



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: July 24, 2012

To: Honorable Lisa Goodman, Chair, Community Development Committee

Subject: Proposed sale of the Seven Corners Parking Ramp by Minneapolis Venture LLC to a new entity.

Recommendation: Amend the Purchase and Sale Agreement with respect to the Seven Corners Parking Ramp to reassign Minneapolis Venture LLC's ("Alatus") development obligations for that site to a new single purpose entity, Grandma's Associates LCC, of which Alatus will be a 36.5% owning member.

Previous Directives:

- May 2, 2008, Update on Disposition and Distribution of Proceeds from Sale of Parking Ramps.
- July 20, 2007 Council Action authorizing the execution of purchase agreements and related documents for the sale of municipal parking ramps to Alatus Management LLC (subsequently assigned to its affiliate, Minneapolis Venture LLC).
- April 14, 2006 Council Action – Approved sale criteria and authorized RFP process for sale of municipal ramps.
- June 18, 2004, Resolution 2004R-282, Parking Fund Workout Plan

Prepared by: Emily Stern, Senior Project Coordinator, CPED, 673-5191

Approved by: Charles T. Lutz, Deputy Director, CPED _____

Catherine A. Polasky, Director, Economic Development _____

Presenter in Committee: Emily Stern, Senior Project Coordinator

Financial Impact

_____ No financial impact.

Community Impact

Neighborhood Notification: Grandma's Associates LCC has discussed their proposed development project and parking ramp alterations with the West Bank Business Association, the West Bank Community Coalition, and adjacent property owners and

businesses, and has received several letters of support from these groups (see attachments).

City Goals: Livable Communities, Healthy Lives; Eco-Focused.

Comprehensive Plan: On June 25, 2007 the City Council approved the sale of eight municipal parking ramps, including the Seven Corners Ramp, as being consistent with the Comprehensive Plan. On June 25, 2012, the City Planning Commission (CPC) provided final approvals of the proposed project plans for 1800-1814 Washington Ave S; the CPC adopted the staff recommendation which determined that the proposed development would be consistent with the Comprehensive Plan.

Sustainability Targets: The developer has committed to obtain LEED certification from the U.S. Green Building Council for the proposed development project.

Zoning Code: The proposed development project for this site has received Planning Commission approval and necessary variances and conditional use permits.

Living Wage/Business Subsidy Agreement Yes _____ No X

Job Linkage Yes _____ No X

Supporting Information

On October 29, 2007, the City sold the Seven Corners Ramp to Minneapolis Venture LLC ("Alatus") as part of a package sale of five municipal parking ramps. As a condition of sale, the City required that Alatus develop a housing project adjacent to the Seven Corners ramp having a total development cost of at least \$9,842,000 and obtain LEED certification for the project from the US Green Building Council. Per the sale contract, the development was to have occurred by October 2010.

Minneapolis Venture LLC has entered into a purchase agreement to sell the Seven Corners Parking Ramp and the former Grandma's Saloon site (1800-1814 Washington Ave S) to Grandma's Associates LLC, a joint venture between Solhem LLC (Curt Gunsbury) and TE Miller Development (Robb Miller), Alatus LCC, and other investors. Alatus will be a 36.5% owning member of the new entity.

Alatus has certain obligations under their contract with the City for the 2007 parking ramp sale, and these are incorporated into the purchase agreement between Minneapolis Venture LLC and Grandma's Associates LLC.

- City Consent. On or before the closing date with the new buyer, Alatus shall have obtained the consent of the City to the sale of the property.
- Letter of Credit. On or before the closing date with the new buyer, Alatus shall have obtained a release of the \$455,582 letter of credit it provided to the City to secure its development obligation and, if requested or required by City, the buyer shall have agreed to provide a replacement letter of credit in favor of the City and any collateral required by the City as security for the replacement letter of credit.

City Council approval is required to assign Alatus' development obligation under the ramp purchase agreement to another developer.

The project plans call for a new 5-story, mixed use building with 214 rental housing units and approximately 3,000 sq ft of ground floor retail. A 76 space parking garage will be included on the ground level. The development would span the Grandma's restaurant site and a portion of the parking ramp site. The plans call for demolishing the easterly half of the parking ramp to accommodate the new development, retaining 329 of the 762 ramp stalls. The City Planning Commission approved the final project plans on June 25, 2012.

Grandma's Associates LCC has discussed their proposed development project and parking ramp alterations with the West Bank Business Association, the West Bank Community Coalition, and adjacent property owners and businesses, and has received several letters of support from these groups (see attachments).

The estimated development cost of \$43,352,000 is over four times the minimum development cost specified in the 2007 purchase agreement (\$9,842,000). The development obligation requiring that the project be LEED certified will transfer to Grandma's Associates. The developer intends to pursue LEED Gold level certification.

Alatus has agreed to provide a replacement letter of credit (LOC) on behalf of Grandma's Associates LLC in an amount equal to the existing letter of credit, \$455,582, to secure timely completion of the Seven Corners Development. The LOC will be returned to the buyer upon completion of the development and once compliance with all prior development obligations, including LEED certification, is demonstrated. All existing development obligations from the 2007 parking ramp purchase agreement pertaining to the Seven Corners Ramp would transfer to Grandma's Associates. The amendment will specify a new construction timeline for the purpose of securing the development obligation, with construction to start to later than September 30, 2012 and completion by December 31, 2013.

The City's contracting requirements from the 2007 parking ramp purchase agreement would also transfer to the new developer entity, including prevailing wage requirements for construction contractors and required participation in a registered apprenticeship program. In addition, CPED staff are pursuing a Workforce Plan with Alatus and the general contractor, Greiner, that would include specific employment and hiring goals.

City staff recommends that Council approve the reassignment of development obligations from Minneapolis Venture LLC to Grandma's Associates LLC. Staff would structure the assignment of the development obligation as contingent upon a replacement letter of credit (LOC) securing performance, with construction to start by September 30, 2012 and completion by December 31, 2013. All existing development obligations from the 2007 parking ramp purchase agreement pertaining to the Seven Corners Ramp would transfer to the new entity.