



January 2, 2014

Ms. Cecile Bedor, Director
Department of Planning and Economic Development
City of St. Paul
25 West 4th Street
Saint Paul, MN 55102

RE: Saint Paul Port Authority Comments on Draft West Side Flats Development Strategy

Dear Cecile:

Thanks very much to you and your staff for sharing with us your proposed street grid system in the Draft Strategy elements at our joint meeting on December 6th. It was our understanding that we were the first group to talk this over with you and your team, but based on your website it looks like this has been in the public domain since October. To our recollection, there were no specific discussions at the Task Force meetings regarding a new street grid for the industrial areas of the plan, or its impact on existing industrial buildings, businesses, jobs, and tax base. The Port Authority has significant concerns about this component and the negative impact these streets will have on the commercial-industrial marketplace, the retention of existing businesses, future development and City tax base growth, and public infrastructure expenditures.

The study area is part of the Port Authority's two oldest Business Centers --- Riverview and Riverview West --- which together provide a key part of the industrial base in Saint Paul; there are over 44 businesses and over 2,480 jobs here (and in the overall Riverview and Riverview West Industrial Districts, there are over total 224 businesses and over 7,080 jobs). These businesses are key assets in maintaining and growing the City's tax base and providing quality jobs.

Excessive Infrastructure:

While we understand the value of street grids in a residential setting, we do not see the same value of street grids in the West Side Flats proposal for industrial areas. There are more streets than necessary in this proposal, in our opinion. This will cause significant up-front capital expenditures for streets, sewers, water, electrical, etc., and these systems will need financing to be maintained over time. Funds needed to be extracted for these costs will come from fewer taxpaying properties.

- The proposal would create uniform blocks of approximately 5.7 acres. In the Port Authority's entire industrial inventory, there are no 5.7 acre lots - some are larger, some are smaller. Industrial spaces are generally larger and, at sale, we are often able to modify lot lines to provide just the right amount of land for each user. The proposed grid system will reduce that flexibility.
- We believe the grid system will create spaces that are too small for many users and too large for others. We foresee this plan resulting in small, useless remnant parcels.
- For the rare user who will fit nicely on 5.7 acres, the parcel will be completely surrounded by infrastructure that must be supported through right-of-way maintenance assessments. Most properties in the City have infrastructure on one or two sides. These properties will have infrastructure on 4 sides to support. For industrial property there is cost associated with this infrastructure, but not value.
- Values will depress the in the marketplace, as excessive right-of-way costs are added to business expenses.

- For many businesses (i.e. food processing, data centers) security is important. Those businesses will not be interested in these sites.
- This will cause a major impediment to future sales of industrial property.

Market Value:

Real estate brokers will not recommend buildings be purchased or monies be invested in an area clearly designated to be redesigned in the future. They will use the "principle of substitution" and will steer prospective buyers to areas that provide more future clarity and certainty. In truth, the market will avoid this area into the foreseeable future. Job and tax base growth will stall, and indeed decrease, with this strategy in place.

A. Current Owners:

- Property owners will feel the stigma of having non-conforming uses, which places uncertainty and risk on property owners. Uncertainty will discourage property owners from making necessary improvements or expanding their buildings.
- The reluctance of current owners to act will result in deterioration and blight of existing valuable assets.
- Lenders will likely be reluctant to finance buildings that businesses intend to improve or replace, due to the uncertainty of a long-term holding period.
- Land values will be reduced, given the need for property owners to disclose these new restrictions to prospective buyers and given the abundance of available industrial property in the Metro Area.

B. Prospective Buyers:

- If approved, this plan will affect buyers in the current to near-term marketplace. Site plan approval, variances, conditional use permits could all be limited by the broad scope of this plan's approach to carving up now private land and buildings for public right-of-way.
- This proposal implies the threat of eminent domain and potential litigation; the current Draft cites public acquisition of privately-owned land for Rights-of-Way and public open spaces - a clear public purpose function of government.
- This proposal will very likely drive up uncertainty in businesses, developers, lenders, and tenants for investing in this part of the West Side Flats.
- Brokers will hesitate to recommend a site that has uncertainties involved, as well as the potential for future litigation.

Business Growth Challenges:

There are significant business growth challenges with this proposed strategy, including conformance with existing City policies and implementation strategies (West Side Community Plan and Saint Paul Comprehensive Plan) regarding: Balancing industrial land uses with other uses; Encouragement of job and economic growth; and Encouragement of business expansion on the West Side; and Connecting West Side Residents with West Side jobs. We are concerned that this proposed strategy is not consistent with established City economic development policies. Additionally, proposed development restrictions, mismatch between existing industrial sites and the proposed strategy, increased financial burdens on businesses, and likely nonconformance with Metropolitan Council growth guidelines, concern us.

- If the strategy moves forward as currently proposed, the West Side Flats area will be ruled out for any purchaser needing a site larger than 5.7 acres, regardless of the area's attraction for that owner.
- From a city planning and growth perspective, if the City adopts this draft plan, West Side Flats will not help Saint Paul achieve the growth projections in Metropolitan Council's 2040 plan. Growth in this planning area will not happen until the current existing uses end, new property boundaries are created, new infrastructure is installed, lots are sold, and business development is completed.
- Simply put, we do not believe that this plan can be incrementally implemented. If the proposed street grid strategy is implemented, the entire area will likely be vacated --- over a protracted period of time --- as the City purchases and banks properties.

Summary:

We appreciate the City's desire to encourage development and to ensure that its neighborhoods continue to be vibrant and thriving -- for both business and residents. It is important to revitalize the West Side in a market-driven, industry-friendly way that retains current operating businesses and does not slow down business expansion and job growth in the interim. As the City's industrial development agency, we are grateful to participate in the planned revitalization of this area. Please accept these comments in that spirit of ensuring that an orderly redevelopment maximizes job and tax-based potential on the West Side. We look forward to meeting with you to discuss these concerns---and potential alternate scenarios--- further.

Sincerely,

A handwritten signature in black ink, appearing to read "Louis F. Jambois", with a long horizontal flourish extending to the right.

Louis F. Jambois
President