



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

Date: July 24, 2007

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Easement Sale Public Hearing - Stimson Building Easement

Recommendation: Convey the City's Easement interest in Tract T of the Stimson Building Property located at 700 Hennepin Avenue to Stimson Partners LLC.

Previous Directives: On September 3, 2004, City Council approved the sale of the Stimson Building to Stimson RenoVentures, LLC (now Stimson Partners LLC) for \$2,800,000 and also approved the sale/assignment of the City's interest in a Billboard Lease Agreement with Clear Channel Outdoor, Inc. on a contract for deed. On January 27, 2006, City Council recommended the sale of the Stimson Building for \$2,800,000. On August 18, 2006, City Council approved an amendment to the redevelopment contract between the City of Minneapolis and Stimson Partners LLC to provide a replacement anchor tenant. The City of Minneapolis entered into a Contract for Deed for Sale of Outdoor Advertising Display Lease and Easement Agreement with Stimson Partners LLC for Tract T of the Stimson Building Property on January 4, 2007.

Prepared by: Andrea Petersen, Phone 612-673-5106 Approved by: Charles T. Lutz, Deputy CPED Director Presenters in Committee: Andrea Petersen, Project Coordinator

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: The Downtown Minneapolis Neighborhood Association (DMNA) was notified and considered the terms of the Stimson Building sale on August 3, 2004. The DMNA provided no comments or responses.
- City Goals: A PREMIER DESTINATION The conveyance of the easement and lease enables Stimson Partners LLC to proceed with construction on the roof of the Stimson Building furthering the City's Five Year Goal to leverage our entertainment edge.

- Sustainability Targets: N/A
- Comprehensive Plan: 700 Hennepin is located within the Hennepin and Seventh Development District as approved and established June 5, 2000. This sale and redevelopment are consistent with both the Development District and the Minneapolis Downtown 2010 Plan.
- Zoning Code: B4S-2. Planned use of the building complies with zoning code.
- Living Wage/Business Subsidy Agreement Yes _____ No x
- Job Linkage Yes _____ No x

Supporting Information

<u>PARCEL</u>	<u>ADDRESS</u>
SB-2B	700 Hennepin Ave

PURCHASER
 Stimson Partners LLC
 750 South Second Street #602
 Minneapolis, MN 55402

PROPOSED DEVELOPMENT:
 Stimson Partners LLC purchased the Stimson Building on January 4, 2007, with plans to create a restaurant occupying the majority of the building's space. The build-out calls for using the first floor and mezzanine levels as the primary restaurant area with a lively bar and casually hip lounge on the second floor and roof-top levels. The basement will contain supportive restaurant space, office space and storage area. In order to proceed with construction plans on the roof-top, Stimson Partners LLC plans to relocate the roof-top billboards to make better use of the space. Prior to moving the billboards, the City must convey its interest in the Billboard Lease to Stimson Partners LLC and the City's Easement interest in Tract T of the Stimson Property. The City of Minneapolis Planning Division approved Clear Channel Outdoor, Inc's permit request to move the existing two billboards on the roof to another location on the roof and to construct a new billboard on the roof.

OFFERING PROCEDURE:
 The conveyance of the Clear Channel Outdoor, Inc. lease and Tract T easement was negotiated in conjunction with the sale of the Stimson Building on January 4, 2007. City Council approved the sale of the Stimson Building and Billboard lease in August 2004; however did not approve the conveyance of the Tract T easement at that time. The City of Minneapolis entered into a Contract for Deed for Sale of Outdoor Advertising Display Lease and Easement on January 4, 2007, with Stimson Partners LLC. This contract for deed provides Stimson Partners LLC an option to purchase the City's lease interest in the Billboard and the City's easement interest in Tract T, where the billboards are currently located. The earlier public hearing notice and Council resolution did not address transfer of the easement.

COMMENTS:
 The City of Minneapolis entered into a Lease Agreement by and between Clear Channel Outdoor, Inc. on October 20, 2004, to display an outdoor billboard on a portion of the roof located at 700 Hennepin Avenue. The City receives yearly rent revenue from Clear Channel Outdoor, Inc in the amount of \$90,000 plus an adjustment based upon the consumer price index.

On January 4, 2007, the City entered into a Contract for Deed with Stimson Partners LLC for Sale of Outdoor Advertising Display Lease and Easement. Stimson Partners LLC is obligated to pay the City \$500.00 monthly until the Contract for Deed is terminated. Stimson Partners LLC has the option to purchase the billboard. Stimson Partners LLC has now stated their desire to exercise the right to purchase the City's interest in the lease and easement by prepaying the Contract for Deed. The Contract for Deed specifies a purchase price for the City's interest in the Lease and Easement shall be equal to 8.5 multiplied by the annualized rent paid to the City during the 36 months period prior to the contract termination date. The City anticipates receiving approximately \$770,000 in exchange for the conveyance of the Lease and Easement which will be placed into fund CPO0.

Council approval is requested to formally approve transfer of the rooftop easement related to the current location of the Clear Channel billboard.

**Authorizing sale of Easement Interest in the Stimson Building
Disposition Parcel SB-2B**

WHEREAS, the City owns an easement interest in the Stimson Building at 700 Hennepin Avenue; and

WHEREAS, the City and Stimson Partners, LLC have entered into that certain Contract for Deed for Sale of Outdoor Advertising Display Lease and Easement dated as of January 4, 2007 for the property; and

WHEREAS, the CPED Appraiser has previously determined this transaction price to be fair re-use value and has previously reported this to the City Council; and

WHEREAS, the conveyance of the lease and easement was negotiated in conjunction with the sale of the Stimson Building on January 4, 2007. City Council approved the sale of the Stimson Building and billboard lease in August 2004; however did not approve the conveyance of the easement at that time.

WHEREAS, pursuant to due notice thereof published in *Finance and Commerce* on July 13, 2007, a public hearing on this conveyance was duly held on July 24, 2007, at the regularly scheduled Community Development Committee meeting of the City Council, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

NOW, THEREFORE, BE IT RESOLVED that the proper City officers be authorized to execute a Quit Claim Deed and related documents for sale of the easement interest legally described as:

Parcel SB-2B; 700 Hennepin Avenue

All Seller's right, title and interest in Tract T, Registered Land Survey No. 1771, situated in the County of Hennepin and State of Minnesota.