

Improved 169-494 access helps Shakopee land 3 big projects

by Chris Newmarker

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Shakopee is proving to be fertile ground for industrial and distribution tenants, with the southwest Twin Cities suburb this year scoring three major construction projects that will bring in hundreds of permanent jobs.

A major factor in the city's newfound success is the Minnesota Department of Transportation's \$125 million-plus reconstruction of the Highway 169-Interstate 494 interchange about three miles to the north. Slated to be completed this year, the project has already cut 10 to 20 minutes off travel times in that area, said Michael Leek, Shakopee's community development developer.

Leek thinks Shakopee also succeeded because it had a number of large vacant lots prepped for commercial development, with utility hookups already in place. It also helped last year that then-Mayor John Schmitt had experience as a manufacturing executive, a factor that Leek says "tipped the scales" in some cases.

The city has scored three major successes:

- Imagine! Print Solutions plans to break ground later this year on a 300,000-square-foot addition to its roughly 500,000-square-foot headquarters at 1000 Valley Park Drive, Leek confirmed. (Bob Lothenbach, the president and owner of Imagine, could not be reached on Tuesday.)
- The Issaquah, Wash.-based SanMar Corp. plans to start construction this year on a \$35 million, 580,000-square-foot distribution center that will have 150 workers after it opens in 2013; the company is buying a 45-acre site on the south side of Fourth Avenue, just west of Canterbury Road, from the Opus Corp. An architect and general contractor hasn't been announced.
- Trystar Inc. of Faribault is wrapping up a purchase agreement with the Ryan Cos. for 28 acres on the eastern edge of its Dean Lakes mixed-use development on the southeast corner of Highway 169 and Canterbury Road. Trystar plans to break ground next year on a \$15 million, 175,000-square-foot headquarters and manufacturing plant that will employ at least 100 workers by 2015. St. Paul-based Pope Associates is the architect; a contractor hasn't been named.

The city of Shakopee is also considering economic development incentives to sweeten the deals.

The City Council in early March is expected to vote on a creating a tax increment financing district to steer \$1.5 million in property taxes toward the SanMar project. The council will also vote on a package that would provide \$1 million worth of city and county property tax abatements for Trystar, probably over the next 15 years. Imagine is seeking its own deal, Leek said.

Job creation goals are being worked out as part of the incentives.

Shakopee's successes could be a sign that the commercial real estate market continues to improve. But the fact that Ryan is selling developed land outright to Trystar, without a



Imagine! Print Solutions of Shakopee plans to break ground this year on a 300,000-square-foot addition to its roughly 500,000-square-foot headquarters — one of three major industrial-related construction projects planned in the southwest Twin Cities suburb. (Staff photo: Bill Klotz)

construction deal, also demonstrates continued uncertainty, said James DePietro, senior vice president at CBRE specializing in industrial.

"Everybody wants to build up their balance sheets and get stronger. There's still a live-to-fight-another-day mentality out there," DePietro said.

DePietro anticipates more deals to come like the recent developments in Shakopee: already prepared sites going to companies looking to consolidate to become more efficient post-recession.

"It's the drive for efficiencies — more efficient distribution, high-quality state of the art systems. People are paying up for efficiencies, and properties that are inefficient are really going to get hit hard," DePietro said.

More efficient distribution times are a factor behind SanMar's decision to locate a distribution center in Minnesota. The privately held company, which provides imprinted clothing for everything from corporate events to family reunions, serves the upper Midwest through a distribution center in Cincinnati.

The Shakopee distribution center, SanMar's seventh, will shorten delivery times in Minnesota and surrounding states, said Lee Strom, senior marketing manager at SanMar. The distribution center could eventually provide as many as 350 jobs.

SanMar mainly chose Shakopee because existing manufacturing and distribution companies in the area have created a qualified workforce. The interchange project "serves our needs very well and supports our decision to locate in Shakopee," Strom said.

Trystar Chief Executive Officer Rick Dahl also cited a qualified workforce and transportation in his decision to move his company in the coming years from three leased buildings in Faribault to consolidated space in Shakopee that will be more than 50 percent larger.

"It's kind of bringing Humpty Dumpty back together again," Dahl said of the planned move. Permanent full-time employment has doubled to 100 over the past two years at the company, which makes cables, switches and other backup power system components. Dahl expects hiring to continue.

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