



Request for City Council Committee Action from the Department of Community Planning & Economic Development

Date: July 10, 2012

To: Lisa Goodman, Chair of Community Development Committee

Referral to: Betsy Hodges, Chair of Ways and Means/Budget

Subject: Hennepin County ground lease for interim parking for NorthPoint.

Recommendation: Approve five year ground lease for interim parking for NorthPoint and community use at the southwest corner of Penn and Plymouth Avenue 2201-2215 Plymouth Ave N & 1245 Penn Ave N.

Previous Directives: none

Department Information

Prepared by:	Beth Grosen, Sr. Proj. Coordinator
Approved by:	_____
Presenters in Committee: Beth Grosen	Charles T. Lutz

	Catherine A. Polasky

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification- A large public meeting was held May 29, 2012. The Northside Residential Redevelopment Council's Residential Commercial Task Force was briefed. NRRC Letter of support is attached.
- City Goals—Jobs and Economic Vitality: strong commercial corridors
- Livable Communities, Healthy Lives
- Comprehensive Plan: The Penn/Plymouth intersection is a Neighborhood Commercial Node. A parking lot is not out of character or prohibited by the comprehensive plan at a Neighborhood Commercial Node, but it is not the preferred use. While it is an acceptable interim use, the long term goal would be some type of office/residential/commercial use.

- Zoning code: The site is zoned OR2. A parking facility (lot) is allowed as an interim use (a type of conditional use permit) in the OR2 District. An interim use is allowed for a period of up to 5 years without a renewal. After 5 years (or less if the City Council chooses) the lot would be required to be removed or permanently established. To permanently establish the lot a conditional use permit would be required and other land use applications may be required depending on how the lot conformed to the applicable zoning code regulations.

Supporting Information

The City of Minneapolis has owned the vacant lots at the southeast and southwest corners of Penn and Plymouth for many years. The southeast site is 1.31 acres and is zoned C2, Neighborhood Corridor Commercial District and consists of four parcels. This site was a gas station from 1923-1969. The MCDA acquired the site at 1246 Penn in 1976 and a McDonald's franchiser constructed a restaurant there until Nov 1992 when it was sold back to MCDA; the site was cleared again in 1994. The three other single-family residential parcels were acquired in 1968 through eminent domain. The southwest site is .81 acre and is zoned OR2 high density Office Residence District and is comprised of three parcels. These formerly commercial parcels were all acquired by MCDA via eminent domain at different times between 1979 and the mid-1990s.

Following interest expressed by private and public groups, the City of Minneapolis issued an RFP for these Penn and Plymouth sites in November 2011. Redevelopment goals listed in the RFP included:

- Reactivate vacant parcels with viable commercial or mixed-use development
- Contribute to commercial activity at the Penn-Plymouth Commercial Node
- Two to four story development preferred, but not required.
- Accommodate transit
- Interim uses will be considered if they complement and support critical public needs of adjacent institutions and commercial uses.

The RFP was posted on the City's website and notice of the invitation for redevelopment proposals was distributed to the city's listserve of over 600 developers. A public information meeting was held at the Urban League on Nov 3, 2011. Signs were placed on the lots generating several telephone inquiries. There was some media coverage of the RFP, including in Finance & Commerce.

Three proposals were received by the due date of January 12, 2012. Praxis Foods proposed a grocery store on the southeast parcel, which is the subject of another Council Communication/proposed action at this meeting. Master Properties LLC in January proposed a 42,000 SF (3 story) speculative medical office building on the southeast site. For a time, Master was working with the other proposers to try to collaborate and maximize development at the sites. Master rescinded their proposal on May 2, 2012.

The focus of this Council action is the proposal by Hennepin County to enter into a five year ground lease with the City for an interim parking lot on the southwest site that would primarily be used by NorthPoint staff and clients. NorthPoint has been short of parking for many years, and during peak times lots are quite full and client parking shifts into neighboring residential streets.

The new ninety-two space parking lot would be paved, landscaped, and include storm sewer improvements including rain gardens. The improvements are estimated to cost approximately \$350,000.

The County recognizes this is not the highest and best use of the property, so agrees to leave the site if a qualified development is approved for the site. The County would be given 90 days notice from the City to vacate the lot and remove their improvements after formal Council approval of the new development and execution of a redevelopment agreement.

Hennepin County and NorthPoint plan long term to expand the existing medical facilities on their campus, building on an existing surface parking area. At that time, the County will secure financing to construct structured parking to meet this new parking need.

The County is willing to cooperate with neighbors including UROC, Urban League, the Estes Funeral Home, and the Praxis grocery store to provide access to this parking for community use at no charge during nonpeak hours including evenings and weekends.

The County has requested that the annual lease be \$1 given that it serves an underserved low income group, this will not be a commercial lot, and it is interim to address pressing parking issues with neighbors, with relocation at no expense when development occurs. Hennepin County has been paying \$1 a season for winter overflow parking on the unimproved site as a stopgap measure initiated in the winter of 2010-2011 when heavy snows severely restricted on-street parking. The appraised value for the ground lease is \$21,100 per year.

In exchange for writing down the lease rate, staff is recommending that Hennepin County commit to construct structured parking for NorthPoint within 24 months of termination of this ground lease, or Hennepin County will immediately recompensate the City the fair market value of the ground lease for each year not previously paid.

Hennepin County plans to get all project approvals and do the improvements yet this summer.

