

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 1/5/2016
Referral: N/A
From: Community Planning & Economic Development
Prepared by: Casey Dzieweczynski
Presented by: Casey Dzieweczynski
File type: Resolution
Subcategory: Land Sale

Subject:

Revised Cooperative Agreement with the Hennepin County Housing and Redevelopment Authority for redevelopment of the property at 4414 Humboldt Ave N.

Description:

Adopting a resolution and authorizing a cooperative agreement between the City and the Hennepin County Housing and Redevelopment Authority to facilitate the sale of the County-owned property at 4414 Humboldt Ave N to Pillsbury United Communities for the purpose of redeveloping the existing, vacant building and opening a new grocery store in the Webber-Camden community.

Previous Actions:

This item was on the agenda of the November 10, 2015 CD&RS Committee meeting. The item was postponed to the January 5, 2016 CD&RS Committee meeting so City staff could have additional time to negotiate the terms of the agreement with the associated parties.

Ward/Address:

Ward 4
4414 Humboldt Ave N

Background/Analysis:

City staff originally intended to present this report at the November 10, 2015 CD&RS committee meeting. However, additional time was needed to negotiate the proposed Cooperative Agreement with Hennepin County. Staff has since made one minor change to Section 2 of the Cooperative Agreement, which is attached to this report. The updated text, highlighted in yellow, clarifies under what scenarios the City and Hennepin County would be granted a right of first offer to repurchase the property from the developer. This provision is described in greater detail later in this report.

Per MN statutes, Hennepin County, acting through their Housing and Redevelopment Authority, is required to coordinate and obtain approvals from a municipality when undertaking redevelopment projects in that city.

This property was originally home to a Supervalu grocery store, which was then acquired by Kowalski's Markets. Kowalski's closed the store circa 2005, and the property was most recently used as offices prior to Hennepin County's acquisition in 2008; it is now vacant. The County acquired the property in anticipation of constructing a new Webber Park Library on this parcel

and the adjacent property just south of Victory Memorial Parkway. The County is moving forward with the library project, which will be located directly to the north of 4414 Humboldt. Because 4414 Humboldt was subsequently deemed unnecessary for the library project, the Hennepin County Housing and Redevelopment Authority (HCHRA) issued a Request for Interest in October 2014 to solicit private redevelopment at the site.

One of six proposals received was from Pillsbury United Communities (PUC), which includes adaptive reuse of the existing building as a full service grocery store – “North Market” - and health based resource center. The six proposals were reviewed by City and County staff as well as the community. PUC’s proposal received the highest rating by County and City staff across several evaluation criteria. Additionally, the majority of public comments received were in support of this project.

The goal of PUC’s project is “to increase access to affordable, nutritious food and to be a resource point for educational and health services...” North Market will offer products typical of other full-service grocers, but with an emphasis on healthy and fresh foods. It will include grocery, produce, meat, frozen, dairy, bakery, deli and health and beauty departments. In addition to the grocery component, North Market will also partner with North Memorial Health Care to operate a walk-in clinic and pharmacy.

While PUC will own and operate North Market, they have brought in strong partners to ensure the project’s success. Oppidan Investment Company is acting as the lead developer and construction manager. Oppidan has managed over \$400 million of construction projects across the country, including several grocery store projects. SUPERVALU, Inc. will be consulting on the development of the store layout and operations. They will also serve as the wholesaler to the store. PUC is also receiving marketing and consumer research assistance from General Mills as well as fundraising and capital development support from a local consulting firm.

In May 2015 the Hennepin County Board authorized the transfer of the property to the HCHRA in order to negotiate a purchase agreement with PUC. The HCHRA expects to execute a purchase agreement with PUC by the end of 2015. PUC will then have the later of six months after receipt of title commitment or July 1, 2016 to perform necessary due diligence activities as well as secure financing for the land acquisition (\$487,500) and construction costs (est. \$5 million) for the project. City Planning staff have already begun discussions with PUC to ensure the project meets site plan and zoning requirements and the project will follow the City’s normal entitlement process as the redevelopment moves forward.

In the purchase agreement the HCHRA is negotiating with PUC the HCHRA has negotiated a Right of First Offer from PUC. Should PUC close the grocery store, sell the property, or lease more than 35% of the property at any time in the future, the HCHRA will have the first option to negotiate with PUC to reacquire the property. In the Cooperative Agreement, the HCHRA has agreed to assign its Right of First Offer to the City in the event the HCHRA decides not to exercise its option, giving the City option rights before the property is offered in the private market.

Financial Review:

No financial impact.

Attachments:

1. Site Map
2. Cooperative Agreement
3. Resolution