



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

Date: April 4, 2006

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

Subject: Land Sale Public Hearing
North Washington Industrial Park
1300 North Second Project

Recommendation:

1. Approve the sale of 1300 2nd Street North, 1316 2nd Street North, and 109 14th Avenue North all to Landmark Minnesota, LLC, an affiliate of Master Civil & Construction Engineering, Inc. d/b/a Master Development Group, for the fair re-use value of \$365,365 (or \$5 per sq. ft.).
2. Authorize appropriate staff to execute a redevelopment contract and land sale documents consistent with the Term Sheet accompanying this report.

Previous Directives: CPED acquired 1300 2nd Street North on May 16, 1994, 1316 2nd Street North on October 9, 2001, and 109 14th Avenue North on March 23, 2004. CPED issued a Request for Proposals for Redevelopment of these parcels on May 1, 2005.

Prepared or Submitted by: John Harrington, Senior Project Coordinator
Phone 612-673-5018

Approved by: Chuck Lutz, Deputy CPED Director _____
Mike Christenson, Director, Economic _____
Policy & Development

Permanent Review Committee (PRC) Approval _____ Not Applicable X

Presenters in Committee: John Harrington, Senior Project Coordinator

<p>Financial Impact (Check those that apply)</p> <p><input type="checkbox"/> No financial impact (If checked, go directly to Background/Supporting Information).</p> <p><input type="checkbox"/> Action requires an appropriation increase to the _____ Capital Budget or _____</p>
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Operating Budget.

Action provides increased revenue for appropriation increase.

Action requires use of contingency or reserves.

Business Plan: Action is within the plan. Action requires a change to plan.

Other financial impact (Explain): Eliminate property management costs. Land sale proceeds will be a revenue source.

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Ward: 5

Neighborhood Notification: The Northside Residents Redevelopment Council (NRRC) was notified of this proposal on January 20, 2006. NRRC reviewed this proposal and recommended it be approved. In addition, this project is located in the North Washington Industrial Park. The North Washington Industrial Park Jobs Committee has worked with the prospective developer in reviewing the proposal and recommends that the land sale and proposed development be approved.

City Goals: Consistent with goal to "Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets."

Comprehensive Plan: The Planning Commission reviewed the land sale for consistency with the Comprehensive Plan on March 27, 2006.

Zoning Code: Community Planning staff reviewed the proposed land sale and found that the land use proposed is subject to the standards of the I2 Medium Industrial District and MR Mississippi River Critical Area Overlay. Rezoning or other land use standards would depend on the specific uses proposed.

Other: At the March 9, 2006 Committee of the Whole meeting, the Planning Commission approved the following finding: "The sale of this property for light industrial development as proposed is consistent with the Minneapolis Plan."

Background/Supporting Information Attached

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SQUARE FEET (approximate)</u>	<u>SALE PRICE</u>
NWIP 44-3	1300 2nd St. N	27,225±	\$5.00 sq. ft or \$136,125
NWIP 44-2	13162nd St. N	18,150±	\$5.00 sq. ft or \$90,750
NWIP 39-6 & 7	109 14 th Ave. N	27,698±	\$5.00 sq. ft or \$138,490
	Total	73,073±	\$5.00 sq. ft or \$365,365

PURCHASER

Landmark Minnesota, LLC
(an affiliate of Master Civil & Construction Engineering, Inc.
d/b/a Master Development Group)
125 West Broadway Avenue
Minneapolis, MN 55411

PROPOSED DEVELOPMENT:

Landmark Minnesota, LLC an affiliate of Master Civil & Construction Engineering, Inc. d/b/a Master Development Group has submitted a redevelopment proposal for the 3 parcels of vacant land at 1300 2nd Street North, 1316 2nd Street North, and 109 14th Avenue North owned by the City of Minneapolis. The development proposed incorporates two distinct components comprised of a 45,000 SF± 3 story building on the corner of 2nd Street and Plymouth Avenue, addressing each street, and a 14,000 SF± one story building addressing 2nd Street. The larger component is proposed to be brick clad. The smaller component is proposed as a brick and concrete structure. This component will be 18-24' clear inside, creating the conditions for a relatively wide range of options. Final interior configuration and footprint sizing will be established during the site plan review process as detailed parking and storm water requirements are determined.

A preliminary site plan, revised in response to concerns raised by members of the North Washington Jobs Park Committee, shows a surface parking area behind both buildings, with the entrance to the lot approached from 2nd Street N. (See Attachment B)

The proposed development was presented as a “gateway building” at a primary entrance to the North Washington Jobs Park. The space allocation is anticipated to range from 1,500 SF to 2,000 SF spaces for the smaller tenants to 14,000 SF for the largest.

The employment density is estimated to be 1.5 to 2 jobs per 1,000 SF, based on similar projects the developer has completed and leased. This exceeds the minimum standard of 1 job per 1,000 SF that has been applied historically by the NWIP Jobs Park Committee.

The combined lot size is 73,073± square feet.

ATTACHMENTS:

Attachment A; Proposed Term Sheet
Attachment B; Site Plan
Attachment C; Elevation

PROPERTY DESCRIPTION:

The property has been acquired over an extended period of time. It represents the only current City inventory in the North Washington Jobs Park.



14TH AVE N

2ND ST N

PLYMOUTH AVE N



The property is irregularly shape and bordered on the east by railroad right-of way. The City has used approximately \$372,000 in environmental remediation grants from the Minnesota Department of Employment and Economic Development and the Metropolitan Council, plus approximately \$50,000 in required local matching funds from MILES to complete a Response Action Plan prior to sale. Consequently, the property is being sold "as is" for the fair reuse value of \$5.00 a square foot.

An existing building remains in place on the north side of the property. The potential effects of snow loads from the new development on that existing building were one of the factors that lead to additional revisions to the site plan from that originally proposed.

LAND DISPOSITION POLICY:

These properties are buildable lots as defined by City policy and are being sold for development.

FINANCING*:

<u>Sources</u>		<u>% Total Development Costs</u>
Developer's Equity	\$1,058,860	20%
<u>Commercial Financing Debt</u>	<u>4,223,440</u>	<u>80%</u>
Total	\$5,279,300	100%

<u>Uses</u>	
Acquisition	\$412,000
Construction	3,840,200
Contingency, Marketing, Developer's Profit	738,831
<u>Finance & Carrying Costs</u>	<u>279,269</u>
Total	\$5,279,300

*Subject to application and underwriting requirements.

OFFERING PROCEDURE:

Public Advertisement. Minneapolis Community Planning and Economic Development issued a Request for Proposals for the property in May 2005. The Request was well publicized, including the publication of an article in Finance & Commerce on May 26, 2005 and an email announcement sent to approximately 350 commercial real estate brokers. Nevertheless, the only proposal received is the subject of this report, that from Landmark Minnesota, LLC an affiliate of Master Civil & Construction Engineering, Inc. d/b/a Master Development Group.

The sales price of this property does reflect the full re-use value of \$5.00 a square foot.

COMMENTS:

Condition of Sale

The attached term sheet reflects the major development considerations to be incorporated into the Redevelopment Agreement, including one of the major points raised by both the Jobs Park Committee and NRRC, the inclusion of Job Linkage Agreement provisions in the lease of each tenant or the sale agreement if any part of the development is turned into a business condominium.

The North Washington Jobs Park Committee will continue to work with the developer to ensure that the design guidelines for the area are followed.

Development of the site is expected to be completed within a year of closing on the land sale.

**Authorizing sale of land North Washington Industrial Park
Disposition Parcels No NWIP 44-3, 44-2, & 39-6 & 7.**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcels NWIP 44-3, 44-2, & 39-6 & 7, in the Near North neighborhood, from Landmark Minnesota, LLC, an affiliate of Master Civil & Construction Engineering, Inc. d/b/a Master Development Group, hereinafter known as the Redeveloper, the Parcels NWIP 44-3, 44-2, & 39-6 & 7, being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

See Exhibit A Attached

Whereas, the Redeveloper has offered to pay the sum of \$365,365 (or \$5 per sq. ft.), for Parcels NWIP 44-3, 44-2, & 39-6 & 7 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 Parcels; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on March 24, 2006, a public hearing on the proposed sale was duly held on April 4, 2006, 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 North Washington Industrial Park plan, as amended, is hereby estimated to be the sum of \$365,365 (or \$5 per sq. ft.) for Parcels NWIP 44-3, 44-2, & 39-6 & 7.

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 parcels 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.

Exhibit A

Legal Description

NWIP 44-3; 1300 2nd Street North \$136,125 (or \$5 per sq ft)

Lots 10 to 12 inclusive, Block 15, Bassett, Moore and Case's Addition to the Town of Minneapolis, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

NWIP 44-3; 1316 2nd Street North \$90,750 (or \$5 per sq ft)

Lots 8 and 9, Block 15, Bassett, Moore and Case's Addition to the Town of Minneapolis.

Being registered land as is evidenced by Certificate of Title No. 1142763.

NWIP 36-6 & 7; 109 14th Avenue North \$138,490 (or \$5 per sq ft)

That part of Lots 1 thru 6, Block 15, Bassett, Moore and Case's Addition to the Town of Minneapolis, which lies Westerly and Northwesterly of the following described line.

Commencing at the Southwest corner of Lot 1; thence North 89 degrees 08 minutes 18 seconds East (astronomic bearing based on solar observation), along the South line of said Lot 1, a distance of 57.80 feet to the point of beginning of the line to be described; thence North 06 degrees 55 minutes 08 seconds East a distance of 147.12 feet; thence North 10 degrees 29 minutes 20 seconds East a distance of 188.62 feet to a point on the North line of said Lot 6 which bears North 89 degrees 05 minutes 01 seconds East a distance of 115.04 feet from the Northwest corner thereof, and there terminating.

INDUSTRIAL FLEX PROJECT TERM SHEET

1300 North 2nd Street Project

1. PROPERTY

Address	Parcel ID Number	Square Feet	Acres
1300 2 nd Street North	15-029-24-34-0023	27,225±	0.63±
1316 2 nd Street North	15-029-24-34-0022	18,150±	0.42±
109 14 th Avenue North	15-029-24-34-0123	27,698±	0.64±
TOTAL		73,073±	1.68±

2. PURCHASER

Landmark Minnesota, LLC (an affiliate of Master Civil & Construction Engineering, Inc. d/b/a Master Development Group)
125 West Broadway Avenue
Minneapolis, MN 55411

3. PURCHASE PRICE

5.00 per square foot or approximately \$365,365

4. GOOD FAITH DEPOSIT

\$36,536.00 (10% of Purchase Price)

5. CLOSING DATE

Not later than September 30, 2006

6. CONSTRUCTION START DATE

Within 1 month after the closing date

7. CONSTRUCTION COMPLETION DATE

Within 12 months after the closing date

8. PROPOSED PROJECT

Landmark Minnesota, LLC, an affiliate of Master Civil & Construction Engineering, Inc. d/b/a Master Development Group has submitted a redevelopment proposal for the 3 parcels of vacant land at 1300 2nd Street North, 1316 2nd Street North, and 109 14th Avenue North owned by the City of Minneapolis. The development proposed incorporates two distinct components comprised of a 45,000 SF± 3 story building on the corner of 2nd Street and Plymouth Avenue, addressing each street, and a 14,000 SF± one story building addressing 2nd Street. The larger component is proposed to be brick clad. The smaller component is proposed as a brick and concrete structure. This

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9. PUBLIC ASSISTANCE REQUEST

NONE

10. TAX INCREMENT FINANCING ASSISTANCE

NONE

11. 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. The Offeror shall be responsible for compliance to the extent applicable:

- 1 Developer Obligations:
 - a. Affirmative Action Program, Job Linkage Program, Apprenticeship Program, Small Underprivileged Business Enterprise Program, Business Subsidy Policy, and Living Wage Policy requirements;
 - b. Payment and Performance bond requirements;
 - c. Prevailing wage requirements;
 - d. General liability, hazard, builder's risk and worker's compensation insurance requirements;
 - e. Indemnity and hold the City harmless provisions;
 - f. Standard warranties and representations; and
 - g. City reversionary rights and certificate of completion requirements.
 - h. The Developer shall pay the following costs in addition to the Purchase Price and 10% Good Faith Deposit:

- i. Title Insurance, ½ of the closing costs and recording fees;
- j. Prorated taxes, special assessments and utilities;
- k. Insurance and bond fees;
- l. Appraisal, survey and site investigation costs;
- m. Legal costs, sales commission and professional service fees; and
- n. Design and architects fees and construction costs.

The Developer's obligations may also include, to the extent applicable, obtaining and/or provision of:

- 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
- Subcontractor list
- Executed construction contract AIA form
- Pre-bidding conference
- Construction contractor satisfaction of CPED contracting requirements, including, to the extent applicable:
 - Affirmative Action Plan
 - Pre-Construction Booklet
 - Small and Underprivileged Business Enterprise Program
 - City of Minneapolis Prevailing Wage
 - Apprentice Training –for Contractors over \$100K, Subcontractors over \$50K
 - Davis Bacon
 - Job Linkage –for tenants and/or purchasers
- Certified construction cost statement with sources and uses
- Construction financing in place
- Construction completion certificate requirements met
- Project pro forma for 25 years
- Special CPED Requirements

2 CPED Obligations:

- Deliver “As is” site
- Provide “No Further Action” letter (or equivalent) from Minnesota Pollution Control Agency

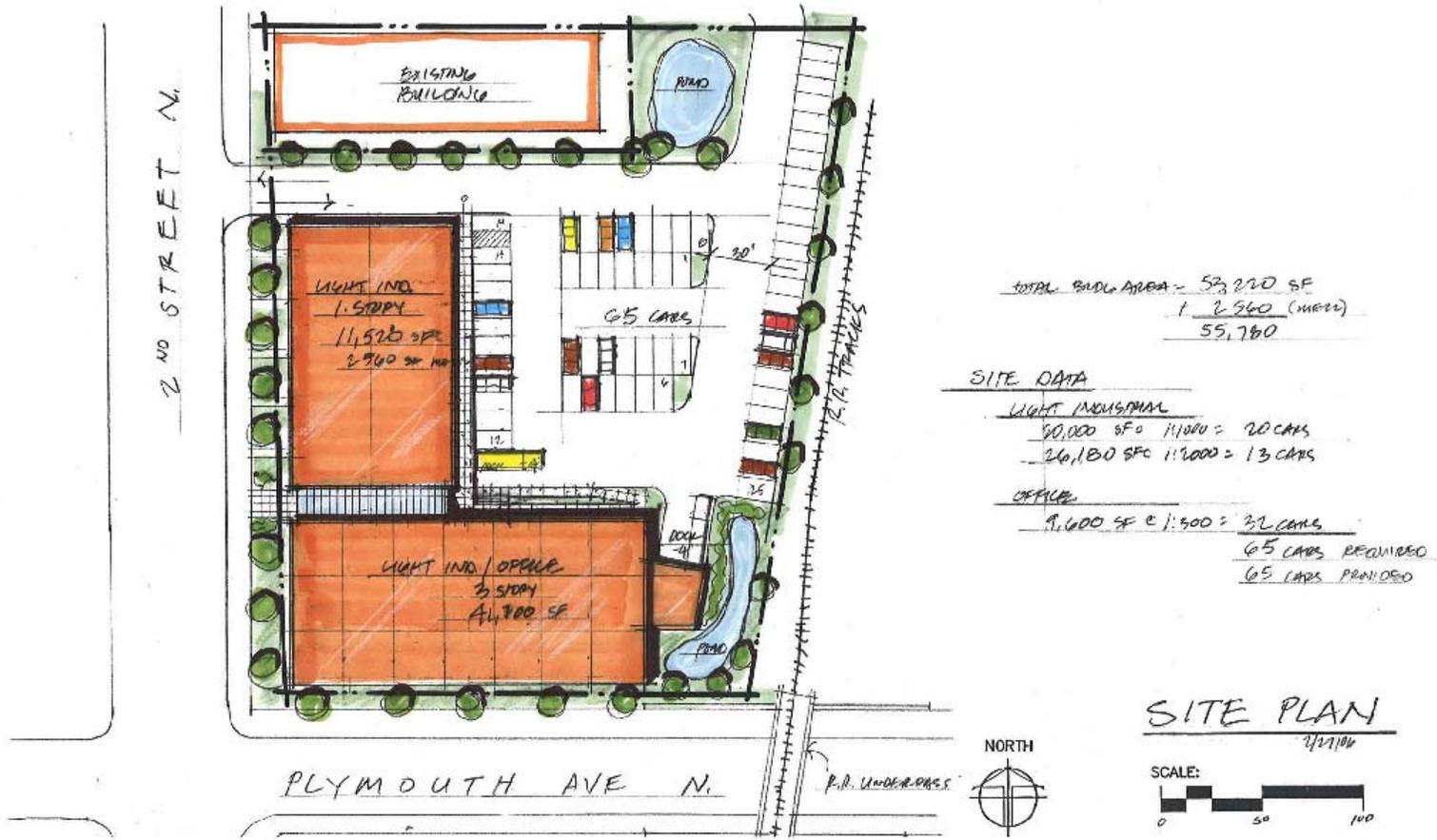
12. PROSPECTIVE CONDUIT SALE

Property: “Shafer Battery” site at 129 Plymouth Avenue N.

The Master Development Group’s response to the City’s May 2005 Request for Proposals included a proposed development plan “for the triangle site across the street from the 1300 site.” Master has requested that the City seek to acquire and convey the referenced site to it as a conduit sale from the Minnesota Department of Transportation (Mn/DOT). The City is in the process of working with Master Development Group in responding to that request in conformance with CPED’s standard procedures for such a sale.

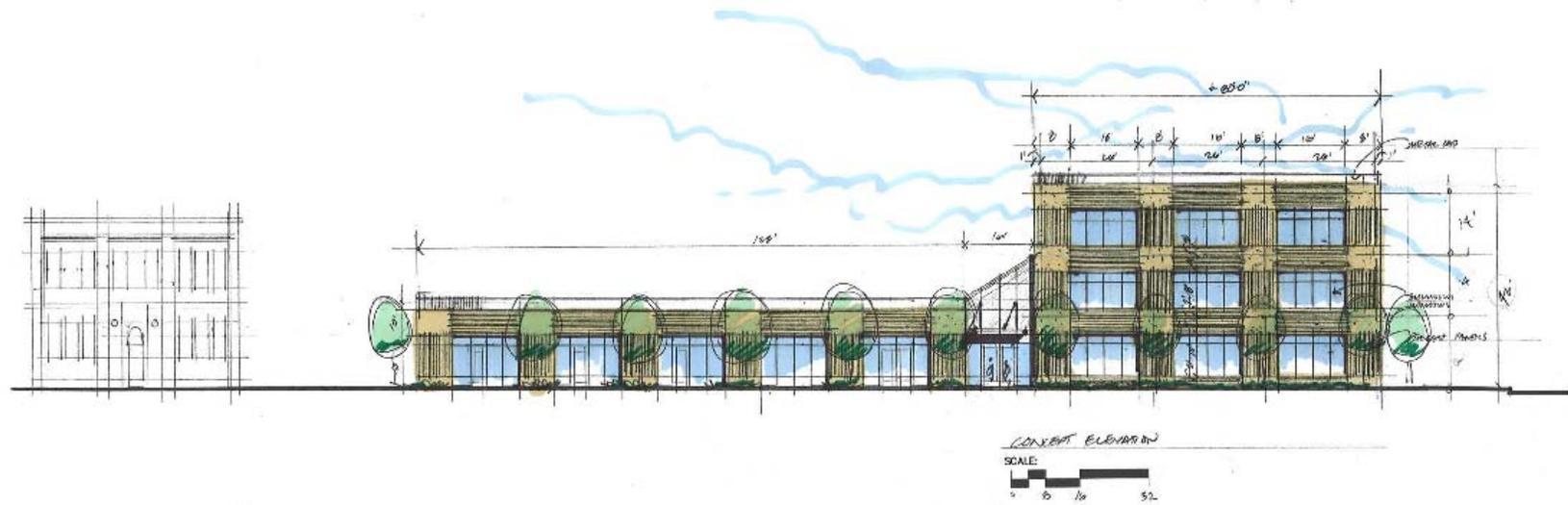
The City has established procedures for situations where the City agrees to assist a Purchaser wanting to buy property owned by another governmental entity, such as excess land from the Minnesota Department of Transportation (“Mn/DOT”). Included in those procedures is a provision that the Purchaser shall pay all costs of transfer and conveyance and the City may charge the Purchaser an administrative fee of up to ten percent (10%) of the Purchase Price to assist in a Pass-Thru Conduit Sale.

Mn/DOT has recently completed remediation activities on the triangle site. Because a conduit sale would include the City of Minneapolis on the chain of title, the City will be seeking a “No Association” letter from the MPCA to correspond with a “No Further Action” letter that Mn/DOT should have received in response to their successful site remediation.



PROJECT
1300 North Second Street, Minneapolis, MN
03-02-06





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