



Grand Rapids Economic Development Authority Land Pricing Policy

1) **Purpose**

The purpose of this policy is to provide a set of general directions for all land leased or sold by the Grand Rapids Economic Development Authority (GREDA), a power provided to GREDA under Minnesota Statute §§469.101, Subd. 2, and enabling resolutions adopted by the City of Grand Rapids. GREDA withholds the right to deviate from this policy if it is determined that unique circumstances warrant the deviation, provided that GREDA enumerate their reasons for their deviation within the public record.

2) **Principals**

GREDA land is a public asset and as such, GREDA has a responsibility to ensure it is managed to maximize and sustain the flow of economic, social and environmental benefits to the citizens of Grand Rapids, now and in the future. In setting prices for the use or sale of their land, it is GREDA's goal to ensure public benefit, while avoiding any distortion of comparable private land markets. The GREDA will adhere to the following principals when implementing this Policy:

- a) Lot pricing should provide the greatest return on investment to GREDA and the City of Grand Rapids, as is possible, while still remaining competitive with other similarly situated local and regional land offerings.
- b) Lot pricing should recognize the scale of benefit provided by a project that is being proposed for development on GREDA lands.
- c) Lot pricing should consider site specific factors.

3) **Definitions**

- a) **Buildable Area** — means that portion of a tract lying outside of the minimum yard areas (setbacks) required for surface parking, principal and accessory structures, under Chapter 30, Article VI (Zoning) of the Grand Rapids Municipal Code.
- b) **Extreme Topography** — generally means topography that would require in excess of 2 cu. ft. of excavation per 1 s. f. of total parcel area in order to establish average grades of 2% or less within the buildable area of a parcel.
- c) **Minimum Parcel Size** — means the minimum lot size area for a lot as prescribed by Section 30-412, Tables: 2A and 17C-1 of the Grand Rapids Municipal Code.
- d) **Pending Special Assessments** - means the estimated special assessments calculated for a parcel pertaining to a project that has been ordered by the City Council, but prior to the levying of the assessment.
- e) **Short Term Land Lease** — means a land lease for a temporary use of GREDA lands for a typical duration of three years or less.

4) **Base Pricing - Industrial Land Sales**

As is the case with many rural communities, the sale of vacant industrial land in Grand Rapids is influenced by a very competitive regional and national environment for attracting this class of new business investment.

In determining a fair return for sale of GREDA industrial land, this competitive environment requires that GREDA focus on the long term public benefits of new business investment, rather than requiring full recovery of GREDA land development costs, much less a positive ROI at the time of sale. Understandably, this market environment for industrial land sales does not typically put GREDA in a position of competing with a comparable private land market.

- a) **Establishment of Base Pricing:** The lack of private land sale comparables, or sales not influenced by incentives, renders a market appraisal approach to determining fair market value unfeasible.

In establishing a base asking price, the GREDA will periodically perform a comparison of their pricing to land offerings in other regional communities. GREDA's use of this comparison, in establishing their base pricing, will take into consideration the apparent strengths and weaknesses of the comparison communities as well as their success or lack thereof in attracting this class of business. Through this process, GREDA's establishment of base pricing will also take into consideration the public investment made in

developing and offering fully improved industrial parcels. It is GREDA's intent to remain competitive with their pricing while recouping the greatest amount of development cost.

- b) Current Base Price: As of November 18, 2021, GREDA's price for vacant land located in industrial zoning districts, complete with existing and pending infrastructure improvements, is hereby established at a rate of \$25,000 per acre. This price assumes GREDA payment of all levied and pending special assessments.

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5) Base Pricing - Commercial Land Sales

The sale of undeveloped commercially zoned property regularly occurs in Grand Rapids through the regular forces of the free market. In determining a fair return for the sale of GREDA's limited inventory of commercial land, it is GREDA's intent to base its pricing on current market conditions, and to not disrupt, distort or compete with those free market forces.

- a) Establishment of Base Pricing: GREDA will utilize private land sale comparables to determine fair market value for its commercial tracts.

GREDA will periodically utilize the services of a commercial real estate appraiser to estimate the market value of each commercial tract. GREDA will review the opinion provided by the commercial appraiser, and establish the Current Base Price for each tract upon their review of that opinion.

- i) Current Base Price: As of November 18, 2021, GREDA's pricing for their commercially zoned offerings are as follows:

<u>Abbreviated Tract Description</u>	<u>Approx. Size</u>	<u>Unit Price</u>	<u>Current Base Price</u>
Portions of Block 20 and 21, Town of Grand Rapids.	62,890 sq. ft.	\$4.25/sq. ft.	\$267,282.00
Block 5 Wilson & Gillespie Addition	79,569 sq. ft.	\$3.25/sq. ft.	\$258,600.00
Block 18 (VFW/Rose) Town of Grand Rapids	6,882 sq. ft.		<u>\$149,500</u>
Lots 20-24, Block 23 Third Division	24,750 sq. ft.		<u>\$50,000</u>

These prices do not necessarily assume GREDA payment of any levied or pending special assessments.

- b) Contingencies: The sale of commercial properties in Blocks 20, 21 and 18 will be subject to compliance with architectural standards established within the *Grand Rapids Downtown Redevelopment Design Standards, Blocks 18, 19, 20 & 21* dated March 7, 2003.

6) Land Sale Price Adjustments:

GREDA may adjust the Current Base Prices established herein, under the following circumstances:

- a) Site Specific Factors: The following factors may be used where applicable to adjust the pricing for specific parcels:

- i) Parcel Size: With the exception of commercial lands, those tracts that are greater than 4 times the minimum parcel size are eligible for up to a 10% price reduction.
- ii) Extraordinary Site Conditions: Those tracts that, due to extreme topography, poor soil conditions, environmental remediation needs, utility relocation needs or other like conditions would entail inordinate site development expenditure are eligible for a price reduction. The applicable price reduction shall be based upon a verifiable estimate of the additional construction cost that would be born by the developer in order to mitigate the extraordinary site condition(s)

If a wetland is located within the buildable area of a parcel, the applicable price reduction will be based on 100% of the Current Base price applied to the area of the wetland located within the buildable area, or the estimated cost of filling and mitigating the wetland, whichever is less. If, prior to the sale of a tract, GREDA elects to mitigate wetland loss through the purchase of wetland banking credits, that cost, born by GREDA, will figure as a reduction to any price adjustment.

- iii) Positive Price Adjustments: If the GREDA incurs additional costs in rendering a tract marketable (i.e.: utility service extensions, driveway construction, etc.), the GREDA may determine that reimbursement of some or all of those costs should be added to the Current Base Price.

- b) **Added Project Benefit:** As additional incentive for projects that provide increased economic benefit to the City of Grand Rapids, the GREDA may adjust the Current Base Price established herein. A price reduction for “Added Project Benefit” will be guided by staff’s completion of the Added Project Benefit Measurement Worksheet (Exhibit A). The score established by this evaluation will be applied to the table found in Section 6)b)(1) below, in order to determine the amount of the total potential price reduction.

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Range of Score	0-10	11-15	16-20	21-25	26-30	31-35	36-40
Reduction in Current Base Price (%)	0	0	15	30	50	75	100

- c) **Application of Price Adjustments:** The GREDA reserves the right to consider other aspects of a project, not listed herein, in making or withholding adjustments to the Current Base Price for a particular project and its associated tract of land.

- i) **Business Subsidies:** Prior to approval of any purchase agreement involving a reduction in the Current Base Price of a tract of land, the GREDA will determine, through it’s counsel, if the reduction will or will not constitute a business subsidy under §§116J.993 through §§116J.995, the Business Subsidy statute. If the reduction does constitute a business subsidy, staff will communicate to the prospective buyer the additional reporting and other requirements.
- ii) **Adjustments Non-Cumulative:** The price adjustments allowed herein will not be applied cumulatively. The total price adjustment allowed for Site Specific Factors in Section 6)a) will be compared to the price adjustment allowed for Additional Project Benefit in Section 6)b), with the greater of the two possible price adjustments being that which can be applied to the Current Base Price.

7) Base Pricing - Industrial and Commercial Short Term Land Leases:

To accommodate the periodic demand for short-term use of GREDA lands to accommodate a project or particular business need, the GREDA has established the following land lease rate structure:

- a) **Establishment of Lease Rate:** Annual rental rates for short-term land leases will be based upon a percentage of the Current Base Price of the parcel. The Current Base Price of the parcel, used in the formula, may be adjusted, if applicable, for Added Project Benefit, as set forth in Section 6)b), but not for Site Specific Factors found in Section 6)a).

- i) **Lease Rate Formula:** As of November 18, 2021, the annual rental for GREDA tracts will be computed as follows:

$\text{Annual Rental} = (\text{Current Base Price or Adjusted Current Base Price}) \times (8\%)$
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If an entire parcel is not needed by the prospective tenant, and GREDA determines a marketable remnant of the parcel will be retained by GREDA, the GREDA may pro rate the Annual Rental rate based upon the fractional area of the parcel area to be used by the prospective tenant.

EXHIBIT A

GREDA LAND PRICING POLICY ADDED PROJECT BENEFIT MEASUREMENT WORKSHEET Per Section: 6) b

A. Ratio of Private to Public Investment in Project:

\$ _____	Private Investment	5:1	<u>5</u>
\$ _____	Public Investment	4:1	<u>4</u>
_____	Ratio Private : Public Financing	3:1	<u>3</u>
		2:1	<u>2</u>
		Less than 2:1	<u>1</u>
		Points:	_____

B. Job Creation:

_____	Net <i>new</i> jobs (minimum 40 hours per week)	50+	<u>5</u>
		40+	<u>4</u>
		25+	<u>3</u>
		15+	<u>2</u>
		Less than 15	<u>1</u>
		Points:	_____

C. Wage Level of jobs created:

Average hourly wage		Over \$21/hour	<u>5</u>
Of <i>new</i> jobs, including benefits	_____	\$18-21/hour	<u>4</u>
		\$14-17/hour	<u>3</u>
		\$10-13/hour	<u>2</u>
		Under \$10/hour	<u>1</u>
		Points:	_____

D. Ratio Of Public Business Assistance To New Jobs Created:

\$ _____	Total publicly provided business assistance	\$8,000 or less	<u>5</u>
_____	Number of net <i>new</i> jobs created	\$10,000 or less	<u>4</u>
\$ _____	Amount of business assist. per net <i>new</i> job created	\$12,000 or less	<u>3</u>
		\$15,000 or less	<u>2</u>
		Over \$15,000	<u>1</u>
		Points:	_____

E. Project size (Building Construction):

The project will result in the construction		75,000+	<u>5</u>
of _____	square feet	60,000+	<u>4</u>
		30,000+	<u>3</u>
		15,000+	<u>2</u>
		15,000 or less	<u>1</u>

Points: _____

F. Extent to which the project fulfills the economic development goals within the Comprehensive Plan:

_____	High	5
_____	Moderate	3
_____	Low	1

Points: _____

G. Likelihood that the project will result in unsubsidized, spin-off development:

_____	High	5
_____	Moderate	3
_____	Low	1

Points: _____

H. Bonus Points: Has the business already demonstrated a clear and ongoing commitment to the City of Grand Rapids community by providing living wage jobs to their employees and City of Grand Rapids residents?

_____	Yes	0 - 5
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Points: _____

Sub-Total Points: _____ of a possible 40 points.

I. Point Adjustment: Is the business requesting or receiving other forms of financial assistance from the City or GREDA?

_____	Yes	-5
_____	No	0

Points: _____

Total Points: _____ of a possible 40 points.