



Request for City Council Committee Action

from the Department of Community Planning and Economic Development

Date: August 23, 2011
To: Council Member Lisa Goodman, Chair, Community Development Committee
Subject: Land Sale Public Hearing -- Pass-Through Sale of 129 Plymouth Avenue North from MnDOT to Lupe Development Partners, LLC or an affiliated entity

Recommendation:

- 1. Approve the acquisition of 129 Plymouth Avenue North from MnDOT and simultaneous disposition to Lupe Development Partners, LLC for \$208,000.
- 2. Authorize appropriate City staff to execute a redevelopment contract, a deed escrow agreement and any related documents that may be required to effectuate the aforementioned transactions.

Previous Directives: The City Council approved the submission of an application to DEED for a brownfield investigation grant for this property on April 24, 2009, and accepted that grant on August 14, 2009. The City Council granted various zoning and land use approvals on August 28, 2009. The City Council approved the submission of applications to DEED and Hennepin County for cleanup grants for this property on October 30, 2009 and accepted those grants on February 26, 2010. All of the aforementioned grant applications were specifically based on the redevelopment concept proposed for the site by Lupe Development Partners, LLC. On September 3, 2010, the City Council granted exclusive development rights to Lupe Development Partners, LLC for the property located at 129 Plymouth Avenue North, for a period of one year (through August 24, 2011), with one potential extension through August 24, 2012.

Prepared by: Kevin Carroll, Principal Project Coordinator, Phone 612-673-5181
Approved by: Charles T. Lutz, Deputy Director CPED _____
Catherine A. Polasky, Director Economic Policy & Development _____
Presenters in Committee: Kevin Carroll, Principal Project Coordinator

Financial Impact

- Action is within the Business Plan.
- Other financial impact -- As noted in the discussion that appears below, the recommended action will increase revenue through the collection of a pass-through administration fee of \$20,800.

Community Impact

Neighborhood Notification – This project was presented to the North Loop Neighborhood Association [NLNA] on three occasions between March and June of 2009, and the NLNA issued a letter of support on June 25, 2009. Since that time, Lupe Development Partners, LLC has reportedly provided the NLNA with periodic progress reports, and the NLNA apparently still supports Lupe Development Partners, LLC's development plans for the property. Strong support has also been shown by the ownership/management of Standard Heating and Air Conditioning, which constructed its new corporate headquarters directly across the street (to the north) in 2009.

City Goals - Contributes to "Jobs and Economic Vitality," "Livable Communities, Healthy Lives," "Eco-Focused," and "A City that Works."

Sustainability Targets - Contributes (or potentially contributes) to the "Stormwater," "Brownfield Sites," and "Employment and Poverty" targets.

Comprehensive Plan – The proposed redevelopment elements conform to the Minneapolis Plan for Sustainable Growth. All required land use approvals for the project were granted by the Planning Commission on August 24, 2009 and by the City Council on August 28, 2009, and were later extended through August 24, 2011. Lupe Development Partners, LLC will be required to re-apply for any prior land use approvals that expire on August 24, 2011.

Zoning Code - Proposed redevelopment elements comply with the zoning regulations. All required zoning approvals were granted by the Planning Commission as of August 24, 2009 and by the City Council on August 28, 2009, and were later extended through August 24, 2011. Lupe Development Partners, LLC will be required to re-apply for any prior land use approvals that expire on August 24, 2011.

Living Wage/Business Subsidy Agreement – NA; The city ordinance and the state law exempt redevelopment property transactions for which the developer pays market value.

Job Linkage – Anticipated.

Other – A land sale review was completed and approved by all required City divisions and staff between August 28, 2008 and September 12, 2008.

Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
NWIP 45-1 / MnDOT 29 & 30	129 Plymouth Avenue North	\$208,000

PID: 15-029-24-34-0104

PURCHASER

Lupe Development Partners, LLC or an affiliate
1701 Madison Street NE, Suite 111
Minneapolis MN 55413

PROPOSED DEVELOPMENT:

Staff recommends that the City of Minneapolis acquire and simultaneously dispose of the property located at 129 Plymouth Avenue North as a pass-through sale from MnDOT to Lupe

Development Partners, LLC or an affiliate [hereinafter "Lupe"]. Lupe plans to construct a commercial center of approximately 10,000 square feet.

The 129 Plymouth Avenue North parcel is 33,690 square feet.

All required land use approvals for the project were granted by the Planning Commission on August 24, 2009 and by the City Council on August 28, 2009, and were later extended through August 24, 2011. Lupe will be required to re-apply for any prior land use approvals that expire on August 24, 2011.

LAND DISPOSITION POLICY:

This property is a buildable lot as defined by City policy and is being sold for development to support business activity.

FINANCING:

Lupe has indicated that it will self-finance the acquisition of the property. Financing for the construction of the envisioned 10,000 square foot commercial center will be finalized when Lupe has secured sufficient pre-lease commitments.

OFFERING PROCEDURE:

The City employed a Request for Proposals procedure in this instance. Lupe was the only party that submitted a proposal. Lupe has offered to purchase the property for the current value of \$208,000 plus a 10% administrative fee.

COMMENTS:

The Minnesota Department of Transportation (hereinafter "MnDOT") originally acquired the property located at 129 Plymouth Avenue North in 1969 in connection with the potential construction of a new roadway (I-335). When that project was delayed, MnDOT leased the property to a battery reclamation business in 1973. The I-335 project was cancelled in the early 1980's, at which time the lease to the battery reclamation company was also cancelled. Around that same time, the EPA determined that the property was highly contaminated, and it was added to the State Superfund list under the name "Shafer Metal Recycling" site. MnDOT remediated the site during 2004 and 2005, and the site was thereafter "delisted" by the MPCA on or around September 9, 2005.

MnDOT and the MCDA apparently had discussions in the early 1980's regarding the potential acquisition of the property by the MCDA, but no such transaction was ever consummated, presumably due to the discovery of the extensive site contamination.

CPED staff initiated new discussions with MnDOT in 2008 regarding the possible redevelopment of the property. MnDOT ordered an appraisal of the property, which was completed on March 1, 2008 and indicated a value of \$293,000.

CPED staff then prepared, with MnDOT's knowledge and consent, a Request for Proposals [RFP] regarding the site. The RFP was posted on the City's web site on or around August 18, 2008, and published in Finance and Commerce on or about August 22, 2008. Proposals were due by September 5, 2008. Lupe was the only party that submitted a proposal for the development of the site.

After discussions with City development and planning staff regarding possible variations and refinements of its original proposal, Lupe began pursuing required planning and land use approvals in May of 2009. Although there were intermittent delays occasioned by various changes in the nature of the project, all required planning, zoning and land use approvals were obtained from the Planning

Commission by August 24, 2009 and from the City Council by August 28, 2009. The development concept upon which the approvals were based included a single-story, multiple-tenant retail shopping center with a drive-through restaurant. The breakdown of the total square footage (10,153 sq. ft.) consisted of 3,375 sq. ft. for the drive-through restaurant, 1,580 for a second restaurant, and one large 5,198 sq. ft. space that could be divided into smaller retail spaces or used for a single retail, office or light-industrial user.

During the time that planning approvals were being sought, and afterwards, City staff interacted with MnDOT staff regarding the market value of the property in question. MnDOT and the City project management staff ultimately agreed to an adjusted market value of \$208,000, based (in part) on the projected cost of additional environmental remediation that will be required to redevelop the site. CPED's staff appraiser has indicated that he concurs with the final adjusted market value figure (and agreed upon sale price) of \$208,000.

The current plan for the redevelopment of the site by Lupe envisions a standard conduit transaction, whereby the City will acquire the property from MnDOT and contemporaneously convey it to Lupe, subject to the terms of a Redevelopment Agreement that will (among other things) specify construction commencement and completion deadlines and establish City reversionary rights in the event of non-compliance. Lupe has proposed that the City extend the construction commencement deadline up to 36 months after closing, to allow it time to prelease at least 60% of the space. City staff consider this a reasonable accommodation, given the current state of the economy and the local real estate market.

Benefits

The benefits that are anticipated to result from the proposed Lupe development include job creation, new construction and related tax base enhancement, removal of blight (the site in question has been vacant and minimally maintained by MnDOT for many years), and the provision of new services and amenities for neighboring businesses and residents.

**Authorizing Sale of Land North Washington Industrial Park Disposition Parcel
NWIP 45-1/MnDOT 29 & 30**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel NWIP 45-1/MnDOT 29 & 30 in the North Loop neighborhood from Lupe Development Partners, LLC (or an affiliate) hereinafter known as the Redeveloper, the Parcel NWIP 45-1/MnDOT 29 & 30 being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to-wit:

LEGAL DESCRIPTION

NWIP 45-1/MnDOT 29 & 30; 129 Plymouth Avenue North

Tract 1:

Lots A and B, Vanderhork's Subdivision of Lots 1, 2 and 3, Block 10, in Bassett, Moore and Case's Addition to Minneapolis, according to the plat thereof on file and of record in the County Recorder in and for Hennepin County, Minnesota.

Torrens Property

Tract 2:

Lot G, Vanderhork's Subdivision of Lots 1, 2 and 3, Block 10, in Bassett, Moore and Case's Addition to Minneapolis, also that part of Lots 6 and 7, said Block 10, which lies westerly of a line running in a northerly direction of the southeasterly corner of said Lot G to a point in the northerly line of said Lot 7, which is 26 feet easterly from the northeasterly corner of said Lot G, according to the plat thereof on file and of record in the office of the County Recorder in and for Hennepin County, Minnesota.

Abstract Property

Tract 3:

Lots C, D, E and F, Vanderhork's Subdivision of Lots 1, 2 and 3, Block 10, in Bassett, Moore and Case's Addition to Minneapolis and all that part of the public alley in said subdivision lying westerly of a straight line running from the southeast corner of Lot G, said subdivision to a point in the easterly line of Lot 3 of said subdivision, distant 7.4 feet southerly from the northeast corner of Lot 3 of said subdivision, also a parcel of land comprising all of Lot 4, said Block 10 and that part of said Lot 3 and that part of adjoining 10th Avenue North vacated described as follows:

Beginning at the most southerly corner of said Lot 4; thence northerly along the easterly line of Second Street North a distance of 131.16 feet to the northwest corner of said Lot 3; thence east along the north line of said Lot 3 a distance of 144 feet to the northeast corner thereof; thence southerly at an angle of 79 degrees 21 minutes to the right along the easterly line thereof a distance of 7.4 feet; thence southwesterly at an angle of 23 degrees 31 minutes to the right a distance of 65.4 feet to the point of curve; thence southwesterly along a tangential curve to the left having a radius of 503.34 feet a distance of 56 feet to its point of intersection with a line running through the point of beginning parallel with the north line of Lot 3, said point of intersection being 82.9 feet distant east from said point of beginning; thence west to point of beginning, according to the plat thereof on file and of record in the office of the County Recorder in and for Hennepin County, Minnesota.

Abstract Property

Tract 4:

That portion of vacated 10th Avenue North lying easterly of Second Street North and southerly of Lot 4, Block 10, in Bassett, Moore and Case's Addition to Minneapolis, Hennepin County, Minnesota, described as follows:

Commencing at the northwest corner of Lot A of Vanderhork's Subdivision of Lots 1, 2 and 3, Block 10 in Bassett, Moore and Case's Addition to Minneapolis, also being the intersection of the easterly right of way line of Second Street North and the southerly right of way of Plymouth Avenue North; thence South 18 degrees 16 minutes 12 seconds East (astronomic bearing determined by solar observation), along the easterly right of way line of said Second Street North, also being the westerly line of said Lot A and the westerly line of Lots 3 and 4, Block 10, Bassett, Moore and Case's Addition to Minneapolis, a distance of 251.55 feet to the most southerly corner of said Lot 4, Block 10, Bassett, Moore and Case's Addition to Minneapolis, being the point of beginning of the parcel to be described; thence continuing South 18 degrees 16 minutes 12 seconds East, along the southeasterly extension of the easterly right of way line of said Second Street North, a distance of 34.97 feet to the centerline of vacated 10th Avenue North; thence North 44 degrees 54 minutes 15 seconds East, along said centerline, a distance of 48.01 feet to the southerly line of Tract 1 described in Warranty Deed Document No. 3812826; thence South 88 degrees 59 minutes 05 seconds West, along said southerly line (described as being parallel with the north line of Lot 3, Block 10, Bassett, Moore and Case's Addition to Minneapolis), a distance of 44.86 feet to the point of beginning.

Abstract Property

Whereas, the Redeveloper has offered to pay the sum of \$208,000 for Parcel NWIP 45-1/MnDOT 29 & 30 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 Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on August 12, 2011, a public hearing on the proposed sale was duly held on August 23, 2011, 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 \$208,000 for Parcel NWIP 45-1/MnDOT 29 & 30.

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 upon publication of this Resolution, 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 7

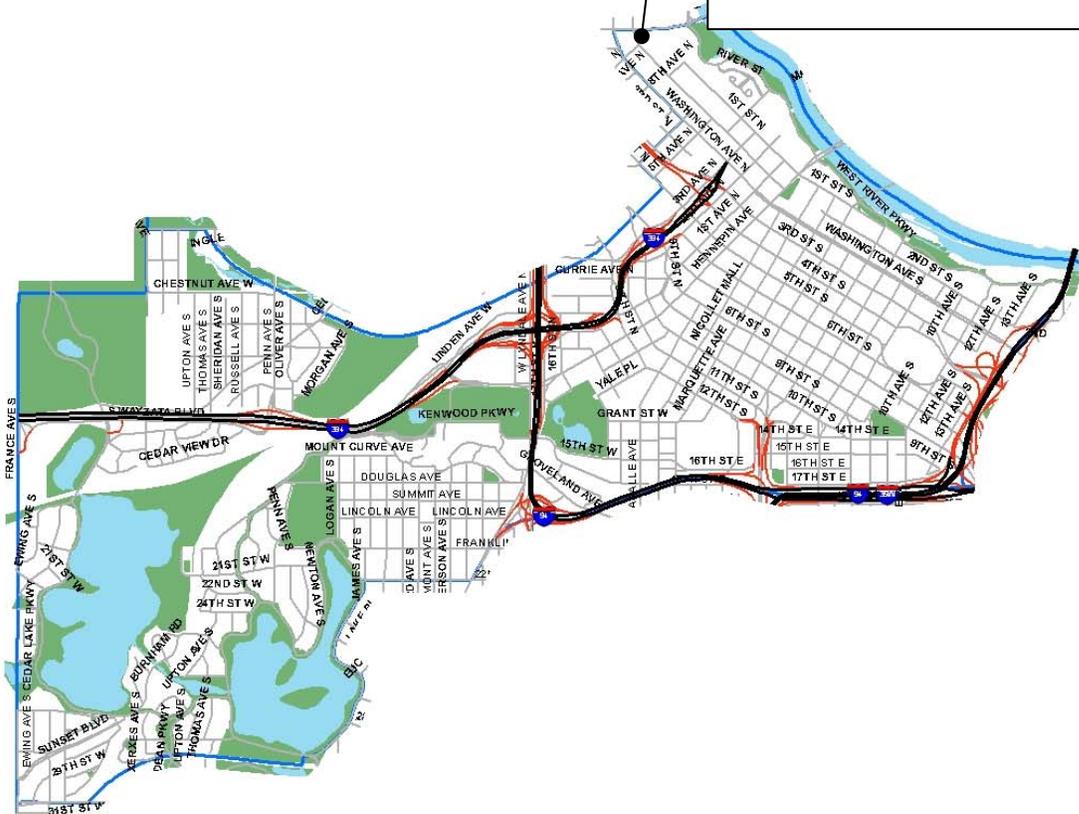
Address: 129 Plymouth Ave North

Parcel: NWIP 45-1/MnDOT 29 & 30

Purchaser: Lupe Development Partners, LLC (or an affiliate)

Sq. Footage: 33,690

Zoning: C2



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

Date: August 23, 2011
 Subject: Land Sale – Public Hearing
 Address: 129 Plymouth Avenue North
 Purchaser: Lupe Development Partners, LLC (or an affiliate)

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
TBD- Pass Thru Sale	129 Plymouth Avenue N.	\$208,000	(-) \$228,800	(+) \$20,800 (admin fee)

Re-Use Value Opinion	Less Sales Price	Write-Down
208,000	208,000	\$0.00

Write-Down

Reason: No write-down

Developer History with CPED:

The developer has been involved in the following projects in the City of Minneapolis: Standard Heating & Air Conditioning; Flour Sack Flats; Eat Street Flats; Madison Lofts; Parcel A Redevelopment (pending); 520 2nd Street Apartments (across street from Flour Sack- pending); Stone Arch Apartments; Marcy Park Apartments; Franklin Lofts

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