



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

Date: March 24, 2015

To: Council Member Lisa Goodman, Chair, Community Development and Regulatory Services Committee

Subject: Nicollet Hotel Block Development Rights Designation

Recommendation:

1. Award exclusive negotiating rights to United Properties as the developer of the City-owned property at 30 South 3rd Street (Nicollet Hotel block) for a period of 12 months; and
2. Authorize City staff to negotiate redevelopment contract terms and, upon successful negotiation, return for further City Council review and approvals.

Previous Directives: None

Prepared by: CPED, Finance, and City Attorney staff Approved by: D. Craig Taylor, Executive Director, CPED _____ Charles T. Lutz, Deputy Director, CPED _____ Presenters in Committee: Casey Dzieweczynski, Senior Project Coordinator

Financial Impact:

United Properties has proposed a purchase price of \$10.4 million for the City-owned property at 30 South 3rd Street, commonly referred to as the Nicollet Hotel block. Subject to negotiation and final agreement, proceeds from the sale of the property shall be received by the City and deposited into the appropriate fund.

Community Impact:

- **Neighborhood Notification:** On February 6, 2015, a notice was sent to the Downtown Minneapolis Neighborhood Association (DMNA) informing them of this staff recommendation. On February 16 DMNA hosted a public forum at which United Properties presented its Gateway proposal. Staff anticipates holding similar public meetings during the design phase to gather community input on the public plaza elements of the project. The sale of the land will be the subject of a public hearing at a future meeting of the Community Development and Regulatory Services committee.

- City Goals: Living well: Minneapolis is safe and livable and has an active and connected way of life; Great Places: Natural and built spaces work together and our environment is protected
- Comprehensive Plan: This project supports many policies in the comprehensive plan, including: 4.1.2 Seek out and implement long-term redevelopment projects that catalyze revitalization and private sector investment; 4.13.3 Support opportunities for new downtown development to build to a high standard of sustainability; 4.13.4 Increase the pedestrian orientation of the commercial corridors connecting to adjacent neighborhoods and cultural amenities; 4.13.5 Create inviting public spaces and green corridors within the office core.
- Zoning Code: The property is zoned B4-1 Downtown Business District and is in the Downtown Parking and Nicollet Mall Overlay Districts.

Supporting Information:

The Nicollet Hotel block, a 1.7 acre City-owned parcel, was once a gateway to downtown Minneapolis highlighted by an 18-story hotel. The hotel was demolished in 1991 and the site has since been a surface parking lot. The City purchased the site in 1993 with federal transit funds and intended to use it as a transit terminal. Between 2002 and 2005, the City issued three different RFPs hoping to integrate the transit terminal with additional development. However, given the constraints imposed by federal funding and transit operations, no proposals were received. In 2014, the City was able to remove the federal interest and acquired fee title to the property.

On October 15, 2014, the City issued a request for proposals. Notification was e-mailed to CPED's distribution list of over 840 contacts in the local and national development community. A pre-proposal meeting was held at CPED on November 6, 2014, to answer questions from interested parties.

The RFP contained the following development goals:

1. Buildings with at least 20 active floors
2. Fair market price for the land
3. Mix of commercial, retail, residential, office and hospitality uses
4. All parking in screened structures, underground parking preferred
5. Pedestrian realm and active first floor uses, including retail
6. Substantial integrated public/green space
7. Integration with one of two possible streetcar alignments identified by Public Works (either through the block or along South 3rd Street)
8. Skyway connection to the Hennepin County Central Library
9. Incorporation of elements that address the City's sustainability goals

Prior to the December 11, 2014, RFP deadline the City received four proposals from Doran Development, Duval Development, M.A. Mortenson Company and United Properties. After an initial review of the proposals, CPED staff requested and received additional, clarifying information from each developer regarding specific components of their proposals.

A City review team, consisting of select Council Members and staff from the Mayor's office, CPED, Finance and Public Works reviewed each proposal and the supplemental information provided on January 21, 2015. At that meeting the City review team deemed Duval Development's proposal deficient and removed it from further consideration. CPED staff then met with the three remaining developers to affirm various elements of their proposals.

Based on the information received and the subsequent meetings with the developers, the City review team met on February 4, 2015, and unanimously agreed that United Properties

should be recommended as the developer. The key elements of United Properties' proposal are as follows:

1. Mixed use, 36-story housing/hotel tower
2. 4-story commercial/amenity building
3. \$10.4 million offer price for land
4. \$161 million total development cost
5. 300 housing units
6. 182 hotel rooms
7. 325 below grade parking stalls
8. Significant public space, including: year round plaza, water feature, outdoor seating, market area, ice skating path
9. Cross block streetcar alignment option
10. Hotel operator/brand: Aimbridge Hospitality/Canopy by Hilton
11. Housing developer partner: Stuart Development Corporation
12. Architect: LHB

Of the four proposals received, the City review team determined that United Properties' proposal best met the City's development goals for the property for the following reasons:

1. Highest offer price for the property
2. Highest density in terms of total combined residential units and hotel rooms
3. Highest projected total development cost, resulting in largest tax base
4. All proposed parking is below grade
5. Incorporation of key plaza design elements including interactive public space, streetcar, connection to Nicollet Mall and integration with Cancer Survivors Park/Marquette Plaza
6. Well-defined sustainability elements, including high performance envelope and glazing, integral shading and glass fritting, high efficiency HVAC system, daylighting and automated lighting. Building will also be designed to meet LEED certification requirements.
7. Well-defined workforce plan including a commitment to minority and female construction workforce and SUBP participation even though this is an unsubsidized project. CPED staff will work with the City's Civil Rights department and United Properties to ensure that the appropriate construction workforce and SUBP goals are met for the project.

United Properties' proposal also met the other development goals listed in the RFP, including: minimum building height, mix of building uses, active first floor retail, skyway-ready connection to Minneapolis Central Library incorporated in building design, and streetcar alignment.

Next Steps:

Subject to the City Council's award of exclusive negotiating rights to United Properties as the developer of the Nicollet Hotel block staff will negotiate a term sheet with United Properties. Concurrently, United Properties will refine its design and development proposal. Once agreement between staff and United Properties is reached, staff plans to return to the City Council later this summer for approval of the term sheet and seek authorization to enter into a redevelopment contract with the developer and sell the property. Execution of the redevelopment contract and the land sale closing will not occur until the developer secures the required land use approvals and related City entitlements. United Properties anticipates a 22-month construction period, starting in spring/summer 2016.