

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 6/6/2017
Referral: N/A
From: Community Planning & Economic Development
Lead Staff: Beth Grosen
Presented by: Beth Grosen
File Type: Action
Subcategory: Development Project

Subject:

Development Rights to Wellington Management, Inc. for the Van White and 2nd Ave N properties.

Description:

Awarding exclusive development rights to Wellington Management, Inc. or related entity, for three parcels of City-owned property located at Van White and 2nd Ave N. for a period of 12 months including 205 Girard, 210 & 214 Humboldt Ave N, 1207 (portion), 1215 & 1221 2nd Ave N and west portion of 1129 2nd Ave N.

Authorizing staff to negotiate business terms with Wellington Management, Inc. for a land sale redevelopment agreement, subject to future City Council review and approval.

Previous Actions:

- July 26, 2016 the City Council accepted a Metropolitan Council PILOT Livable Communities Demonstration Account grant of \$55,600 for environmental investigation and asbestos abatement. ([16-01055](#))
 - January 15, 2016 the City Council established the Van White and 2nd Ave N Redevelopment Area Plan. ([16-00029](#))
 - December 6, 2013 the City Council authorized CPED to coordinate a development strategy for City- owned land adjacent to Van White Memorial Boulevard.
 - December 13, 2003 the City Council accepted federal grant funds to acquire property and construct Van White Memorial Boulevard, including acquisition of the former Scrap Metal Processors property.
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Ward/Address:

Ward 5
205 Girard, 210 & 214 Humboldt Ave N, 1207 (portion), 1215 & 1221 2nd Ave N and west portion of 1129 2nd Ave N.

Background/Analysis:

The City acquired three of the parcels from Scrap Metal Processors in 2003 for the right of way for the Van White Memorial Boulevard project. The City acquired the property at 1215 2nd Ave N from a willing seller in 2016. The City demolished three blighted buildings in January 2017 in order to assemble a larger parcel.

Several technical issues make this site quite challenging to develop. A recent Phase 2 environmental report by Barr Engineering details that this site is extremely contaminated

from former industrial uses. Storm water retention and management will be difficult due to close proximity to Bassett Creek. The soils are also very poor structurally, so certain building types are not feasible and piling will be required. Two sewer lines intersect the site and at least one may need to be relocated. The shallow water table precludes any underground parking to satisfy higher density projects.

Acknowledging these challenges, the City issued a development Request for Proposals (RFP) for the property on November 16, 2016. Proposals were due on January 12, 2017. Wellington Management, Inc. submitted the sole response. Wellington's proposal initially called for the development of four commercial office/flex buildings totaling approximately 115,000 sf with a construction value of \$15 million. Since January, the plans have evolved to be two larger buildings with about the same total square footage and value. Wellington projects that the buildings could hold over 270 full-time, living-wage jobs. Wellington has reached tentative agreement to purchase Soo Line Railroad property that bisects two of the City-owned parcels. The proposed development is pragmatic given the site conditions and reflects market demand for cool "flex" space at this location near downtown. The final site plan and other details will be negotiated as part of a redevelopment agreement that will be brought to the City Council for approval in coming months.

The proposed uses range from creative open offices, light production, and maker functions. The building plan includes approximately half warehouse space, which requires light industrial zoning. The draft Bottineau LRT Station Area Plan for Van White Station (not adopted by the City Council) developed as a cooperative effort of Hennepin County and the City in 2015 calls for a revision from multi-family housing to a "mixed use" vision allowing commercial and limited light industrial, job-generating uses for this area south of Glenwood Avenue. While significant technical, policy, and engagement work was done through this planning process, the timing and budget did not allow for some critical areas to be addressed; therefore, City planning staff is revising the draft plan to include additional information. This update will synchronize the land use and zoning vision for this area at Van White and 2nd Avenue N. Planning Commission and City Council action to review and approve the Van White Station Area Plan is expected in fall of 2017. Transit oriented development is desired as both the Southwest LRT Bassett Creek Valley Station and the Bottineau LRT Van White Station are within one-half mile of this city-owned property.

Wellington proposed a purchase price of \$5.00 a sq. ft (a total of approximately \$942,000), which is near the City's appraisal but some sale proceeds may be needed to address brownfield cleanup if the project is not able to secure environmental cleanup grants to fully cover these costs.

Financial Review:

No financial impact.

A portion of sale proceeds will ultimately be routed to the Public Works transportation account since the City largely used federal transportation funds to purchase the properties. Enter SUPB goals explanation.

Attachments:

1. Map of site
2. Wellington rendering and site plan