

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

**Date:** February 19, 2008

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

**Subject:** Land Sale Public Hearing  
North Washington Industrial Park  
Standard Heating & Air Conditioning Project

**Recommendation:**

1. Authorize the sale of 1300 2<sup>nd</sup> Street N., 1316 2<sup>nd</sup> Street N., and 109 14<sup>th</sup> Ave. N. to Standard Plymouth LLC, an affiliate of Standard Heating and Air Conditioning, Inc., for \$365,365 (based on \$5 per sq. ft. times assumed square footage of 73,073; square footage will be confirmed by survey and price will be adjusted accordingly, if necessary).
2. Approve the attached term sheet as a basis for a redevelopment contract.

**Previous Directives:** CPED acquired 1300 2<sup>nd</sup> Street N. on May 16, 1994, 1316 2<sup>nd</sup> Street N. on October 9, 2001, and 109 14<sup>th</sup> Ave. N. on March 23, 2004. CPED issued a Request for Proposals for the redevelopment of these parcels on May 1, 2005. On April 14, 2006 the City Council approved the sale of 1300 2<sup>nd</sup> Street N., 1316 2<sup>nd</sup> Street N., and 109 14<sup>th</sup> Ave. N. to Landmark Minnesota LLC, an affiliate of Master Civil & Construction Engineering, Inc. d/b/a Master Development Group [hereinafter "Master"] for the fair reuse value of \$365,365 (or \$5 per sq. ft.) and authorized staff to execute a redevelopment contract and land sale documents consistent with the term sheet accompanying the land sale report. On October 6, 2006, the City Council authorized City staff to execute a redevelopment contract consistent with a revised term sheet. On November 7, 2006, the City Council authorized an extension of the closing date to April 1, 2007. On April 13, 2007, the City Council approved an extension of the closing date to July 1, 2007, or until December 28, 2007 if additional environmental remediation was determined to be necessary at the site.

Prepared by: Kevin Carroll, Senior Project Coordinator
Approved by: Charles T. Lutz, Deputy CPED Director _____
Presenter in Committee: Kevin Carroll, 612-673-5181

**Financial Impact**

  X   Other financial impact: eliminate property management costs

  X   Action is within the Business Plan

## Community Impact

**Neighborhood Notification:** The North Washington Industrial Park [NWIP] Jobs Park Committee will review and discuss the proposed Standard Heating & Air Conditioning project at its next regularly-scheduled meeting on the morning of February 19, 2008. The Northside Residents Redevelopment Council [NRRC] will review the Standard Heating and Air Conditioning proposal at its meeting on February 11, 2008. Staff will report the comments and recommendation(s) of these advisory groups to the Community Development Committee at the scheduled public hearing on the afternoon of February 19, 2008.

**City Goals:** A safe place to call home, One Minneapolis, Enriched Environment, Premier Destination.

**Sustainability Targets:** It is anticipated that the project identified herein will contribute (in ways that will be determined with more specificity during the development of the construction documents) to one or more of the following targets identified in or by the City's Sustainability Initiative: Combined Sewer Overflow, Permeable Surfaces, Water Quality, and Brownfield Sites.

**Comprehensive Plan:** On March 27, 2006, the Planning Commission determined that the sale of these parcels for light industrial use is consistent with the Comprehensive Plan.

**Zoning Code:** The three-parcel site is zoned I-2. The Standard Plymouth LLC proposal appears generally consistent with the current zoning.

**Living Wage/Business Subsidy Agreement:** Yes\_\_\_ No\_X\_

**Job Linkage:** Yes\_X\_No\_\_\_ (if applicable)

**Other:** On December 1, 2005, the Planning Staff completed a land sale review of these parcels and approved their use as light industrial.

## Supporting Information

<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	1316 2nd St. N	18,150±	\$5.00 sq. ft or \$90,750
NWIP 39-6&7	109 14 <sup>th</sup> Ave. N	27,698±	\$5.00 sq. ft or \$138,490
Total:		73,073±	\$5.00 sq. ft or \$365,365

### **Purchaser**

Standard Plymouth LLC  
410 West Lake Street  
Minneapolis MN 55408.

### **Site Description and Development Proposal**

The redevelopment site is comprised of three parcels located at the northeast corner of Plymouth Avenue North and 2<sup>nd</sup> Street North, bordered on the east by railroad right-of-way and on the north by 14<sup>th</sup> Avenue North. Various industrial uses of the property prior to its acquisition by the City resulted in site contamination. The City 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 create and implement a Response Action Plan to help remediate contamination and prepared the property for light industrial redevelopment. Additional site remediation may be required, depending on the final construction details of the proposed Standard Heating & Air Conditioning project.

Standard Plymouth LLC, an affiliate of Standard Heating & Air Conditioning, Inc. ["Standard Heating"], has submitted an offer to purchase the property at the fair reuse value established by the City. Standard Heating's redevelopment proposal for the three parcels of vacant land is a new corporate headquarters that includes office/showroom space and a warehouse. Standard Heating is a residential and light commercial heating and air conditioning contractor that has been headquartered in Minneapolis since it was founded 78 years ago. Standard Heating's current location on Lake Street, which it has occupied since 1941, no longer suits the company's needs. Standard Heating has been searching, for some time, for a location for a new corporate headquarters and operating facility. Standard Heating's expressed preference has been to remain in Minneapolis, if possible. Standard Heating currently has approximately 65 employees, about 50% of whom are skilled tradespersons with technical degrees. The remaining 50% consists of sales and management employees (20%) and clerical and operations support staff (30%). Standard Heating anticipates that a new, larger corporate headquarters will enable it to accommodate the type of job growth that its continually growing business will require.

Standard Heating’s proposed development consists of a two-story office/parts department/showroom of 17,200 square feet on the northeast corner of 2nd Street N. and Plymouth Avenue N., an adjoining one-story warehouse of 7,179 square feet along 2<sup>nd</sup> Street N., and a future warehouse expansion area of 6,093 square feet. Final interior configuration and footprint sizing will be established during the formal site plan review/approval process, along with detailed parking and storm water requirements, and requirements related to any necessary improvements to 14<sup>th</sup> Avenue N. The current site plan for the proposed project shows parking areas located in the interior of the site, rather than along the two major adjacent streets. The employment density is estimated to be 2-3 jobs per 1,000 square feet, which exceeds the minimum standard of 1 job per 1,000 square feet that has been typically used as a benchmark by the NWIP Jobs Park Committee.

Standard Plymouth LLC has retained Lupe Development Partners as its developer. The proposed project architect is Mohagen Hansen Architecture Group. The proposed general contractor is Bauer Design Build.

The combined lot size is 73,073± square feet. The sales price of these parcels is based upon the full re-use value of \$5.00 per square foot.

**FINANCING:**

<b><u>Sources</u></b>		<b><u>% Total Development Costs</u></b>
Developer’s Equity – Land Costs	\$365,365	7.9%
Developer’s Equity – Construction Costs	2,132,500	46.05%
Commercial Financing Debt	<u>2,132,500</u>	<u>46.05%</u>
<b>Total</b>	<b>\$4,630,365</b>	<b>100%</b>
<b><u>Uses</u></b>		
Acquisition	\$365,365	
Construction	3,500,00	
Contingency, Marketing, Developer’s Profit	100,000	
<u>Finance &amp; Carrying Costs</u>	<u>315,000</u>	
<b>Total</b>	<b>\$4,630,365</b>	

**LAND DISPOSITION POLICY:**

These parcels are buildable lots as defined by City policy, and are being sold for assemblage for development. As noted in the "Prior Directives" portion of this report (above), the Council previously authorized the sale of this property to Landmark Minnesota LLC, an affiliate of Master Civil & Construction Engineering, Inc. d/b/a Master Development Group ["Master"]. Although the City Council granted several extensions of time for the completion of a closing, Master was unable to meet several conditions to closing by the final Council-imposed December 28, 2007 deadline. On or about January 8, 2008, CPED received an Offer to Purchase dated January 4, 2008 from Standard Plymouth LLC. Consistent with Section 2(c)(iv) of CPED's "Real Estate Disposition Procedures," the proposed sale to Standard Plymouth LLC is being handled as a direct sale. Standard Plymouth LLC has indicated a desire to commence construction at soon as possible, in the hope that Standard Heating & Air Conditioning will be able to occupy its new corporate headquarters by October 31, 2008.

**STAFF RECOMMENDATION:** Staff recommends selling the property in question to the proposed purchaser for the offered amount, subject to the terms and conditions of a Redevelopment Contract consistent with the provisions of the attached term sheet.

**Attachment 1 – Proposed Term Sheet for Redevelopment Contract**

**STANDARD PLYMOUTH LLC**

**AN AFFILIATE OF STANDARD HEATING & AIR CONDITIONING, INC.**

**TERM SHEET**

**(1300 2<sup>nd</sup> Street N., 1316 2<sup>nd</sup> Street N., 109 14<sup>th</sup> Avenue N.)**

**1. PROPERTY**

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

**2. PURCHASER**

Standard Plymouth LLC  
410 W. Lake Street  
Minneapolis MN 55408

**3. PURCHASE PRICE**

\$365,365.00 (based on \$5.00 per square foot times assumed square footage of 73,073; square footage will be confirmed by survey and price will be adjusted accordingly, if necessary)

**4. GOOD FAITH DEPOSIT**

\$36,536.50 (10% of Purchase Price)

**5. CLOSING DATE**

Not later than July 31, 2008. The Developer must demonstrate to the City's reasonable satisfaction that as of the closing date, the Developer has all necessary equity and debt financing commitments to commence and complete the project, together with any required City approvals related to land use, zoning, construction plans and specifications, and code compliance.

**6. TITLE**

The City shall provide Developer with a current title insurance commitment for the property. Developer shall make any objections to title in writing to the City within twenty (20) days of receiving such commitment. If Developer makes timely written objections to title, then the City shall have until the closing date to cure the title defects and establish insurable title to the property. If the City chooses not to or fails to have the objections to title removed or satisfied to the Developer's satisfaction by the closing date, the Developer may elect, within twenty (20) days after notification from the City of such choice or failure, to (1) purchase the property subject thereto or (2) declare the Redevelopment Contract null and void and the Good Faith Deposit shall be returned to the Developer.

**7. CONSTRUCTION START DATE**

Within 30 days after the closing date

**8. CONSTRUCTION COMPLETION DATE**

Within 12 months after the closing date

**9. MINIMUM IMPROVEMENTS**

The development shall consist of a two-story office/parts department/showroom of approximately 17,200 square feet on the corner of 2nd Street N. and Plymouth Avenue N., an adjoining one-story warehouse of approximately 7,179 square feet along 2<sup>nd</sup> Street N., a future warehouse expansion area of approximately 6,093 square feet, and other associated improvements and appurtenances as depicted on the attached site plan. Final interior configuration and footprint sizing will be established during the formal site plan review/approval process, along with detailed parking and storm water requirements, and requirements related to any necessary improvements to 14<sup>th</sup> Avenue N. (which could potentially include road construction/reconstruction, curb, gutter, storm sewer, street lighting, sidewalk and/or a cul de sac at the easterly terminus).

**10. "AS IS" SALE AND INDEMNIFICATION**

The sale shall be "as is" and Developer shall release the City from liability for any environmental contamination on the property. Developer agrees to defend, indemnify and hold the City harmless from any and all claims or lawsuits that may arise from developer's ownership, acts or omissions after closing.

The City will make all environmental information provided to the City available to the Developer.

**11. CONDITIONS TO SITE PLAN**

The Developer agrees to make good faith efforts to incorporate green and sustainable design elements throughout the development.

**12. TAX INCREMENT FINANCING ASSISTANCE**

None.

**13. OTHER**

As noted in the Offer to Purchase (Section 7), and/or as required by current City policy, City ordinance or State statute, the Redevelopment Contract also shall include the following Developer obligations to the extent applicable:

- a. Affirmative Action Plan, Pre-Bidding Conference, Pre-Construction Booklet, Apprenticeship Program, and Small and Underutilized Business Enterprise Program 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;
- g. Job Linkage Program, Business Subsidy Policy, and Living Wage Policy requirements; and
- h. City reversionary rights and certificate of completion requirements.

Further, the Developer shall pay the following costs in addition to the Purchase Price and 10% Good Faith Deposit:

- a. Title Insurance, closing costs and recording fees;
- b. Prorated taxes, special assessments and utilities as of the date of closing;
- c. Insurance and bond fees;
- d. Appraisal, survey and site investigation costs;
- e. Legal costs, sales commission and professional service fees incurred for the benefit of the Developer or the Developer's Lender; and
- f. Design and architects fees and construction costs.

**Authorizing sale of land North Washington Industrial  
Park Disposition Parcel Nos. 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 Standard Plymouth LLC, 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

NWIP 44-3; 1300 2<sup>nd</sup> Street North

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 44-2; 1316 2<sup>nd</sup> Street North

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 39-6 & 7; 109 14<sup>th</sup> Avenue North

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.

Whereas, the Redeveloper has offered to pay the sum of \$365,365 (or \$5 per sq. ft. times assumed square footage of 73,073; square footage will be confirmed by survey and price will be adjusted accordingly, if necessary), 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 February 8, 2008, a public hearing on the proposed sale was duly held on February 19, 2008, 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:

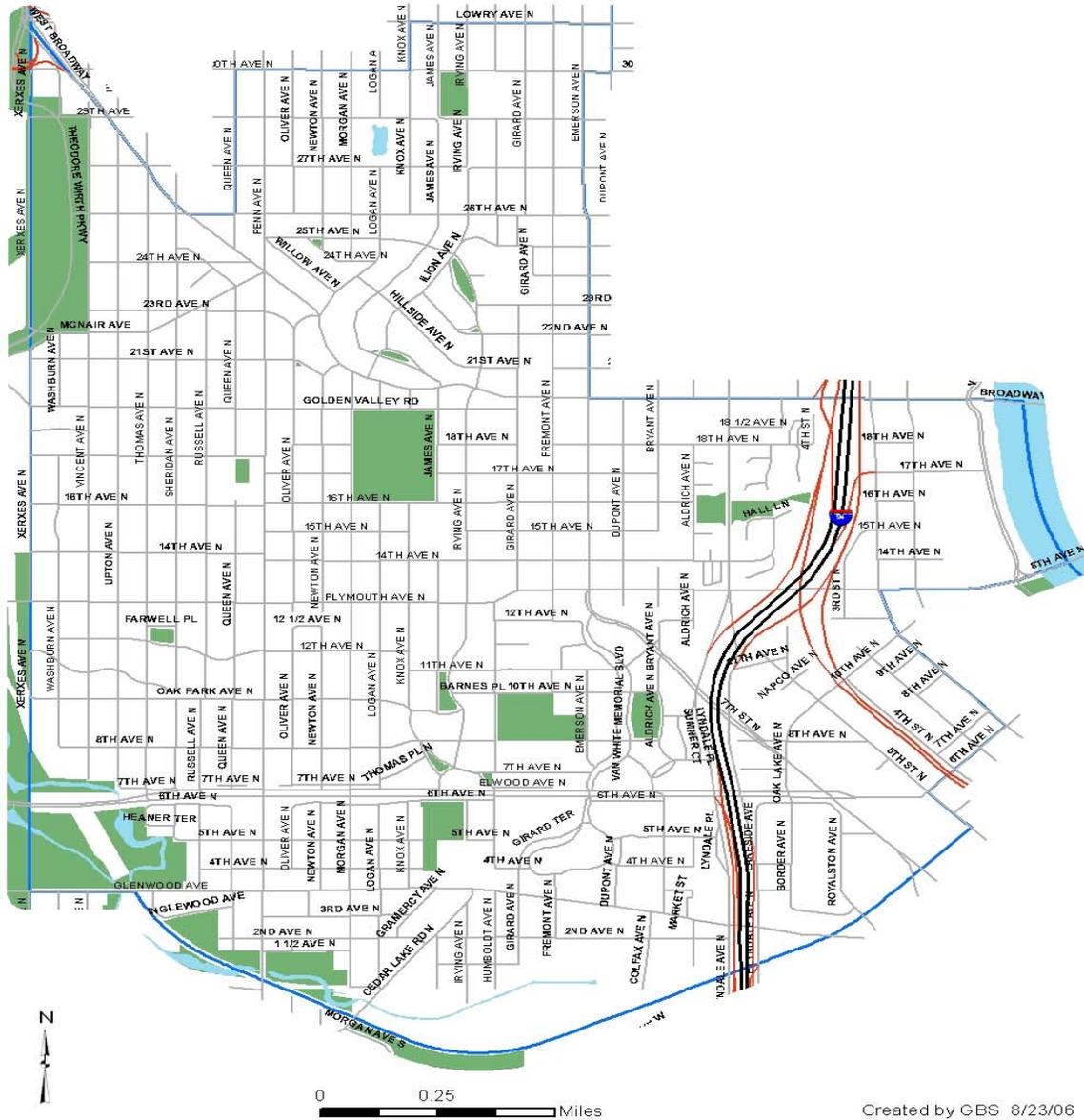
That the re-use value for uses in accordance with the North Washington Industrial Park plan, as amended, is hereby estimated to be the sum of \$365,365 (or \$5 per sq. ft.) for Parcels NWIP 44-3, 44-2, & 39-6 & 7.

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 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 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 5



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**TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTIES:**

Date: February 19, 2008  
 Subject: Land Sale – Public Hearing  
 Address: 1300 2nd St. N; 1316 2nd St. N; 109 14<sup>th</sup> Ave. N  
 Purchaser: Standard Plymouth LLC an affiliate of Standard Heating & Air Conditioning, Inc.

Disposition Parcel No. Date Acq.	Address	Total CPED Cost	Less Sales Price	Write-off
NWIP 44-3 5/16/94	1300 2nd St. N May 16, 1994	\$121,336	(-)\$136,125	(-)\$14,789
NWIP 44-2 10/9/01	1316 2nd St. N October 9, 2001	\$116,950	(-)\$90,750	(+)\$26,200
NWIP 39-6&7 3/23/04	109 14th Ave. N. March 23, 2004	\$147,353	(-)\$138,490	(-)\$8,863

Reuse Value Opinion	Less Sales Price	Write-Down
\$365,365 (\$5/sq ft)	(-)\$365,365 (\$5/sq ft)	\$0

Write-Down  
 Reason: N/A

Developer History With CPED: Standard Plymouth LLC and their affiliate Standard Heating & Air Conditioning, Inc. have no development history with the City. The developer, Lupe Development Partners, has many years of experience in the field of development and redevelopment and has successfully completed projects within the City.

Developer Information:

- Single Individual(s)
- Family with \_\_\_ Dependents (one or more adults with dependents)
- Limited Liability Company of the State of Minnesota
- Limited Partnership
- Corporation of the State of Minnesota
- Other