

NORTHERN STACKS

Roundtable Webinar A Developer's Perspective of Superfund Site Redevelopment

April 21, 2020





Paul Hyde

HYDE DEVELOPMENT

Hyde Development is a family-owned commercial real estate developer and investor based in Minneapolis, MN. Paul and Mac Hyde co-founded Hyde Development in 2012 with a focus on urban redevelopment and brownfield sites. Since then, the company has completed over 3 million square feet of industrial and office development in Minnesota, Colorado and North Dakota.

Our Team



Brownfield Redevelopment: a Family Affair



Paul Hyde and father, Mac Hyde

Northern Stacks, Before...



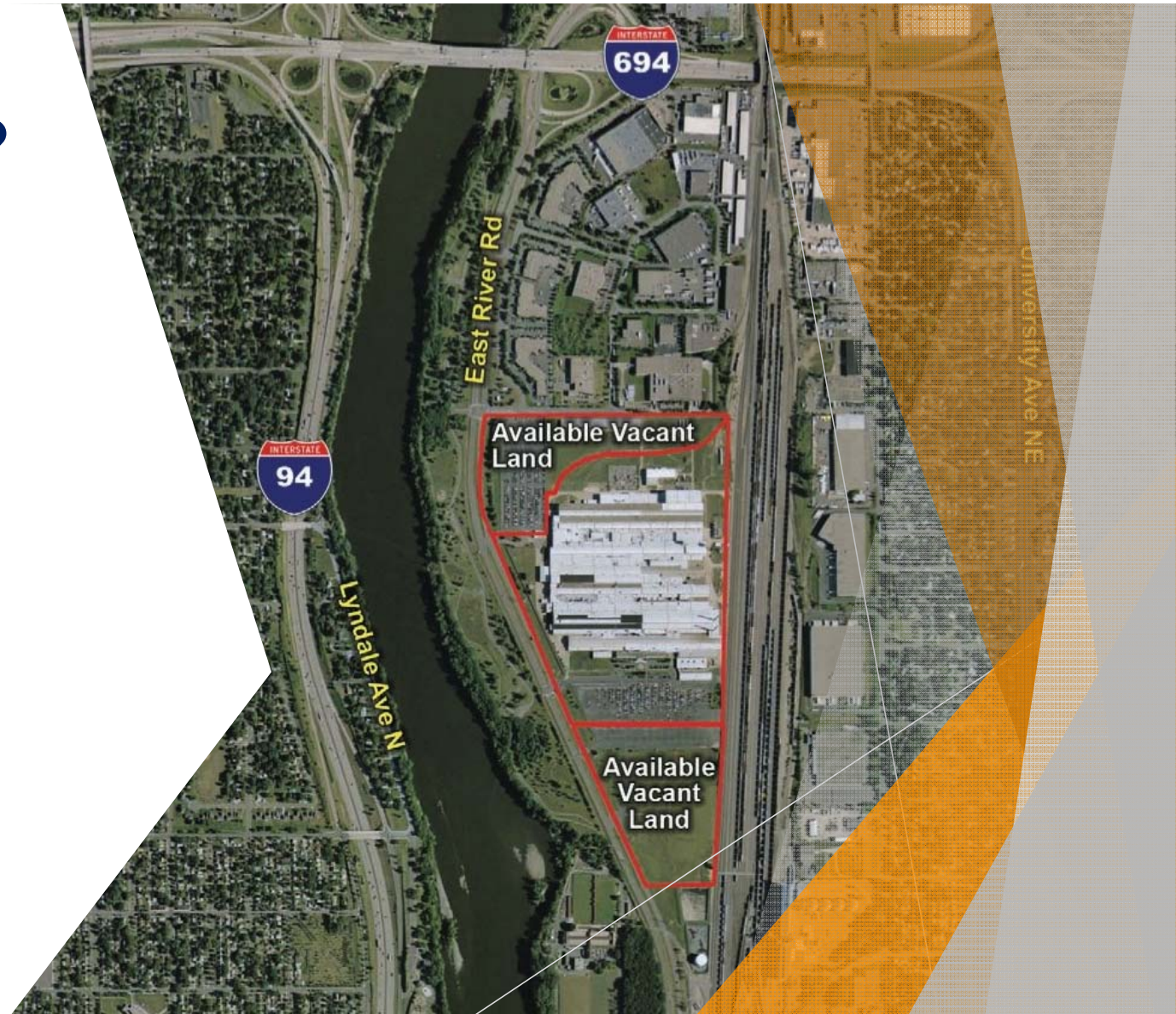
- ▶ 122 Acres
- ▶ Existing 2 million SF building
- ▶ State and Federal Superfund site
- ▶ 5 different tenants

A Rich History



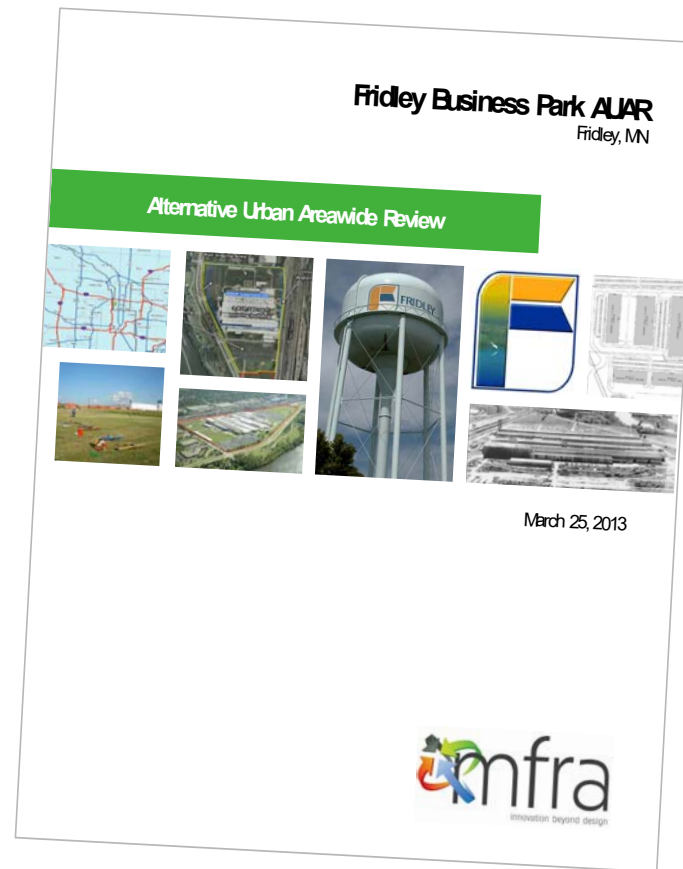
Why This Site?

1. Largest brownfield site within the 494/694 loop
2. Complex environmental situation
3. Strong partnership with Fridley HRA, City Council, and Staff



Land Use

- ▶ AUAR vs EIS
 - ▶ City attorney requirement
 - ▶ Time and cost implications
 - ▶ AUAR was the solution
- ▶ Comprehensive Plan Amendment
 - ▶ Necessary in order to rezone site
- ▶ Rezoning
 - ▶ Existing: M-2 Heavy Industrial
 - ▶ New: S-2 (PUD)



Environmental Issues

- ▶ Listed as NPL (EPA National Priorities List) and PLP
- ▶ Enforcement Framework and History
- ▶ Needed VIC assurance, oversight, and speed



Environmental Issues *continued*

- ▶ Site was de-listed in 2015
- ▶ Remaining issues: Navy plating shop, BAE paint shop
- ▶ Groundwater extraction system



Financing

Private Financing

- ▶ Equity for acquisition
- ▶ Debt for construction
- ▶ Construction
- ▶ Permanent

Public Financing

- Grants for Cleanup (DEED and Met C)
- TIF + DEED Grants for Infrastructure
- Needed "start-up" funds for investigations





Financing: Acquisition & Construction Loans

- ▶ Rent from existing building used to pay down land acquisition loan.
- ▶ Construction Loans Used to fund Building + Soft Costs
- ▶ Speculative Construction meant significant leasing required to start additional buildings
- ▶ 75% LTV, DSCR to Size the Loan

Financing: Public

- ▶ Site would require \$12M in pollution cleanup plus \$20M in infrastructure costs
- ▶ Not enough grant funding for entire project
- ▶ Needed “start-up” funds for investigations



Financing: Grants & TIF

- ▶ City HSS Grants for up front environmental costs
- ▶ DEED and Met C grants for pollution cleanup (phased approach)
- ▶ DEED infrastructure grant + redevelopment grants + Pay Go TIF



Overall Project Budget

Uses

Land	\$	14,015,376
Buildings	\$	97,280,001
Cap	\$	4,817,999
Infrastructure	\$	16,630,000
Dev Costs	\$	16,183,849
Env't'l	\$	14,753,000
Demo	\$	1,564,000
Relo	\$	436,000
Total:	\$	165,680,225

Sources

Grants	\$	8,738,000	5%
HRA Grants	\$	4,500,000	3%
TIF	\$	22,032,000	13%
Land - Dev Equity	\$	14,015,376	8%
C Loan - Dev	\$	114,564,924	69%
Add'l Dev. Equity	\$	1,829,925	<u>1%</u>
Total:	\$	165,680,225	100%

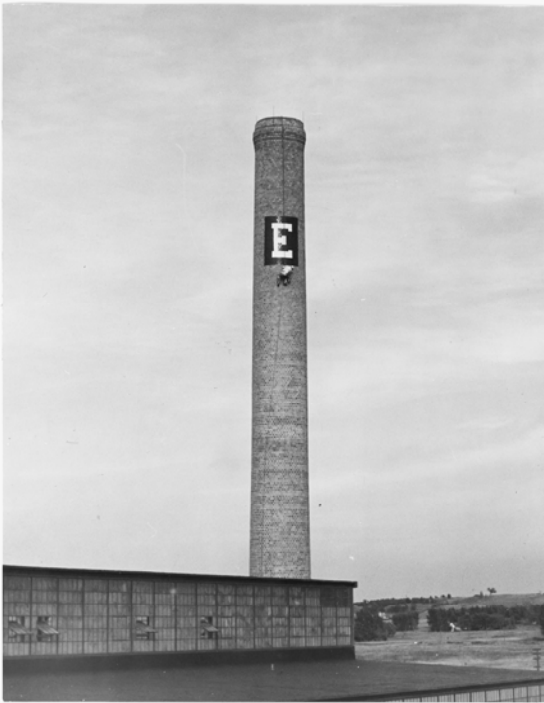
Existing BAE Lease & Consolidation

- ▶ Existing lease with renewal option
 - ▶ Massive BAE building and parking areas could have stopped entire redevelopment project
 - ▶ Purchase was closed before this issue was resolved
- ▶ Negotiations resulted in BAE Technology Center
- ▶ Private Investment total: \$26 Million
- ▶ Retained 600+ Engineering jobs



BAE SYSTEMS

New Leases



- ▶ Negative perceptions of superfund site
- ▶ Had to create an appealing “identity” for the site
- ▶ Northern Stacks I was built spec
 - ▶ Proved that developer was committed
- ▶ Demo of unattractive BAE building while simultaneously leasing to new tenants

New Leases

- ▶ Innovative, Bold & Modern Design
- ▶ Flexible building Design
 - ▶ Glass and parking to accommodate higher finish
 - ▶ Trailer parking and outside storage
 - ▶ 28-32' clear heights
 - ▶ Super flat floors
 - ▶ Column spacing
- ▶ Proximity to vibrant NE Minneapolis
- ▶ Build on leasing momentum

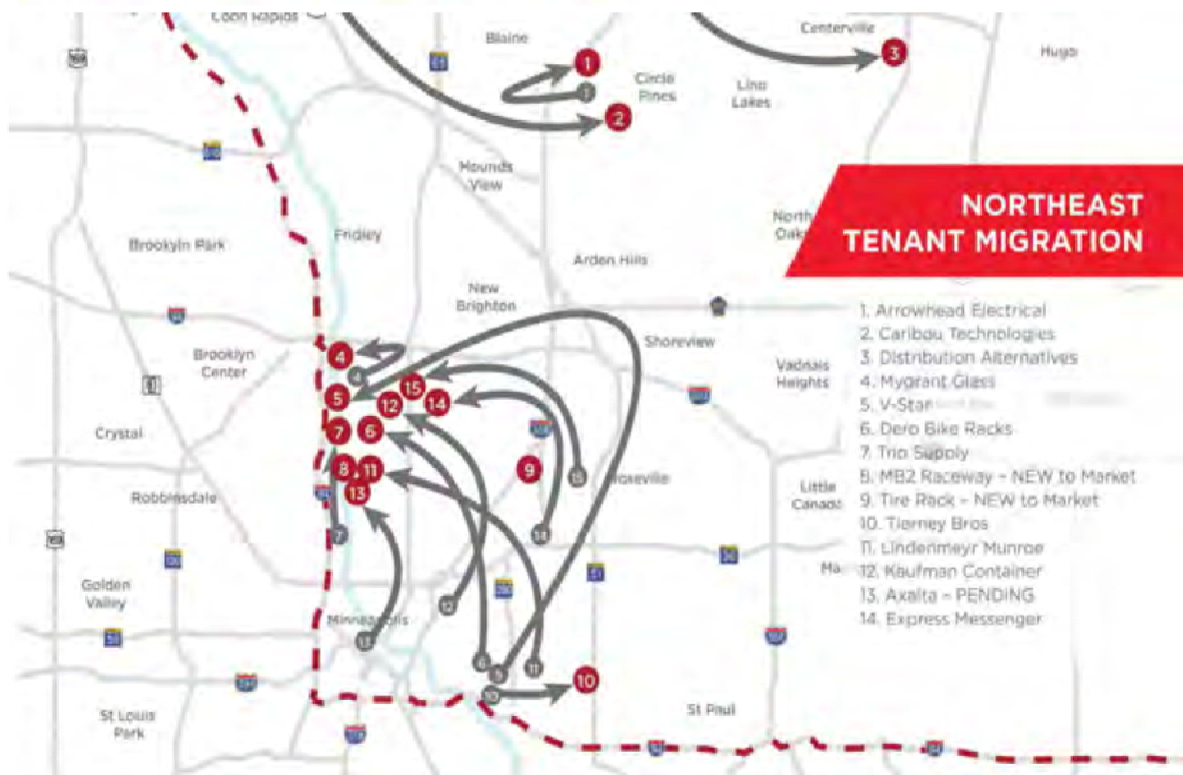


New Leases

- ▶ 10 total buildings
- ▶ BAE Technology Center, 561,000 SF, Re-use and consolidation of existing building
- ▶ 7 New Industrial Buildings, 1.1 Million SF
 - ▶ 2 Bulk Distribution
 - ▶ 3 Office Warehouse, low finish
 - ▶ 2 Office Warehouse, high finish
- ▶ Northern Stacks VIII, 178,000 SF, renovated 1980s Office Warehouse
- ▶ Boiler Room, 12,000 SF, brewery and event space, Creative re-use of existing building



MIGRATION





Northern Stacks Today



MASTER PLAN
FRIDLEY, MN
July 8, 2015

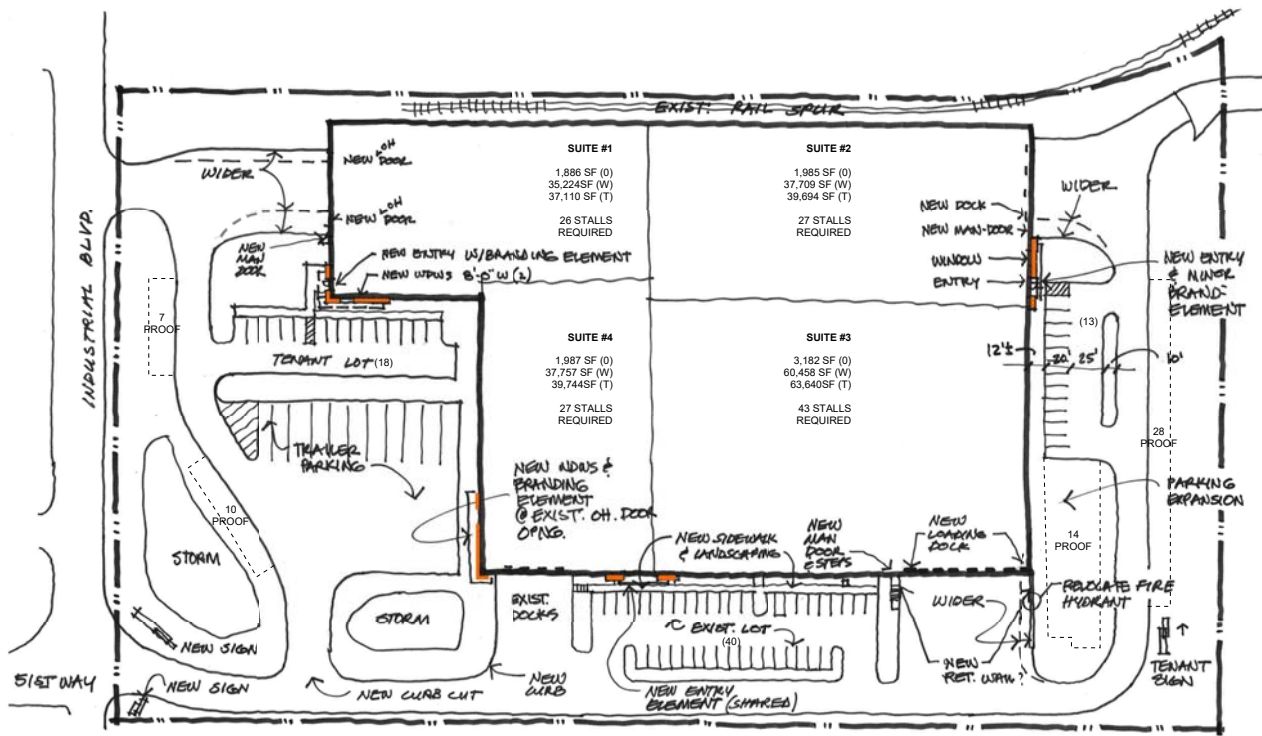


NORTHERN STACKS





Northern Stacks VIII



178,000 sf OW

Private Investment:
 \$12.6 Million

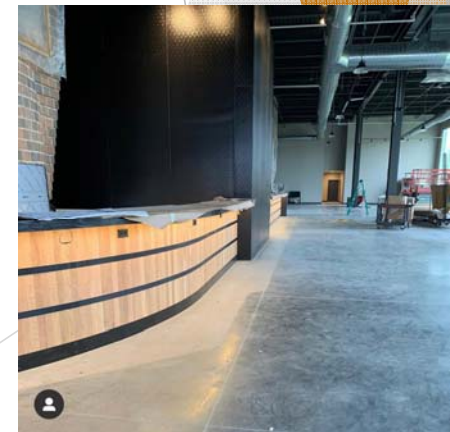
Cleanup and
 Infrastructure: \$1.7
 Million

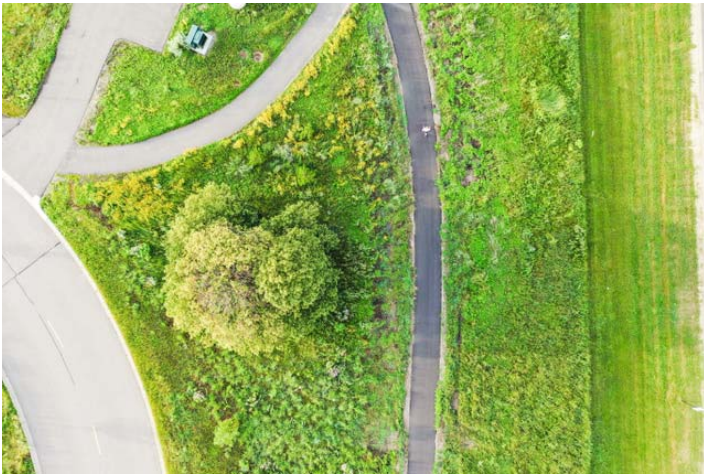


Boiler Room

*Forgotten Star Brewery now
open!*

Forgotten Star Brewing





Park Amenities

Jobs & Tax Base

- ▶ To date, 1,871,000 SF of building completed or under construction at the site
- ▶ Over 1,400 jobs to date
- ▶ Over \$100 million in new Tax Base created



Recognition

- ▶ 4 NAIOP Awards of Excellence
- ▶ 3 ReScape Awards
- ▶ Cover of National NAIOP Development Magazine
- ▶ 2015 Finance & Commerce Top Project
- ▶ Best in Real Estate Award



Former National Lead Site



	Before	After
Jobs	0	350
Tax Base	\$3,000,000	\$13,500,000

Former Joslyn Wood Treating Site



	Before	After
Jobs	0	750
Tax Base	\$1,500,000	\$40,000,000



Former Howe
Fertilizer Site

Brooklyn Center,
MN

	Before	After
Jobs	0	60
Tax Base	\$0	\$5,500,000

Lessons Learned...

1. We are trading environmental risk for higher quality, less risky real estate.

2. The small sites are just as hard as the big ones!

3. Selecting a committed, creative, and persistent team focused on the same goal is crucial. (And, just as importantly, a team who can have fun during the process!)