



December 30, 2020

Erik Thorvig, EDFP  
Community Development Director - City of Blaine  
10801 Town Square Drive NE  
Blaine, MN 55449

RE: Tax Increment Financing (TIF) & City Financial Assistance Request for Blaine 35 Industrial Campus

Dear Erik:

Artis REIT has an opportunity to deliver a Class A Industrial campus on undeveloped land at the northwestern quadrant of the interchange of Interstate 35W and County Rd JW (85<sup>th</sup> Avenue NE), a major east-west arterial. The proposed development will include:

- Three (3) multi-tenant office/manufacturing/warehouse buildings:
  - Building A – 118,500 SF
  - Building B – 98,900 SF
  - Building C – 100,000 SF
- 28' – 32' interior clear heights
- Campus site improvements with comprehensive stormwater management design and cohesive, native landscaping
- Flexible parking and dock arrangements

**Development Purpose & Need:**

Artis REIT owns and internally manages approximately 3.8 million square feet of industrial properties throughout the Twin Cities metro. Occupancy is 98%. The proposed development provides the opportunity to grow the portfolio and bring local and national industrial employers to the City of Blaine. The cost of the investment is over \$35 million. Enclosed is a rendering of the proposed campus plan.

CBRE Group, Inc. (CBRE) represents Artis REIT in leasing and brokerage. Despite the pandemic and political uncertainties locally and nationally, the industrial real estate market has remained resilient. The growth and opportunity within the sector are echoed by the Minnesota Department of Economic Development (DEED) through their launch of the Good Jobs Now program. The program aims to raise awareness that many companies are hiring. They note the manufacturing sector has the greatest need, even though wages in the field are 16% higher compared to the average wage across the state. To date, CBRE is in conversations with several prospective companies interested in the development.



### **TIF & City Financial Assistance Request Details:**

The proposed development is consistent with City of Blaine zoning (PBD-Planned Business District) and is compatible with surrounding land uses of primarily light and heavy industrial. Logistically, the site has great access to Interstate 35W, specifically ingress and egress from/to the south – making it a highly desirable location for warehouse/manufacturing assembly employers above all others (i.e., office, retail, residential).

Over the years several traditional developers have considered the property, however all have selected other locations due to the inherent barriers associated with the site. Artis REIT, as a primary owner and property manager of real estate, sees potential in the property through public-private partnership and commitment to long-term success.

For the project to move forward, Artis is requesting a combination of TIF and City of Blaine financial assistance to off-set extraordinary costs of developing the site. But for the proposed financial assistance outlined within Table 1, the project is not feasible. The subsequent section provides narratives associated with each extraordinary site cost and an exhibit is enclosed as a plan visual.

TABLE 1: Extraordinary Expenses

Project Component	Marginal Cost (\$)	\$/Gross Bldg. SF
<b><u>Site Requirements</u></b>		
MN WCA Wetland Mitigation (Market Rate \$2.50/SF)	\$644,688	\$2.03/SF
DNR Rare Species Mitigation	12,800	0.04
Mass Soil Import (90,000 CY)	600,000	1.89
Required Stormwater Storage Systems	1,400,000	4.41
RCWD Flood Mgmt. Zone (80% Predev. SW Rate Control)		
RCWD Floodplain Storage		
Subsurface to Maximize Developable Area		
Pipe Public Drainage Ditch (Max. Developable Area)	443,400	1.40
Change Basins B3 & B4 to Underground System	83,000	0.26
High Water Table (Dewatering Costs)	98,500	0.31
Site Retaining Walls (Max. Wetland Preservation)	82,600	0.26
<b>Financial Assistance Request</b>	<b>\$3,365,000</b>	<b>\$10.60/SF</b>



## **Narratives - Extraordinary Site Costs:**

### **MN Wetland Conservation Act Mitigation**

There are seven wetlands on the property which were most recently delineated by Wenck Associates on April 30, 2020. The Rice Creek Watershed District issued a Notice of Decision approving the wetland delineation on July 21, 2020.

Through the Minnesota Wetland Conservation Act, a wetland replacement plan was developed to minimize impacts and avoid the highest quality wetlands while still maintaining the development program and requirements. Over 30% of the wetlands, the majority being of the highest quality, are saved with the remainder proposed to be reconstructed off-site at a 2:1 ratio. The funds requested are to offset the costs associated with wetland replacement.

### **DNR Rare Species Mitigation**

In August, shortly after the land was under contract, Artis REIT commissioned Wenck Associates to complete a rare plant survey of the property.

Lance-leaved violet, a threatened species, was identified in select locations. It is likely the species will remain on the property post development, however a compensatory mitigation payment of \$12,800 is proposed. This payment, consistent with Minnesota Statutes, is used to offset the loss of populations by contributing to the survey and detection, acquisition, conservation, and preservation of more sustainable and defensible populations of this and other protected plants associated with wetland habitat near the project. The program is administered by the MN Department of Natural Resources.

### **Mass Soil Import**

A significant effort by the design team, led by Sambatek, Inc., was made to balance the soils on the property. Through optimization of finish floor elevations and overall site drainage, an additional 90,000 cubic yards of fill material is still required. Constraints include connecting to existing sanitary and storm sewer inverts, floodplain elevations and adequate coverage over underground stormwater retention systems and utility services.

### **Required Stormwater Storage Systems**

The stormwater requirements for the property are extensive. The site is located within the Flood Management Zone of the Rice Creek Watershed District (RCWD). This means, per RCWD Rules, stormwater runoff from the property needs to be 80% of pre-development levels. The site is currently undeveloped, which presents a tall task. Also, a regional stormwater ditch crosses the northeastern portion of the property. The stormwater storage capacity of this ditch needs to be maintained post development.



Sambatek, through considerable effort, designed a comprehensive stormwater management system to meet the storage requirements. To maximize the developable area of the property many of the detention systems need to be subsurface. The financial assistance requested is to offset the incremental cost associated with the extraordinary stormwater requirements along with the cost premium for subsurface systems.

#### Pipe Public Drainage Ditch

To optimize site circulation and the development area of the property, a portion of the existing RCWD regional ditch will be converted and conveyed through a series of 48" diameter culverts. Costs include construction along with installation and stabilization of a temporary diversion swale to complete the improvement.

#### Change Basins B3 & B4 to Underground System

Surface infiltration bioswales consisting of engineered soils and wetland plugs are proposed within the enlarged, existing right-of-way at the northeastern portion of the property. When feasible, surface infiltration is best practice as it also provides the opportunity for evapotranspiration and biodiversity. Artis REIT is working with City staff to modify the extents of the right-of-way to accommodate these swales. If the modification is determined to not be feasible a more expensive subsurface system will need to be installed in lieu of the proposed.

#### High Water Table (Dewatering Costs)

Due to the presence of a high-water table, dewatering practices will be required to efficiently construct select utilities.

#### Site Retaining Walls

Site retaining walls are proposed in select locations to optimize the development and site circulation while maximizing the preservation of existing wetland area.

#### **Development Schedule & Payback:**

Construction is scheduled to start in early Q2, 2021 with a completion date of Q4, 2021. All three buildings are proposed to be built – minimizing disruption to the campus and surrounding areas, optimizing construction efficiencies, and maximizing tax base. Under this schedule, the first tenants will take occupancy in early 2022, and the City will begin collecting property taxes in 2023. The development is projected to add approximately \$22 million of taxable value, increasing annual net revenue by \$260,000. This justifies \$2.66 million of potential TIF assistance to the project borrowed at 5.0% interest over a 9-year payback period. Financial assistance from the City to cover the balance of the extraordinary costs is requested and acceptable in the form of reduced wetland credits and/or other incentives.



**Conclusion:**

The primary use of TIF and some financial assistance from the City is an appropriate use of financial tools and funds. It will enable a highly desirable site to be developed into a Class A Industrial campus, which will attract quality local and national industrial employers. Artis looks forward to continuing to work with the City to bring this project to fruition.

Sincerely,

A handwritten signature in black ink that reads "Alex Rexrode".

Alex Rexrode, Director of Construction – US Region, Artis REIT

Attachments:

Proposed Campus Site Plan  
Exhibit - Extraordinary Site Requirements Plan