Redevelopment is vital to Minnesota’s economy

As communities throughout Minnesota age and face changing needs, redevelopment is an important economic development strategy. Our communities need to reposition older, often blighted properties to meet the needs of businesses, workers, and residents. Reuse of older sites – many of which may contain dilapidated or obsolete structures – spurs private investment, enabling job creation, tax base revitalization, and economic competitiveness. Redevelopment helps surrounding properties by attracting new businesses, often leading to additional economic development and tax base expansion.

Investments in redevelopment have a high return on investment, making our communities and state more economically competitive and resilient.

MANKATO – SOUTH FRONT STREET REDEVELOPMENT

- Project transformed a highly-visible but blighted and underutilized section of downtown
- Over $40 million invested
- More than 150 jobs created/retained; $273,000 annual tax base increase
- Project contributes to Mankato’s fast growing economy
The Redevelopment Grant Program incentivizes private investment

Repurposing urban sites for new businesses, housing or other uses is expensive and time-consuming. Fortunately, Minnesota has a unique tool to incentivize private capital to invest in these sites. The Minnesota Department of Employment and Economic Development (DEED)’s Redevelopment Grant Program (RGP) removes extra development costs associated with previously-developed sites by funding building demolition and infrastructure and other site prep costs. Established in 1998, the RGP is legislatively mandated to split funds 50-50 between the Minneapolis-St. Paul metro area and Greater Minnesota.

A Demolition Loan Program was added to the RGP in 2012 to specifically fund building demolition. The RGP has been an incredibly efficient leveraging tool: over the life of the program, each $1 granted stimulates $32 in private investment. RGP funds enable cities throughout the state to revitalize older properties for new businesses and business expansions, and even housing. From Main Street revitalization in Greater Minnesota to complicated urban sites in our larger cities, Redevelopment Grants and Demolition Loans have assisted cities. While the RGP’s economic benefits are clear, it also improves equity and job access among disadvantaged communities, and improves environmental conditions on affected sites.

CASE STUDY

FRIDLEY - NORTHERN STACKS I

- Once the highest scored Superfund site in the US, the long-vacant Northern Stacks I lies on part of the 13.5 acre property that was the Naval Industrial Reserve Ordnance Plant
- Northern Stacks I, the first phase in a comprehensive redevelopment of the site, will result in 200 new jobs and $400,000 annual property tax revenue coming to Fridley
Make redevelopment funding adequate and reliable

Minnesota’s redevelopment needs are growing, but the RGP meets only a fraction of the need. In 2016, $2M was appropriated to the RGP, barely enough for two grant rounds. The RGP is expected to run out of funds again by Spring, 2017. For portions of 2015 and 2016, no funds were available. When cities, developers and businesses cannot rely on consistent availability of funds to offset part of the extraordinary costs of redevelopment, redevelopment projects become less viable.

**DEED Redevelopment Grant Funding vs. Demand**

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**LOST ECONOMIC DEVELOPMENT OPPORTUNITIES:**
- 2248 estimated new jobs LOST
- 3272 estimated jobs LOST
- $18.8M increase to local tax bases LOST
- $490M private investment LOST

“Developing brownfields requires funding from many sources. The Redevelopment Grant program can be the final funding piece in the puzzle to help my projects move forward.”

- Paul Hyde, Developer (Northern Stacks project)

**CASE STUDY**

**HENDRICKS – BANK BREWING CO.**
- Dilapidated creamery stood vacant for over 30 years on Main Street
- Funding enabled building renovation into the new microbrewery for Bank Brewing Co.
- Eighteen craft beers sold throughout MN and SD, including “Rooster Lager” and “Walleye Chop”
- Business owner uses beer revenue for land acquisition for pheasant hunting ~ Beer for Wildlife
To meet demand, we recommend substantially boosting the level of RGP funding AND building it into DEED’s base department budget. Such actions will ensure adequate and reliable funding to meet the future needs of communities throughout Minnesota.

**CASE STUDIES**

**DULUTH - PIER B RESORT**
- 7.4 acre blighted waterfront parcel that had been awaiting redevelopment for over 20 years
- Crumbling seawalls, buried railway lines, crumbling foundations, and the presence of arsenic and asbestos made redevelopment uncertain
- Duluth’s largest private waterfront development in 50 years revitalized the property into the all-encompassing Pier B resort.
- Contributes 85 jobs and over $400,000 to the tax base while allowing public access to the waterfront, increasing attractiveness for further development

**OAKDALE – TARTAN CROSSING**
- 180,000 square foot blighted retail mall on 18 acres
- 77% vacant, low property value, minimal low-paying jobs and an eyesore
- Redeveloped included 93,000 sq. ft. Hy-Vee grocery store, 3,500 sq. ft. convenience store, as well as a 3,200 sq. ft. fast casual food
- New jobs: 768,140 full time, 628 part-time
- New value (tax base $22 million)

**BROADWAY FLATS**
- Revitalized an area of North Minneapolis that was struck by a tornado in 2011
- Mixed-use development with 103 units of workforce housing over 20,000 square feet of retail
- Increased the local tax base of the property by $141,500 and increased the property value to nearly $10 million

For more information: Minnesota Brownfields / www.mnbrownfields.org / 651.307.4371 / Martha Faust, Executive Director