



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

Date: January 15, 2013

To: Honorable Lisa Goodman, Chair, Community Development Committee

Referral to: Honorable Betsy Hodges, Chair, Ways & Means/Budget Committee

Subject: Development obligations for Downtown East Parking Ramp site

Recommendation: Authorize City staff to 1) amend the Purchase Agreement for the City's 2007 sale of municipal parking ramps to Minneapolis Venture LLC to delete the section related to the Downtown East Development Commitment; and 2) enter into a new agreement with Minneapolis Venture LLC to clarify and modify the development obligations for the parking ramp site and require that Minneapolis Venture make an \$84,000 payment to CPED for the extension of the development timeframe.

Previous Directives:

- July 25, 2008, Council Action to amend the Purchase and Sale Agreement between the City and Minneapolis Venture LLC (i.e. Alatus Management LLC) to extend the purchase option rights with the Vikings and the Metropolitan Sports Facilities Commission ("MSFC") for the Downtown East Ramp.
- May 2, 2008, Update on Disposition and Distribution of Proceeds from Sale of Parking Ramps, including repayment to the Downtown East Project Fund.
- October 9, 2007, Council Action extending MSFC's option agreement rights for the Downtown East Ramp from December 31, 2009, to March 1, 2010.
- 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.
- 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.
- June 20, 2003, Council Action approving amended Finance Plan for Downtown East LRT, including interfund loan to be repaid from sale of air-rights of Downtown East.
- May 29, 2001, Council Action approving the Finance Plan for Downtown East Light Rail Transit (LRT) Station Block Transit-Oriented Development Public Infrastructure Project (Parking Ramp).

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

Catherine A. Polasky, Director, Economic Development _____

Presenter in Committee: Emily Stern, Senior Project Coordinator _____

Financial Impact

X Other financial impact. Minneapolis Venture will pay \$84,000 to CPED upon transfer of the Downtown East Ramp to another entity, whether by condemnation or otherwise, or by January 31, 2019, at the latest.

Community Impact

Neighborhood Notification: Prior to the City’s sale of the Downtown East Ramp to Alatus Management LLC, City staff discussed the basic terms of the development commitment associated with the ramp site with Elliot Park Neighborhood, Inc. and the Downtown Minneapolis Neighborhood Association.

City Goals: Jobs and Economic Vitality; Livable Communities, Healthy Lives; Eco-Focused

Comprehensive Plan: On June 25, 2007, the City Planning Commission approved the sale of the sale of eight municipal parking ramps, with redevelopment potential for several of the ramp sites, including the Downtown East Ramp, as being consistent with the Comprehensive Plan.

Sustainability Targets: Minneapolis Venture is obligated to obtain LEED certification from the U.S. Green Building Council for any future development on the Downtown East Ramp site.

Zoning Code: Any future development project on this site will be required to comply with applicable zoning and obtain any necessary regulatory and planning approvals.

Living Wage/Business Subsidy Agreement Yes No X

Job Linkage Yes No X

Background Information

On October 29, 2007, the City sold the Downtown East Parking Ramp located at 425 Park Ave. S. to Alatus Management LLC (“Alatus”) as part of a package sale of five municipal parking ramps to Alatus. As a condition of sale, the City required that Alatus construct a development project on top of this underground ramp, having a minimum total development cost of \$13 million (and obtain LEED certification), according to a timeframe described in the Purchase Agreement. Alatus’ interest in the property was subsequently assigned to Minneapolis Venture LLC.

As contemplated by the Purchase Agreement, Minneapolis Venture executed purchase option agreements with MVZ Ventures LLC (“Vikings”) and the Metropolitan Sports Facilities Commission (“MSFC”) for the Downtown East Ramp. Minneapolis Venture’s option rights with the Vikings originally ran through December 31, 2009, and with the MSFC through March 1, 2010.

In July 2008, the Council provided authorization to amend the Purchase Agreement (“Second Amendment”) with respect to the Downtown East Ramp to: 1) allow for the possibility of two one-year extensions of the option to purchase rights between Minneapolis Venture and the Vikings and the MSFC, and 2) require that Minneapolis Venture make a payment of \$84,000 to the City for each additional option year provided to the Vikings or the MSFC, representing estimated forgone property taxes as a result of the delay in development on the ramp site.

Minneapolis Venture's purchase option agreement with the Vikings expired in 2009, and the MSFC's option ran through March 31, 2012, at which point it expired. No payment has been made to the City for the extended option period as was specified in the Second Amendment to the Purchase Agreement and the parties have disputed the circumstances and effect of the extension of the MSFC's option.

Payment to the City

The proposed new agreement with Minneapolis Venture would replace the existing development obligation for the Downtown East Ramp contained in the 2007 Purchase Agreement. The new agreement will require that Minneapolis Venture pay the City \$84,000 upon a transfer of the Downtown East Ramp to another entity, whether by condemnation or otherwise, or by January 31, 2019, at the latest. This payment will satisfy the obligations of Minneapolis Venture under the Second Amendment to the Purchase Agreement. The payment will be secured with a guaranty of a promissory note by Robert Lux and Phillip Jaffe, the controlling owners of the ramp.

Development Commitment

The new agreement will reaffirm the original development commitment for the ramp site with a modified construction timeframe. Minneapolis Venture will agree to develop one or more housing, commercial, service, retail and/or hotel projects on the Downtown East Ramp site having a total development cost of at least \$13 million and obtain LEED Certification for the project from the US Green Building Council.

Minneapolis Venture will be obligated to provide construction plans for the proposed development to the City no later than January 31, 2019, and complete the development no later than June 30, 2020.

To secure performance of the Development Commitment, Minneapolis Venture will provide a letter of credit to the City in the amount of \$826,227 or a development guaranty of Lux and Jaffe for the same amount.

If the Minnesota Sports Facilities Authority ("Sports Authority") acquires all or any portion of the Downtown East Ramp, whether by the power of eminent domain or otherwise, Minneapolis Venture will be released from its development obligation, and neither the Sports Authority nor Minneapolis Venture will have any further development obligations for the site.

Any other entity besides the Sports Authority that acquires all or a portion of the Downtown East Ramp must assume all of Minneapolis Venture's development obligations and provide personal or other guarantees reasonably acceptable to the City to replace Minneapolis Venture's development security or else the \$826,227 will be due and payable to the City.

Additionally, Minneapolis Venture (on behalf of itself and any affiliates or successors) covenants not to request tax increment financing (TIF) assistance from the City for any development related to the Downtown East Ramp. This covenant shall remain in effect until the tenth anniversary of the new Downtown East Parking Ramp agreement.

Recommendation

Staff recommends entering into a new agreement with Minneapolis Venture LLC that will replace the Downtown East Development Commitment in the 2007 Purchase Agreement for the ramp sale in order to update and clarify the development obligations for the parking ramp site, and require that Minneapolis Venture make an \$84,000 payment to the City for the extension of the development timeframe.