS:**

The Purchaser has agreed to a number of terms and conditions to sale. These are attached as Attachment 1.

**Authorizing sale of land Central Avenue Disposition Parcel No TF-445.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel TF-445, in the Northeast Park neighborhood, from Wadi Investments LLC, hereinafter known as the Redeveloper, the Parcel TF-445, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

TF-445; 1701 Central Avenue NE

Lot 14, Block 4, "Harrison St. Supplement to East Side Addition to Minneapolis".

Being registered property as is evidenced by Certificate of Title No. 1142797.

Whereas, the Redeveloper has offered to pay the sum of \$25,000, for Parcel TF-445 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 reuse value reviewed by an appraisal expert, stating that the reuse value opinion is consistent with the accepted methods in aiding the City in determining a reuse value for the Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on September 14, 2007, a public hearing on the proposed sale was duly held on September 25, 2007, 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:

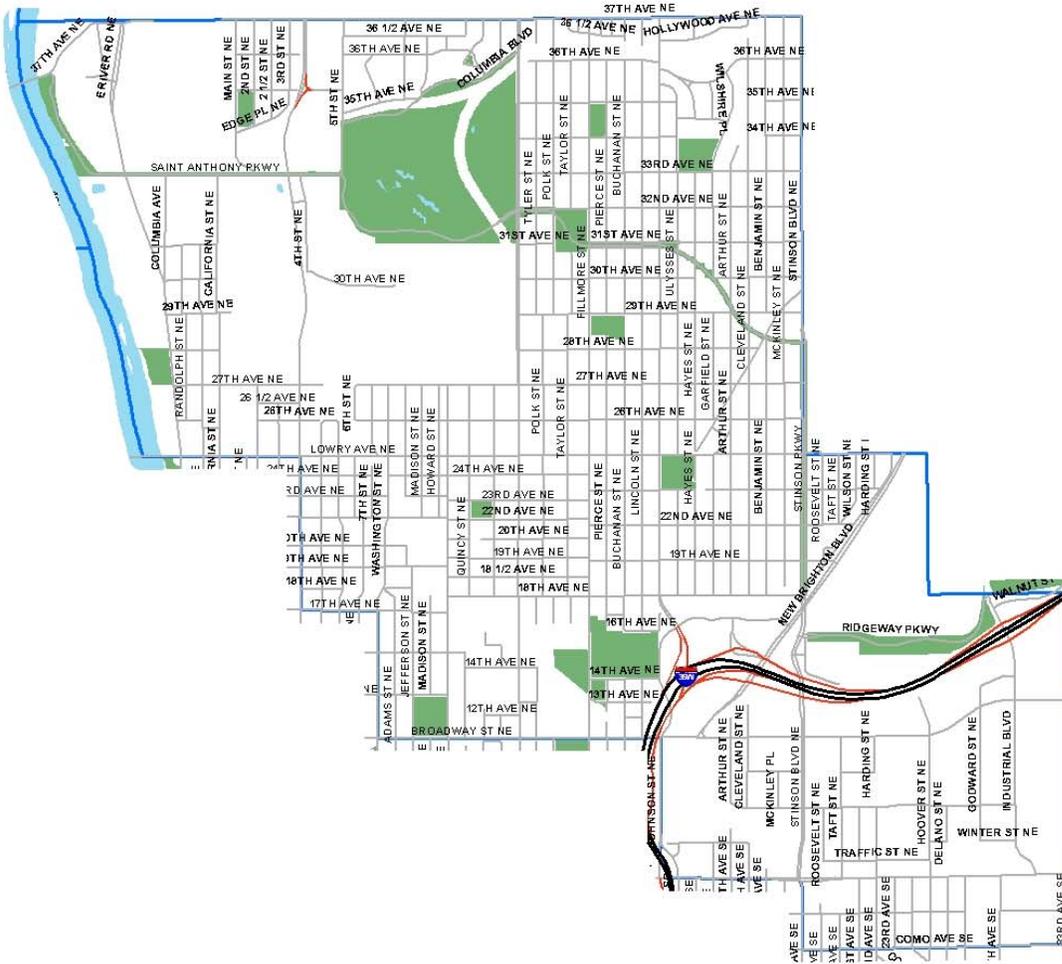
That the reuse value for uses in accordance with the Central Avenue plan, as amended, is hereby estimated to be the sum of \$25,000 for Parcel TF-445.

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 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 by the Finance Officer or other appropriate City official of the City.

# WARD 1



0 0.25 Miles

Created by GBS 8/23/06

**Attachment 1**

**1701 CENTRAL AVENUE PROJECT TERM SHEET**

**1. PROPERTY**

Street Address	Property Identification Number	Size (sq.ft.)	Zoning
1701 Central Ave NE	13-029-24-22-0085	5,347	C2 to I1

**2. PURCHASER**

Wadi Investments LLC  
P.O. Box 18380  
Minneapolis, MN 55418

**3. PURCHASE PRICE**

\$25,000

**4. PURCHASE CONSIDERATIONS**

As a condition of the sale, the purchaser will renovate the building located at 1617 Central Avenue NE and make the necessary site improvements according to a City Planning Commission approved site plan.

**5. GOOD FAITH DEPOSIT**

\$2,500 (10% of Purchase Price)

**6. CLOSING DATE**

On or before December 31, 2007

**7. CONSTRUCTION START DATE**

On or before January 1, 2008

**8. CONSTRUCTION COMPLETION DATE**

On or before June 30, 2009

**9. PROPOSED PROJECT**

Wadi Investments LLC submitted an offer to purchase the City-owned property located at 1701 Central Avenue NE. The MCDA originally acquired the parcel in November 1998 through tax forfeiture. Wadi Investments LLC has proposed to combine the parcel with 1617 Central Avenue NE and operate a wholesale bakery.

The City-owned parcel at 1701 Central Avenue is a 5,347 square foot parcel, rectangular in shape, and presently vacant. Wadi Investments LLC owns the parcel at 1617 Central Avenue NE which is located immediately to the south of 1701 Central Avenue NE. The 16,670 square foot parcel has a rectangular shape and is improved with a 10,787 square foot one-story, brick building. The building is vacant and in need of repairs.

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#### **10. CONDITIONS TO SITE PLAN**

Wadi Investments LLC will design and implement a plan that complies with all City and State ordinances.

#### **11. PUBLIC ASSISTANCE REQUEST**

NONE

#### **12. TAX INCREMENT FINANCING ASSISTANCE**

NONE

#### **13. LOCAL EMPLOYMENT GOALS**

The developer agrees to make a good faith effort to target residents of Minneapolis for construction and permanent full time jobs of the business. The developer agrees to participate in the Job Linkage program.

#### **14. REDEVELOPMENT AGREEMENT**

As noted in the Offer to Purchase (Section 7), the Redevelopment Agreement shall include, but not be limited to, the following general terms with which the Offeror shall be responsible for compliance:

**Developer Obligations:**

- i. Apprenticeship Program;
- ii. Payment and Performance bond requirements;
- iii. Prevailing wage requirements;
- iv. General liability, hazard, builder's risk and worker's compensation insurance requirements;
- v. Indemnity and hold the City harmless provisions;
- vi. Standard warranties and representations; and
- vii. City reversionary rights and certificate of completion requirements.
- viii. The Developer shall pay the following costs in addition to the Purchase Price and 10% Good Faith Deposit:
  - a. Title Insurance, closing costs and recording fees;
  - b. Prorated taxes, special assessments and utilities;
  - c. Insurance and bond fees;
  - d. Appraisal and site investigation costs;
  - e. Legal costs, sales commission and professional service fees; and
  - f. Design and architects fees and construction costs.

The Developer's obligations may also include obtaining and/or provision of:

- Acquisition Escrow Agreement execution and implementation
- Construction Estimates
- Development site plan
- Design plan
- Construction plans and specifications as approved by City
- After-value appraisals
- Zoning/code compliance/vacation/subdivisions
- Building permits
- Utilities availability
- Insurance certificates
- Indemnity and hold harmless to CITY
- Payment and performance bonds
- Construction contractor bidding/selection process
- Subcontractor list
- Executed construction contract AIA form
- Construction contractor satisfaction of CITY contracting requirements, including:
  - City of Minneapolis Prevailing Wage
  - Apprentice Training
- Certified construction cost statement with sources and uses

- Construction financing in place
- Construction completion certificate requirements met
- Project pro forma for 25 years
- equal employment opportunity

**City Obligations:**

- Deliver site “As Is” with all defects
- The City will reimburse Developer up to \$3,300 for survey costs

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

Date: September 25, 2007  
 Subject: Land Sale – Public Hearing  
 Central Avenue Redevelopment Plan  
 Address: 1701 Central Avenue NE  
 Purchaser: Wadi Investments LLC

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
TF-445 11/23/98	1701 Central Avenue NE	\$1	\$25,000	(+)\$24,999

Reuse Value Opinion	Less Sales Price	Write-Down
\$25,000	\$25,000	\$0

Write-Down  
 Reason: N/A

Developer History with CPED:  
 Wadi Investments LLC has utilized City financing for past projects but has limited development experience. Wadi Investments LLC has assembled a team of local development professionals to design and construct the project including DJR Architecture Inc., Loucks Associates, and Blue Construction Inc. These firms have all worked with the City.

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