

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 8/15/2016
Referral: N/A
From: Community Planning & Economic Development
Lead Staff: Beth Grosen
Presented by: Beth Grosen
File Type: Resolution
Subcategory: Land Sale

Subject:

Land Sale of seven parcels at southeast and southwest corners of Penn and Plymouth to Hennepin County for expansion of NorthPoint Health and Wellness Center, including a parking structure and commercial development.

Description:

1. Passage of Resolution approving the sale of 2201 Plymouth Ave. N, 2215 Plymouth Ave. N, 1245 Penn Ave. N, 1256 Penn Ave. N, 1235 Oliver Ave. N, 1237 Oliver Ave. N and 1243 Oliver Ave. N to Hennepin County's Housing and Redevelopment Authority (the "Developer") for \$1.00.
2. Approving the attached term sheet with Hennepin County.
3. Authorizing appropriate City staff to execute a redevelopment contract with the Developer based on the term sheet.

Previous Actions: July 20, 2012 approval of five year lease with Hennepin County for interim parking at 2201 and 2215 Plymouth Ave. N and 1245 Penn Ave. N; July 20, 2012 approval of exclusive development rights with Praxis Marketplace extended to March 30, 2015 for 1256 Penn Ave. N. and 1235, 1234, 1243 Oliver Ave. N.

Ward/Address:

Ward 5

2201 & 2215 Plymouth Ave. N; 1245 & 1256 Penn Ave. N; 1235, 1237 & 1243 Oliver Ave. N

Background/Analysis:

The City of Minneapolis owns the vacant lots at the southeast and southwest corners of Penn and Plymouth. The southeast site is 1.31 acres and is zoned C2, Neighborhood Corridor Commercial District and consists of four parcels. This site was a gas station from 1923-1969. The MCDA acquired the site at 1246 Penn in 1976 and a McDonald's franchiser constructed and operated a restaurant there until November 1992 when it was sold back to MCDA; the site was cleared again in 1994. The three other single-family residential parcels were acquired in 1968 through eminent domain. The southwest site is .81 acre and is zoned OR2 high density Office Residence District and is comprised of three parcels. These formerly commercial parcels were all acquired by MCDA via eminent domain at different times between 1979 and the mid-1990s.

Following interest expressed by private and public groups, the City of Minneapolis issued a Request for Proposals ("RFP") for these Penn and Plymouth sites in November 2011. Praxis Foods proposed a grocery store on the southeast parcel, and subsequently received exclusive development rights through March 30, 2015, but the project did not move forward and the development rights have ended.

In response to the same 2011 RFP, Hennepin County proposed a five year ground lease with the City for an interim parking lot on the southwest site primarily used by NorthPoint Health & Wellness Center staff and clients. Hennepin County entered into a five year ground lease and constructed a new ninety-two space parking lot that was paved and landscaped, and included storm sewer improvements including rain gardens.

NorthPoint Health & Wellness Center, located at 1313 Penn Ave N, is a 67,000 sf, two-story, federally qualified health center and Hennepin County's department of primary care. The Center operates as a partnership between a community board and Hennepin County and is recognized as an innovative model of integrated health and human services. It is a certified Health Care Home and serves over 24,000 patients with over 90,000 visits per year. An additional 10,000 residents receive services through the social services provided in the NorthPoint Inc. building. The NorthPoint campus includes medical, dental, behavioral health, pharmacy, laboratory, social services, chemical dependency, computer lab and non-profit partner organizations.

The City of Minneapolis has been an active partner with NorthPoint over the past forty years; a federal grant to the City was used to construct the NorthPoint Inc building in 1968. NorthPoint leased the property from the City between 1968 and 2006 under which the real estate was to be used for operating a "Neighborhood Facility" and its programs. On May 30, 2006 the City sold the property to NorthPoint Health & Wellness Center, Inc. and financed part of the purchase with a condition that Northpoint continue to operate a community center providing educational and social services to the neighborhood and Minneapolis for a period of ten years. Northpoint has met the conditions of the loan so the mortgage for this property was recently satisfied and released by the City.

The scope of this new major expansion project is based on a series of County-led community based discussions and outreach, feasibility studies and space programming reports. The Hennepin County Board of Commissioners has committed to expand and renovate NorthPoint in order to better serve its growing client base. The County Board at its July 28, 2016 meeting committed to proceed with the \$67 million project. The expansion and renovation will begin later this year, and it will be done in phases:

1. SE Parcels: Development and construction, by Thor Development Group LLC as assignee of the County, of a commercial building on the south-east corner of Penn Avenue N and Plymouth Avenue N containing a 600-stall structured parking facility wrapped with retail and two stories of office space. Thor Development Group LLC will purchase the land from the County after receiving City entitlement approvals this fall; Hennepin County will purchase 420 parking spaces from Thor after construction is completed. Thor plans to lease the office/commercial space to support entrepreneurs in North Minneapolis.
2. SW Parcels: Development and construction by the County on the southwest corner of Penn Avenue N. and Plymouth Avenue N. of a new facility for Estes Funeral Chapel of same size as their current facility.
3. Campus Expansion:
 - a. Demolition of the 26,000 square foot NorthPoint Inc. community center, which provides educational and social services to the neighborhood and African American community. Existing tenants will be relocated into temporary quarters initially and then situated into the new larger NorthPoint facilities.
 - b. Construction of approximately 100,000 additional square feet (net addition of approximately 74,000 square feet on north portion of site after demolition of existing NorthPoint Inc. building)

- c. Renovation of the existing NorthPoint Health and Wellness Center's 67,000 square foot facility.

The City land was appraised at a value of \$330,000 for the southeast parcels (\$5.75 per sf) and \$175,000 for the southwest parcels (\$5.00 per sf). However this value does not include environmental cleanup of the site which is expected to be significant and exceed the appraised value. Environmental cleanup costs in excess of \$800,000 will be incurred in order to build on these properties, and the County has budgeted \$1 million for the work. Hennepin County has agreed to be responsible for all cleanup costs, and the City will sell its property for \$1 to facilitate expansion of this important health institution serving low income residents of Minneapolis.

The attached term sheet details the critical business points that ensure that high quality development will occur on three of the four corners of the Penn and Plymouth intersection. Closing on the City property will likely occur in two phases and only after approvals of all City entitlements with respect to each phase. The County expects work to begin on the office/commercial/parking structure on the southeast corner later this year. The new urban Estes Funeral Chapel will be constructed in the second phase, anticipated to begin in 2017. The actual expansion and renovation of NorthPoint will begin in 2018 after the parking structure is completed and Estes Funeral Chapel has moved into its new facility so the existing chapel can be demolished and the site used for the expansion.

This multi-phase project is important to many North Minneapolis residents and stakeholders. An open house for this project was held July 26 at UROC highlighting the NorthPoint, Estes and Thor plans. Staff sent an official notice to Northside Residents Redevelopment Committee (NRRRC) and expects to receive a formal response before the public hearing at CD & RS on August 15th. Additional public meetings will be held as the architectural designs are further developed and refined.

Financial Review:

Select financial statement.

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**

Attachments:

1. NorthPoint Expansion_Term Sheet
2. NorthPoint Expansion Land Sale_Resolution
3. NorthPoint Expansion_Ward Map
4. NorthPoint Expansion_Cost Sheet
5. NorthPoint Expansion_Development Graphic