

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: [9/27/2016](#)
Referral: Ways & Means
From: Minneapolis Convention Center
Lead Staff: Jeff Johnson
Presented by: Jeff Johnson
File Type: Action
Subcategory: Contract/Agreement

Subject:

Extension of the term and other modifications to the Target Center Health Club Lease between the City of Minneapolis, as landlord, and LTF Real Estate Company, Inc., as tenant.

Description:

[Authorizing the appropriate City officials to execute a third amendment to the Health Club Lease with LTF Real Estate Company, Inc., at the Target Center.](#)

Previous Actions:

- On March 10, 1995, the City Council and MCDA Board of Commissioners approved the terms and authorized the execution of the Target Center Purchase agreement.
 - On October 22, 2004, the City Council adopted a resolution authorizing the transfer of certain real property of the MCDA to the City of Minneapolis as part of the transition of development activities to CPED.
 - On June 16, 2009, the City Council and MCDA Board of Commissioners approved the transfer of the Target Center property and agreements from the MCDA to the City of Minneapolis and appointed the Minneapolis Convention Center Executive Director as the Contract Administrator for all related agreements.
 - On February 22, 2013, the City Council approved the First Amendment to the Health Club Lease.
 - On December 13, 2013, the City Council approved the Second Amendment to the Health Club Lease.
 - On March 18, 2016, the City Council approved the Renovation Agreement for the Target Center. 16-00301 <http://www.minneapolismn.gov/meetings/legislation/WCMSP-174391>
-

Ward/Address:

Ward 3
600 First Avenue N.

Background/Analysis:

Life Time Fitness operates a health club within the Target Center facility. The health club shares many components of the facility including entrances, signage, mechanical systems and emergency egress. During the renovation of the Target Center facility, Life Time Fitness will be affected in a variety of ways including the relocation of their main entrance, coordinated shut down of utility services, and noise/construction work that will impact their members and the services that they expect as part of their membership.

Under its lease with Life Time Fitness, the City is obligated to minimize and mitigate any material adverse effects of the project on the health club. A disruption avoidance plan has been prepared by the Target Center renovation project design team so that the renovation has as little impact on Life Time's business operation as possible. Certain components of the disruption avoidance plan will be implemented by Life Time and the project will reimburse it for up to \$110,000 in construction costs.

Even with the extensive joint planning and negotiation, however, the City and Life Time Fitness understand that it will be challenging to work through the many issues that will present themselves over the next 18 months or so. As part of this partnership, Life Time and the Target Center Renovation Design Group have been working together to negotiate changes to the various agreements that bind all parties together. The goal has been to make sure that all agreements between parties work together to solve issues and improve all partnerships.

The main changes to the Life Time lease will be the cost reimbursement described above and an extension of the current lease term from 2028 to the year 2035, contingent on Life Time remaining a sponsor in the building thus driving new found post- renovation revenue to the partnership of the Timberwolves/Lynx, AEG, and the City. The extension is in lieu of compensation for indirect impacts to Life Time's business. The extension will also make clear certain approvals needed to move forward with the renovation and limit liabilities that the City must take on as part of the renovation.

Life Time Fitness has been a good partner at the Target Center and just recently finished a major multimillion dollar renovation to their health club space. This amendment to their lease will help continue this great relationship while also laying the roadmap for a successful renovation project of the Target Center facility.

Financial Review:

Select financial statement.

Future budget impact anticipated.