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Big Plans for \$1 Brooklyn Center Site

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Paul Hyde, a partner with Real Estate Recycling, on the site of the former Howe Fertilizer in Brooklyn Center, where his company is proposing a new industrial development. (File photo: Bill Klotz)

Company plans to build warehouse after land cleanup

Minneapolis-based Real Estate Recycling is looking to recycle more local real estate.

The company has designs on a polluted five-acre site in Brooklyn Center, historically known as the home of Howe Fertilizer. Real Estate Recycling envisions a new 60,000-square-foot office warehouse building on the site, which is sitting idle.

Paul Hyde, a partner with Real Estate Recycling, said his business is seeing some encouraging signs in the local industrial market.

"In the northwest submarket, where we are, there's been a lot of leasing done over the last four months that's taken some of the bigger vacancies and filled them," Hyde said. "That's really encouraging."

At the end of 2010, Bloomington-based NorthMarq reported an overall industrial vacancy rate of 17.2 percent in the Twin Cities area. NorthMarq reported that the northwest industrial market, including Brooklyn Center, had a vacancy rate of 16.1 percent. Although that rate is still high, the northwest area reports the lowest industrial vacancy rate across the metro area.

The project has been a lesson in patience: Hyde said Real Estate Recycling has been working on the deal for three years.

"The stuff that we do is a little more difficult, but we think it pays off in the end," Hyde said.

A Real Estate Recycling entity paid just \$1 for the site.

"The rationale there was that the environmental cost was a lot more than the property value," Hyde said.

MBC II LLC paid \$1 for the site in March 2010. The seller was Crop Production Services, based in Greeley, Colo., according to property records.

Hyde said the company is in talks with two prospective tenants, either of whom will take more than half of the space in the project. A leasing commitment will be needed to secure project financing and start construction.

"That's what we'd need to kick the building off," Hyde said.

If everything falls into place, Hyde said that the new building could be completed as soon as the fourth quarter. The team of Peter Mork, Steve Nilsson and Jason Simek of Minnetonka-based NAI Welsh has the leasing assignment for the project.

Hyde estimates building costs at \$4 million to \$4.5 million and cleanup costs at about \$2 million.

The project recently landed a \$50,000 grant from the Metropolitan Council as part of the regional government agency's Livable Communities program. The money will help pay for environmental sampling and analysis on the site.

Last year, the project was awarded a \$50,000 grant from the Minnesota Department of Employment and Economic Development (DEED). The July 2010 grant was from DEED's Contamination Cleanup Grant Program.

Real Estate Recycling is seeking other grants and tax increment financing (TIF) from the city to help pay for site costs, Hyde said.

The site has a long and complicated history.

Tom Bublitz, Economic Development Authority/Housing Redevelopment Authority specialist with the city of Brooklyn Center, said that manufacturing of agricultural chemicals started on the site in the 1940s. A major fire occurred there in January 1979.

"No one really knew what kind of chemicals were in those buildings," Bublitz said, noting that environmental cleanup standards were less stringent three decades ago.

Bublitz said there has been no active business on the site, which still has three buildings, since 2001.

"Everybody is aware that there were contamination issues on this site," Bublitz said. "We're taking hopefully the final step in cleaning that site up."

Even though the site sits in Brooklyn Center, the project will be called the Minneapolis Business Center II, echoing a nearby project developed by Real Estate Recycling.

"There's a small part of the property that's actually in Minneapolis," Hyde said.

Real Estate Recycling previously developed the Minneapolis Business Center, which is across the street from the Howe Fertilizer site, within the city limits of Minneapolis. That 130,000-square-foot project was completed in 2008 and is fully leased to four tenants, Hyde said.

The Brooklyn Center site is typical of the projects that Real Estate Recycling likes to tackle: contaminated, but in a solid location close to existing jobs and infrastructure.

"There's no new land for Brooklyn Center to expand; they have to reuse the land that they have," Hyde said.

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