



Humboldt Industrial Park Redevelopment Plan

December 16, 2005

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I. Introduction

Real Estate Recycling (RER) has proposed development of a 10-acre parcel of land in the northwest corner of the Canadian Pacific Railroad's (CPR) Humboldt Yards as an industrial park (Humboldt Industrial Park). The proposal for this site, which has not been developed before, is for construction of one multi-tenant building totaling 125,000 square feet. RER projects generation of 190 new jobs for the project. The project requires both Brownfield remediation grants and tax increment financing.

A separate document, the Humboldt Industrial Park Tax Increment Finance (TIF) Plan, establishes a Soils Condition tax increment financing district with boundaries coterminous with the boundaries of the Humboldt Industrial Park Redevelopment Project.

II. Description of Project

A. Boundary of Redevelopment Project

Under the authority of Minnesota Statutes §469.001 to §469.047, approval of this Redevelopment Plan establishes a new Redevelopment Project as defined in Minnesota Statutes §469.002, Subdivision 14.

The Humboldt Industrial Park Redevelopment Project Area consists of one tax parcel (identified below) located at the northwest corner of the CPR Humboldt Yards. The 10-acre Project Area is located within the Humboldt Industrial Area of the Shingle Creek neighborhood, the Camden Community and Ward 4 in north Minneapolis.

<i>Property Identification Number</i>	<i>Address</i>
11-118-21-32-0048	2601 49 th Avenue North

The property will be re-platted to two parcels. The redevelopment parcel will be 10 acres and the remaining 3 acres will be retained by current owner (CPRR)

Proposed Metes & Bounds Legal Description of parcel to be included in Humboldt Industrial Park Tax Increment Financing District:

All that part of Lot 6, AUDITOR'S SUBDIVISION NUMBER 208, Hennepin County, Minnesota, lying westerly of the following described line and its southerly extension.

Commencing at the Northeast corner of said Lot 6; thence North 89 degrees 53 minutes 35 seconds West an assumed bearing along the North line of said Lot 6, a distance of 221.62 feet to the point of beginning of the line to be described; thence South 0 degrees 00 minutes 00 seconds West, 383.59 feet to the South line of said Lot 6.

Subject to Osseo Road easement per Doc. No. 4927040

Site area Parcel A = 438,280 square feet = 10.062 acres.

The Project Boundary & Land Use Map is included in this Redevelopment Plan as Exhibit 1.

B. Objectives of the Redevelopment Plan

The City of Minneapolis seeks to achieve the following objectives through the Humboldt Industrial Park Redevelopment Plan:

- 1) Eliminate blighting influences which impede potential development.
- 2) Eliminate or correct physical deterrents to the development of the land.
- 3) Remediate site pollution and contamination in accordance with state and federal regulations.
- 4) Participate in partnerships to achieve common community development objectives.
- 5) Provision of an industrial park consisting of one 125,000 square foot building.
- 6) Job creation of 190 jobs

C. Public Purpose

Public purposes of the Humboldt Industrial Park Redevelopment Plan include:

- redevelopment of a vacant, underused, blighted area
- job creation
- property tax generation
- pollution remediation

D. Redevelopment Activities

The objectives of the redevelopment plan will be accomplished through the following public and private redevelopment activities: acquisition, demolition, site preparation, pollution remediation, new construction, public improvements, project administration and other related activities.

E. Public Financing

A description of public financing of development activity within the Project Area is presented in Section IV of the Humboldt Industrial Park TIF Plan, dated December 16, 2005. The project is dependent on tax increment financing and on receipt of Brownfield remediation grants. The granting agencies are DEED, the Metropolitan Council and Hennepin County.

F. Citizen Participation

The Shingle Creek Neighborhood Association (SCNA) endorsed this proposal in a letter dated March 25, 2005. The SCNA, within its Neighborhood Revitalization Action Plan approved in 1995 by the Minneapolis City Council, adopted the Humboldt Industrial Area which lies directly south of 49th Avenue North, as part of its plan¹. This Redevelopment Plan and the TIF Plan have been reviewed by the Shingle Creek Neighborhood Association.

III. Land Use Plan

A. Conformance with Approved City Plans

The proposed development is within the Humboldt Industrial Area which is designated an "Industrial Park Opportunity Area" in The Minneapolis Plan. The development of multi-tenant industrial buildings on this property would be in conformance with that designation, and would be supported by the following additional policies from The Minneapolis Plan.

- 2.2 Minneapolis will support the existing economic base by providing adequate land and infrastructure to make city sites attractive to businesses willing to invest in high job density and low impact, light industrial activity.

Implementation steps:

Identify appropriate areas for the retention and expansion of existing industry and the development of new industry in specific industrial and business park opportunity areas.

Promote light industrial uses as the preferred use of industrial land, but discourage warehouse or distribution uses in areas where truck traffic will negatively impact residential neighborhoods.

¹ Shingle Creek residents working through the SCNA and collaboratively with residents of Lind-Bohanon, Victory, and Webber-Camden neighborhoods, Minneapolis City Departments and Council Member Barbara Johnson in 2004 completed the *Humboldt Industrial Park Community Planning, Greening, Visioning, Beautification Summary Report* and transmitted the report for review by the Planning Division Director in CPED.

Engage in pollution clean up and land readying activities to be able to provide clean and competitive sites.

2.25 Minneapolis will establish industrial districts to provide locations for industrial land uses, while ensuring that new industrial development is compatible with its surroundings.

2.26 Minneapolis will prioritize growth in light industrial land uses to increase the tax base and create jobs for city residents.

Small Area Plans

There are no city-approved small area plans that include the proposed redevelopment district.

Zoning Ordinance

The City's zoning code establishes guidance for land use and development intensity. The subject development project is located in the I1 Light Industrial District and I2 Medium Industrial District, in which the proposed development is a permitted use.

The subject parcel is also in the SH/Shoreland Overlay District because of the proximity of Shingle Creek. The Shoreland Overlay District places constraints on the location of buildings with respect to the water feature, and on the height of the building. The development will be subject to the City's site plan review ordinance, and will have to satisfy those requirements.

B. Land Use Restrictions

A redevelopment contract between the City and the developer of property within the Project Area will contain specific requirements regarding the terms and conditions under which City assistance is provided, including land use restrictions.

IV. Project Proposals

A. Humboldt Industrial Park Development Proposal

Real Estate Recycling (RER) has proposed development of a 10-acre parcel of land in the northwest corner of the Canadian Pacific Railroad's (CPR) Humboldt Yards as an industrial park (Humboldt Industrial Park). The proposal for this site, which has not been developed before, is for construction of one multi-tenant building totaling 125,000 square feet. RER projects generation of 190 new jobs for the project. The project requires both Brownfield remediation grants and tax

increment financing. The developer has successfully developed similar projects and has demonstrated an ability to work with the City.

B. Property Acquisition

No property within the Project Area has been identified for acquisition by the City of Minneapolis. The developer has site control through a purchase agreement with the CPR.

C. Relocation

The development site is currently unoccupied, and therefore there will be no relocation of households or businesses.

D. Redeveloper's Obligations

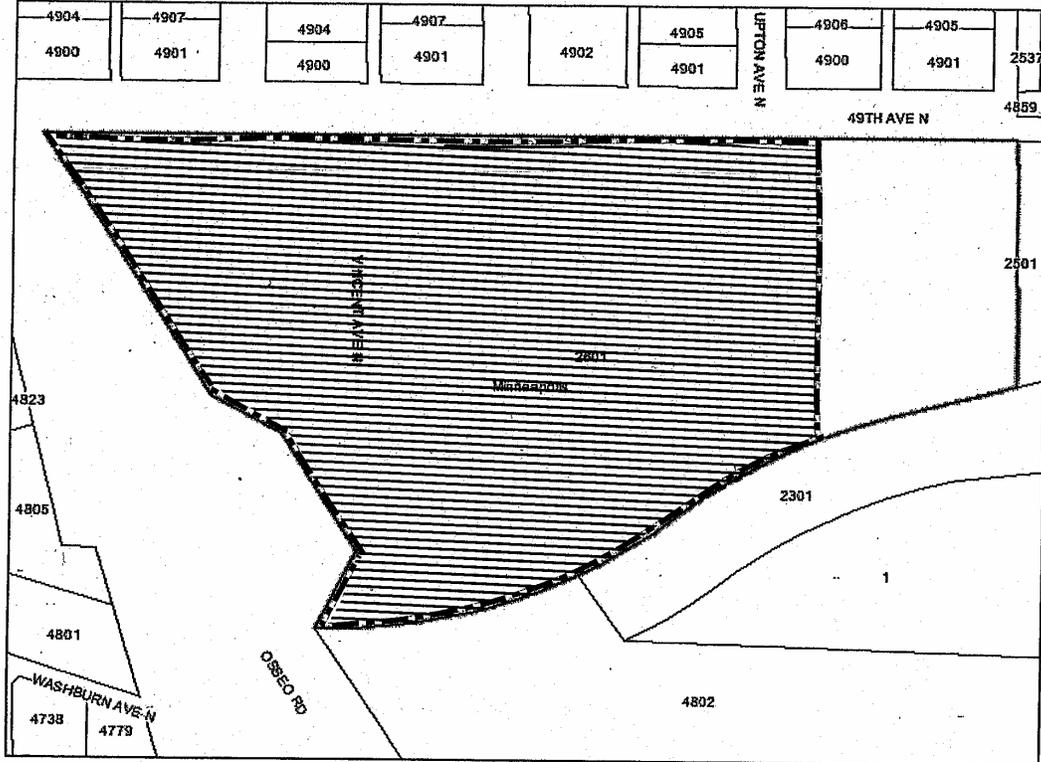
The requirements to be imposed upon the redeveloper, and its successors or assigns, will be established in the redevelopment contract. It is anticipated that the City will enter into a redevelopment contract with Real Estate Recycling or its development subsidiary. Humboldt Industrial Park will be owned by a MN LLC to be formed by the three principals of RER. Until the development LLC is formed, the project is operated by RER Acquisitions LLC, which is also owned by the three principals of RER. RER Acquisitions LLC is a MN LLC used to put properties under contract during the due diligence phase of the project. RER Acquisitions LLC will assign the Purchase Agreement of the to-be-formed development LLC once the project is approved and the necessary public funding is in place.

V. Procedure for Changes in Approved Redevelopment Plan

This Redevelopment Plan may be modified as provided in Minnesota Statutes, §469.029, Subdivision 6, as follows:

"A redevelopment plan may be modified at any time. The modification must be adopted by the authority and the governing body of the political subdivision in which the project is located, upon the notice and after the public hearing required for the original adoption of the redevelopment plan. If the authority determines the necessity of changes in an approved redevelopment plan or approved modification thereof, which changes do not alter or affect the exterior boundaries, and do not substantially alter or affect the general land uses established in the plan, the changes shall not constitute a modification of the redevelopment plan nor require approval by the governing body of the political subdivision in which the project is located."

Humboldt Industrial Park Site



**Humboldt Industrial Park Redevelopment Plan
Boundary/Land Use Map
December 16, 2005**

<p>Boundary</p> 	<p>Prepared by Development Finance Division 105 5th Avenue S., Minneapolis, Minnesota</p>	<p>Industrial</p> 
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PROJECT AREA REPORT AND DOCUMENTATION OF ELIGIBILITY

Humboldt Industrial Park Redevelopment Plan and Humboldt Industrial Park Tax Increment Financing Plan

The conditions that qualify the Humboldt Industrial Park site for inclusion in a redevelopment project area and tax increment financing district are described herein.

The Humboldt Industrial Park Redevelopment Project was found to be a blighted area, as defined in Minnesota Statutes §469.002, Subd. 11 and Subd. 14:

“any area with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community.”

"Redevelopment project" means any work or undertaking:

- (1) to acquire blighted areas and other real property for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight;
- (2) to clear any areas acquired and install, construct or reconstruct streets, utilities, and site improvements essential to the preparation of sites for uses in accordance with the redevelopment plan . . .

Description of the Site

The site of the proposed development is a 10-acre site at the northwest corner of the Canadian Pacific Railroad's Humboldt Yards, north of a large railroad switching yard which has been in operation since at least 1938. The site is bordered by 49th Avenue North on the north, Thomas Avenue North on the east, and Osseo Road on the west and is primarily a vacant lot with a portion of the site paved for a semi-trailer parking lot and a CP Rail access road. The property has been a magnet for illegal dumping and vandalism over the years.

The site has a history of environmental impacts from numerous sources that have resulted in its current undeveloped condition. The site has been owned for over 93 years by the Canadian Pacific railroad (formerly the Soo Line Railroad). The site originally contained marshy areas that have now been filled. Ryan Creek originally ran

through the middle of the site, but was relocated near the southern boundary of the site sometime between 1965 and 1971. The relocation of the creek is undocumented.

The property is surrounded by a number of sites with known or suspected environmental impacts. From 1945 until the 1960s a service station was in operation just west (up gradient) of the site. The Howe Chemical Company, a distributor of pesticide and fertilizer chemicals, also operated immediately west of the site across Osseo Road. Southwest of the site, the BJ Carney wood treating site (a state superfund site) operated from 1923 to 1973.

In January 1979 there was a fire at the Howe Chemical Company. It was estimated that the warehouse which burned contained over 100 different pesticides totaling 80 tons of active ingredients. Water used to extinguish the fire washed massive amounts of pesticides and fertilizer into Ryan Creek and ultimately onto the site. As a result of the runoff from the fire, site soils and groundwater were highly impacted with pesticides and fertilizer. In order to prevent the impacted runoff from traveling further into the watershed and potentially impact other areas, a series of berms were constructed at the site which resulted in ponding of the pesticide-impacted water over a large portion of the property.²

Currently the site remains undeveloped, except for the semi-trailer storage lot and a paved access road to the railroad switching yard to the south. The site has been tested and a Phase I and Phase II investigation have been completed. The investigations revealed soil and groundwater contamination with Diesel Range Organics (DRO) exceeding state standards and semi volatile organic compounds/polyaromatic hydrocarbons (PAH's) and pesticides. The environmental engineers believe the DRO contamination results from grease and motor oil from street sweeping debris used to fill the site. The contamination from the soil has made its way into groundwater on the site. The investigation also revealed a pesticide in the groundwater in excess of state standards. The developer is currently conducting additional investigation to clarify the extent of the contamination in preparation for submittal of a remedial action plan to MPCA.

Site Redevelopment

The site is bordered by residential homes on the north, an operating rail yard to the south, Brooklyn Boulevard/Osseo Rd Bridge on the west, and older industrial buildings to the east. The remediation and redevelopment of the site will dramatically upgrade the image of this visible property by screening the operating rail yard from the

² A limited response action was conducted by MDH in 1979. The response action involved the limited excavation and off-site disposal of the top one to two feet of sediment from the Ryan Creek bed. After the surficial sediments were removed, a liner was placed over the remaining impacted soils beneath the creek bed and the liner was covered with clean fill. In addition, site groundwater was pumped for 6 months before the pumping was discontinued. Pesticide impacted soil and groundwater remained at the site after the limited response action was completed. The low portions of the site, including the original Ryan Creek bed before it was relocated, have been filled over time by fill from various sources, including street sweepings from the City of Minneapolis. Sometime in the 1990s a portion of the site was paved for use as an outside storage lot for semi-trailers.

residential neighborhood across the street, removing the blight presented by the semi-trailers being stored on the site, and upgrading the image of the area from which is highly visible from the Brooklyn Boulevard/Osseo Rd Bridge. Further, the proposed development represents the first significant private investment in commercial buildings in the area for many years. The proposed high quality development is the highest and best use for the site and stands in stark contrast to alternative developments proposed for the site. It is believed that these benefits will lead to further redevelopment of this older industrial area which is in need of new investment, and the proposed development complements the landmark community investment in the new housing along the Humboldt Greenway.



TIF Eligibility Findings

The parcel is found to contain soil and groundwater contamination in accordance with Minnesota Statutes Section 469.174, Subdivision 19.

"Soils Condition" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that the following conditions exist:

- (1) the presence of hazardous substances, pollution, or contaminants, requires removal or remedial action for use;
- (2) the estimated cost of the proposed removal and remedial action exceeds the fair market value of the land before completion of the preparation, or
- (3) the cost of remediation exceeds \$2.00 per square foot of the parcel.

The requirements of clause (2) need not be satisfied, if each parcel of property in the district either satisfies the requirements of clause (2) or the estimated costs of

the proposed removal or remedial action exceeds \$2 per square foot for the area of the parcel.

The parcel is 10.062 acres or 438,280 square feet. Therefore to qualify, remediation costs must exceed \$876,560. The Remedial Action Plan for the property includes \$650,000 in soil remediation and installation of a vapor barrier under the building that is estimated to cost \$312,000 to \$375,000. The proposed remedial action is therefore projected to cost between \$962,000 and \$1,016,000 and therefore meets the \$2.00 per square foot requirement for a soils district.

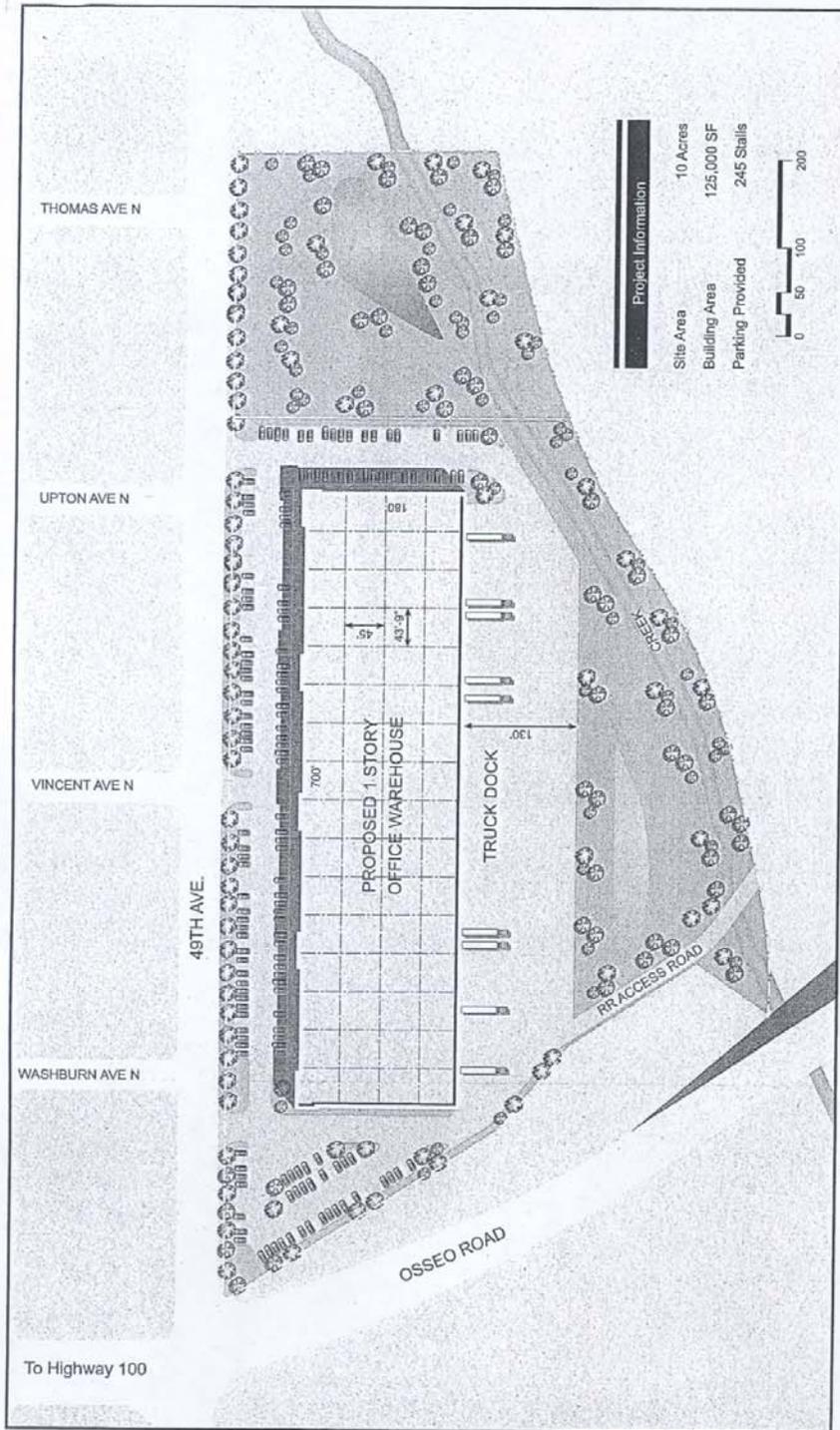
Environmental Impacts

The sources of the identified contamination include 1) pesticide-laden water that was released to and ponded on the site as a result of a fire at a neighboring facility, and 2) miscellaneous and undocumented fill deposited across much of the central portion of the site. Pesticides have been detected in groundwater at the site and in soils. Elevated concentrations of petroleum (reported as diesel range organics), polyaromatic hydrocarbons (PAHs), and metals have been detected in fill soils. Due to the variable nature of the fill soils, much of the chemical characterization of soils will be conducted during the RAP implementation. The RAP proposes to excavate the soils impacted with metals, DRO and pesticides as necessary, sample them and depending on the level of impacts, either place them under the building and pavement cap created by the new development or dispose them off-site. The RAP also proposes installation of a vapor barrier under the building. Green space areas and utility corridors will be constructed of confirmed clean soils to prevent exposure to humans and future leaching to groundwater. Residual peat and/or organic soils from the former Ryan Creek will be removed to ensure the integrity of the cap. Groundwater will be monitored to ensure that the removal of the sources improves groundwater quality. Finally, Ryan Creek will be protected from runoff from the new industrial park by using the new storm water pond. The storm water pond will be constructed with a liner to prevent further infiltration from impacted soils and to minimize the effects on the local groundwater system. A small portion of the creek on the east side of the site will be run through a pipe to prevent any impacts from the new development.

Documentation

The Minnesota Pollution Control Agency (MPCA) Voluntary Investigation and Cleanup (VIC) Program reviewed the Response Action Plan (RAP) dated April 14, 2005 to respond to identified and potential releases at the site³. Geomatrix Consultants, Inc. conducted two rounds of investigation to investigate and identify potential impacts to soil, groundwater, and soil gas from on and/or off-site sources. Results from the initial site investigation were reported to the MPCA in March 2005. The scope of work for the supplemental site investigation was reviewed and approved by the MPCA. Documentation supporting these findings is on file in the office of the City of Minneapolis Development Finance Division, Crown Roller Mill, Room 575, 105 5th Avenue South, Minneapolis, Minnesota.

³ See attached approval letters dated April 29, 2005 and October 24, 2005.



08-30-05

SITE PLAN



HUMBOLDT INDUSTRIAL PARK MINNEAPOLIS, MN

Real Estate Recycling

Developed by Real Estate Recycling



Method Proposed for Financing and Preliminary Budget

Description of Project

The site of the proposed development is a 10-acre site at the northwest corner of the Canadian Pacific Railroad's Humboldt Yards, north of a large railroad switching yard which has been in operation since at least 1938. The site is bordered by 49th Avenue North on the north, Thomas Avenue North on the east, and Osseo Road on the west and is primarily a vacant lot with a portion of the site paved for a semi-trailer parking lot and a CP Rail access road. The property has been a magnet for illegal dumping and vandalism over the years.

The site has a history of environmental impacts from numerous sources that have resulted in its current undeveloped condition. The site has been owned for over 93 years by the Canadian Pacific railroad (formerly the Soo Line Railroad). The site originally contained marshy areas that have now been filled.

Financing Overview

Total up-front project costs for the Humboldt Industrial Park TIF District are estimated at \$8,768,026. These costs include acquisition, demolition, site preparation, pollution remediation, new construction, public improvements, project administration, and other related activities. Total estimated tax increment expenditures over time are estimated at \$900,000, which include Pay-As-You-Go Note Principal, Pay-As-You-Go Interest and Administration.

Humboldt Industrial Park Tax Increment Financing Budget

<u>Sources</u>	<u>Up Front</u>	<u>Over Time</u>
Developer Funds	\$500,000	---
Tax Increment	---	\$900,000
Other	---	0
Total Sources	\$500,000	\$900,000
<u>Uses</u>		
Acquisition	\$500,000	---
Pay-As-You-Go Note Principal	---	\$500,000
Pay-As-You-Go Note Interest	---	310,000
Administration	---	90,000
Total Uses	\$500,000	\$900,000

It is anticipated that public redevelopment costs will be financed through the City's issuance to the developer of a pay-as-you-go tax increment financing note. It is not anticipated that any tax increment bonded indebtedness will be issued by the City for the Humboldt Industrial Park project.

With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

Tax increment generated within the TIF District will be one source of public funds used to pay a portion of the public redevelopment costs associated with the Humboldt Industrial Park Project. Other sources of funds available to pay project costs may include contamination cleanup funding from the State Department of Employment and Economic Development (DEED), the Metropolitan Council and Hennepin County, or other sources of revenue legally applicable to the Project and TIF District.