

**MINNEAPOLIS COMMUNITY PLANNING
AND ECONOMIC DEVELOPMENT (CPED) DEPARTMENT,
LONG RANGE PLANNING DIVISION**

Ryan Project/Downtown East Industrial Development District

DATE: November 14, 2013

PROJECT NAME: Ryan Project/Downtown East Industrial Development District

SUBMITTED BY: CPED – Business Development

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NEIGHBORHOOD ORGANIZATION: Downtown Minneapolis Neighborhood Association

PROJECT DESCRIPTION:

Pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, the City of Minneapolis (the “City”) has been granted the authority to create and define the boundaries of industrial development districts in the City under Minnesota Statutes, Sections 469.048 to 469.068, as amended (the “Port Authority Act”). To promote development in an industrial development district established under the Port Authority Act, Minnesota Statutes, Section 469.059, Subdivision 2, authorizes the City to acquire, hold, lease and dispose of property, Subdivision 9 authorizes the City to accept land, money or other assistance from governmental entities, Subdivision 15 authorizes the City to exercise other redevelopment powers, and Subdivision 16 authorizes the City to operate and maintain a public parking facility. Further, Minnesota Statutes, Section 469.060 authorizes the City to issue general obligation bonds to accomplish such purposes.

Additionally, “[i]f the City of Minneapolis exercises its powers for industrial development or establishes industrial development districts under Minnesota Statutes, Sections 469.048 to 469.068, the term “industrial”, when used in relation to industrial development, includes economic and economic development and housing and housing development.”

The City finds that there is a need for development within the City and the District to provide employment opportunities, to improve the local tax base, and to improve the general economy of the City and the State. It is in the public interest to provide the

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means to develop marginal property within the District, as defined in Minnesota Statutes, Section 469.048, Subd. 5.

The properties within the District meet two of the conditions of the definition of marginal property: 1) faulty planning causing deterioration, disuse or economic dislocation; and 2) lack of use or improper use of areas, resulting in stagnant or unproductive land that could contribute to the public health, safety and welfare.

PROJECT RATIONALE:

Faulty Planning Causing Deterioration, Disuse, or Economic Dislocation

The Peripheral Parking Strategy of the 1970s and 1980s contributed to present day disuse and economic dislocation.

The Metro Center '85 plan, completed in 1970 as the guiding policy for Downtown Minneapolis, called for a strategy of fringe parking ramps to capture employees on the outskirts of the Downtown office core. Employees would enter the ramps by car, park on the periphery of the job center, and then walk through the skyway system or hop on transit to their places of employment. While the goals of this policy were effective in maintaining a compact office core not dominated by parking structures on valuable land, it also positioned Downtown for the current wall of parking structures along 5th Avenue South. This policy is currently referred to as the Peripheral Parking Strategy. These parking structures create a physical and visual barrier, separating the office core from sites in Downtown East and Elliot Park.

Properties east of 5th Avenue South are now dominated by parking of their own in the form of surface parking lots. This was not the case in 1970 when the Metro Center '85 plan was written. At that time the area between Washington Avenue South and 8th Street South was known as Industry Square, one of two major industrial areas in Downtown Minneapolis. Industry Square was dominated by such businesses as those specializing in paper, printing/publishing, food and related products, electrical machinery, and electronics. These uses had been limited due to the shift of industry out of the city and the two most lucrative development activities became governmental/institutional and assembly of land for surface parking. It was a goal of this plan to create an urban renewal project to develop the obsolete plants and strengthen ties to the university for research and personnel.

The Industry Square Redevelopment Plan was created by the Minneapolis Housing and Redevelopment Authority in 1973 and included properties north to the river. Starting with modifications in 1974, the City began acquiring dilapidated properties for removal of incompatible land uses or redevelopment. In 1980 many of these acquired properties became the home of the Metrodome. The establishment of the Metrodome in Downtown East solidified most of the cleared land surrounding the facility as surface parking lots for decades to come. They were highly lucrative sites for the parking lot owners for stadium parking and tailgating and served as inexpensive parking during the week for office core employees.

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The 2003 *Downtown East/North Loop Master Plan* began to reverse City of Minneapolis policy in the Industry Square area toward intense mixed-use development in preparation for the introduction of the Hiawatha LRT line and a station located adjacent to the Metrodome. The properties have since been rezoned to match this policy guidance but development has still been slow to come, due in part to the entrenched commercial surface parking lots.

Lack of Use or Improper Use of Areas, Resulting in Stagnant or Unproductive Land That Could Contribute to the Public Health, Safety and Welfare

Surface Parking

The predominance of surface parking lots within the District represents a lack of use or improper use of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributions to the public health, safety and welfare.

The Downtown East/North Loop Master Plan calls for a Complete Community surrounding the Downtown East LRT station. The policy promotes the reduction of auto dependency as paramount in achieving a Complete Community that creates or restores a compact, pedestrian-friendly neighborhood containing housing, workplaces, shops, entertainment, schools, parks, and civic facilities all within easy walking distance of a prominent transit station. The City completed a rezoning study in the summer of 2011 that supports these goals with no parking minimums, no housing density limit, no floor area ratio maximum, a wide variety of allowed uses, and either a height of ten stories or no limit. If these policies are realized with development that maximizes the zoning potential, Minneapolis could see a new intense mixed-use district that takes advantage of the already existing pedestrian, bicycle and transit opportunities. A major obstacle currently is the predominance of profitable surface parking and resistance to redevelopment on the part of the property owners. Anecdotal evidence suggests that existing parking lot owners believe their properties are worth a great deal more than a developer would pay for them because of speculation on the coming stadium and proximity to high-value properties in the office core.

The most prominent barrier to development in the study area is the amount of high-income surface parking that supports Downtown employees as well as game-day parking and tailgating. This area is within blocks of the Mill District, Downtown office core, and University of Minnesota. The market potential is high considering Downtown East is one of the last developable areas in Downtown but the market has been slow in seeing the area's potential. Because of the diverse neighbors listed above, this area is perfectly situated to accommodate a wide variety of housing types and job opportunities and create amenities that could tie to the nearby entertainment uses, the Mississippi River, and the two nearby green spaces - Gold Medal Park and Elliot Park.

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Property Values

The land within the District may be characterized as stagnant land that could better contribute to the public health, safety and welfare, as evidenced by the significantly lower rate of growth in the area's property values over the past 20 years relative to other areas of the city. The total estimated market value (EMV) of the 17 parcels within the District increased by 29 percent since 1994, a significantly lower growth rate than that of the Downtown East neighborhood as a whole (552 percent), the Downtown West neighborhood (102 percent), and the city as a whole (165 percent).

Percent Change in Total EMV, 1994 - 2013

Area	1994 EMV	2013 EMV	% Change
District	16,892,000	21,740,900	29%
Downtown East	71,322,000	465,014,000	552%
Downtown West	2,057,361,600	4,157,235,400	102%
City	12,403,431,060	32,825,368,718	165%

A significant portion of the increase in total EMV outside of the District is attributable to the amount of new construction in the downtown neighborhoods. However, even if the growth attributable to new construction is factored out of these calculations, the District still shows a significantly lower rate of growth than the Downtown East and West neighborhoods and the city as a whole. The District had no new construction during 1994 to 2013, so its EMV growth rate remains 29 percent. The growth rate for the same time period, subtracting the value of new construction, was 67 percent in Downtown East, 48 percent in Downtown West, and 116 percent in the city as a whole. The lack of new construction in the District compared to other areas is reflected in the tables below and on the following page and highlights the potential missed opportunities since 1994 of improved land utilization.

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Percent Change in EMV Net of New Construction, 1994 – 2013

Area	1994 EMV	2013 EMV	New Construction EMV, 1994-2013	Net of New Construction EMV, 1994-2013	% Change
District	16,892,000	21,740,900	0	21,740,900	29%
Downtown East	71,322,000	465,014,000	345,840,700	119,173,300	67%
Downtown West	2,057,361,600	4,157,235,400	1,111,764,700	3,045,470,700	48%
City	12,403,431,060	32,825,368,718	6,079,155,299	26,746,213,419	116%

The total EMV of vacant commercial land within the District increased by 29 percent since 1994; again, this is a significantly lower growth rate than that of vacant commercial land in the Downtown East neighborhood (121 percent), the Downtown West neighborhood (86 percent), and the city as a whole (92 percent).

Percent Change in EMV of Vacant Commercial Land, 1994 – 2013

Area	1994 EMV	2013 EMV	% Change
District	9,807,000	12,688,300	29%
Downtown East	8,665,700	19,175,800	121%
Downtown West	41,146,000	76,645,900	86%
City	116,724,825	223,926,900	92%

It must be noted that the above analyses factor in neither changes in land use nor changes in the tax status of individual properties over the time period.

COMPREHENSIVE PLAN:

The proposed Ryan/Downtown East Project conforms to the following comprehensive plan policies:

Land Use: Minneapolis will develop and maintain a land use pattern that strengthens the vitality, quality and urban character of its downtown core, commercial corridors, industrial areas, and neighborhoods while protecting natural systems and developing a sustainable pattern for future growth.

Policy 1.3: Ensure that development plans incorporate appropriate transportation access and facilities, particularly for bicycle, pedestrian, and transit.

Economic Development: Minneapolis will grow as the regional center for employment, commerce, industry and tourism, providing opportunities for residents, entrepreneurs and visitors.

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Policy 4.1: Support private sector growth to maintain a healthy, diverse economy.

4.1.1 Use public development resources and other tools to leverage maximum private sector investment for public benefit.

4.1.2 Seek out and implement long-term redevelopment projects that catalyze revitalization and private sector investment.

Policy 4.9: Focus economic development efforts in strategic locations for continued growth and sustained vitality.

Open Space & Parks: Minneapolis will cooperate with other jurisdictions, public agencies, and the private sector to provide open space, green space, and recreational facilities to meet the short and long-term needs of the community and enhance the quality of life for city residents.

Policy 7.1: Promote the physical and mental health of residents and visitors by recognizing that safe outdoor amenities and spaces support exercise, play, relaxation and socializing.

7.1.1 Ensure that adjacent land uses contribute to the safety and ambiance of parks and open spaces.

Policy 7.3: Maintain and improve the accessibility of open spaces and parks to all residents.

7.3.3 Support the development of additional publicly accessed open spaces in underserved areas.

Policy 7.9: Work to develop high quality open spaces in Downtown.

7.9.1 Encourage the creation of new parks and plazas that are easily accessible by Downtown workforce and residents

Urban Design: Minneapolis will be an attractive and inviting city that promotes harmony between the natural and built environments, gives prominence to pedestrian facilities and amenities, and respects the city's traditional urban features while welcoming new construction and improvements.

Policy 10.18: Reduce the visual impact of automobile parking facilities.

10.18.18 Encourage appropriate land uses to share parking lots to reduce the size and visual impact of parking facilities.

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SMALL AREA PLAN

The *Downtown East/North Loop Master Plan* was approved by the City Council in October of 2003. It has since been incorporated as part of *The Minneapolis Plan for Sustainable Growth*. The Ryan/Downtown East Project falls within the district's study area and recommendations.

The proposed Ryan/Downtown East Project is consistent with the small area plan. The plan supports transit-oriented development in this area to create a compact, pedestrian-friendly neighborhood that contains housing, workplaces, shops, entertainment, schools, parks and civic facilities all within easy walking distance of the prominent Downtown East LRT Station. While the plan continues to support a concentrated office core, the Ryan/Downtown East Project is within an expanded core area outlined in the plan. Additionally, the plan prioritizes redevelopment of existing surface parking lots to uses that help support transit investments. In the case of this development project, approximately 1.5 million square feet of office space, approximately 20,000 square feet of commercial space, 203 dwelling units and a shared parking facility dramatically contribute to the implementation of this plan in the Downtown East LRT station area.

The proposed development is going to the City Planning Commission on November 12, 2013 to seek approvals for a Conditional Use Permit for a Planned Unit Development and site plan review.

FUTURE RELATED ACTIONS: It is expected that the proposed Plans will be considered at the following meetings of the Minneapolis City Council and its committees:

Community Development Committee (A public hearing will be conducted at this meeting)
TBD

Ways and Means/Budget Committee
TBD

City Council
TBD

COMMENTS AND FINDINGS: Staff finds that the plan and plan modifications are consistent with The Minneapolis Plan for Sustainable Growth

RECOMMENDED ACTION: The CPED Planning Division recommends that the City Planning Commission send to the City Council the comments above.

