

# Request for City Council Committee Action from the Department of

**Date:** October 12, 2010

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

**Subject:** Land Sale Public Hearing  
Parcel E Liner Development – The American Academy of Neurology

## **Recommendation:**

1. Approve the sale of 800 Washington Avenue South (part) to The American Academy of Neurology for a net price of \$661,000 (\$749,000 fair reuse value less a "Public Viewshed Development and Maintenance Fund" credit of \$88,000);
2. Approve the proposed redevelopment contract terms as described in this report;
3. Authorize the appropriate City officials to execute the redevelopment contract with The American Academy of Neurology and all other necessary documents related to the above recommended actions, including without limitation an amended and restated declaration of easements related to the service alley, a declaration of restrictive covenants related to the mined underground space, an easement agreement allowing physical connections to the parking ramp, and two parking agreements.
4. Adopt the attached resolution identifying The American Academy of Neurology as an additional 501(c)(3) user of the Riverfront Ramp.

## **Previous Directives:**

- July 2, 2010, City Council authorized staff to negotiate redevelopment contract terms with The American Academy of Neurology and approved exclusive development rights to ArtSpace Projects, Inc.
- January 29, 2010, City Council authorized staff to enter into a temporary license agreement, and other agreements as necessary, with Forecast Public Art for a temporary art installation to be attached to the Washington Ave and Chicago Ave facades of the City owned Riverfront Parking Ramp.
- November 22, 2002, City Council authorized execution of a purchase agreement between the City and Hennepin County Regional Rail Authority to acquire the Parcel E property as part of the implementation of the Guthrie Theater development. The City acquired the property in May 2003.
- From approximately 2002-2006, the City Council approved a number of actions related to a development proposal from Rottlund Homes for the site; the redevelopment contract for that proposal has since expired.

## Department Information

Prepared by: Carrie Flack, Senior Project Coordinator, 673-5010

Approved by: Charles T. Lutz, Deputy Director CPED \_\_\_\_\_

Catherine A. Polasky, Director of Economic Policy & Development \_\_\_\_\_

Presenters in Committee: Carrie Flack, Senior Project Coordinator

### Financial Impact

- Financial impact – Land sale revenues will be directed to repay prior City expenditures and obligations related to the property. The land sale will eliminate property management costs. The property will be assessed at the commercial rate.
- Action is within the Business Plan

### Community Impact

- Neighborhood Notification – The Downtown Minneapolis Neighborhood Association (DMNA) reviewed and supported approval of this project on June 8, 2010. On September 7, 2010 the Planning Commission approved the subdivision application. The land use applications are scheduled for Planning Commission on October 26, 2010.
- City Goals – Eco-focused; Jobs & Economic Vitality; Many People, One Minneapolis; A City that Works
- Comprehensive Plan - Redevelopment of a vacant parcel for office use in the Mill District is consistent with a number of goals in the Comprehensive Plan. In addition, the project is consistent with the Historic Mills District Master Plan and Update. On September 7, 2010, the Planning Commission approved the sale of this parcel as being consistent with the Comprehensive Plan.
- Zoning Code – C3A Community Activity Center District, DP Downtown Parking Overlay District and DH Downtown Height Overlay District. Office uses are permitted in C3A.
- Living Wage/Business Subsidy Agreement Yes\_\_\_\_ No\_X\_\_
- Job Linkage Yes\_\_X\_\_ No\_\_\_\_
- Other: On July 8, 2010, the Planning Staff completed a land sale review of the parcel and found the proposed use consistent with the land use policy and recommended approval of the proposed development.

### Supporting Information

#### PARCEL

E Liner (A)

#### ADDRESS

800 Washington Ave S (part)

#### SALE PRICE

\$661,000 (\$749,000 less "Public Viewshed Development and Maintenance Fund" credit of \$88,000)

#### PURCHASER

The American Academy of Neurology  
1080 Montreal Avenue  
St. Paul, MN 55116

#### LAND DISPOSITION POLICY:

This property is a buildable lot as defined by City policy and is being sold for development.

#### OFFERING PROCEDURE:

Public Advertisement via the Request for Proposal process. The sale price of this property reflects the full re-use value less the "Public Viewshed Development and Maintenance Fund" credit. The "Public Viewshed Development and Maintenance Fund" credit is calculated as follows:

Year	Initial Capital	Annual Maintenance (4% Annual Increase)	Cash Flow
1	\$67,170	\$1,405	\$68,575
2		\$1,461	\$1,461
3		\$1,520	\$1,520
4		\$1,580	\$1,580
5		\$1,644	\$1,644
6		\$1,709	\$1,709
7		\$1,778	\$1,778
8		\$1,849	\$1,849
9		\$1,923	\$1,923
10		\$2,000	\$2,000
11		\$2,080	\$2,080
12		\$2,163	\$2,163
13		\$2,249	\$2,249
14		\$2,339	\$2,339
15		\$2,433	\$2,433
16		\$2,530	\$2,530
17		\$2,632	\$2,632
18		\$2,737	\$2,737
19		\$2,846	\$2,846
20		\$2,960	\$2,960
		Total Investment	\$109,008

Net Present Value at 5% discount rate \$88,444.95

### **BACKGROUND**

The City owns the vacant liner parcel that wraps the Riverfront Ramp, across from the Guthrie Theater along Chicago Avenue South between 2<sup>nd</sup> Street South and Washington Avenue South. In March 2010, the City issued a Request for Proposals (RFP) for this parcel. The American Academy of Neurology (AAN) and ArtSpace Projects, Inc. (ArtSpace) jointly submitted complementary development proposals for the entire site and were selected by the City Council on July 2, 2010. Exclusive development rights were granted to ArtSpace for a period of two years and staff was authorized to negotiate redevelopment contract terms for the AAN project.

The American Academy of Neurology, established in 1948, plans to construct a new global headquarters office building at this prominent Mill District site. The 62,000 square foot, five-story building will house over 120 employees. AAN anticipates hosting at least 40-45 professional meetings annually, involving an estimated 600 member visits and generating hotel occupancies of 1200 weekend room nights.

On September 7, 2010, the Planning Commission approved the preliminary and final plat application to subdivide the existing parcel of land into two parcels for the proposed projects. AAN will seek their development approvals from the Planning Commission on October 26, 2010. The net purchase price for the AAN parcel is \$661,000. The purchase price for the future ArtSpace parcel will be determined when the redevelopment contract terms for that project are completed.

The Historic Mills District Update Master Plan guidelines call for an increased setback along Chicago Avenue South to preserve views to the river and the Guthrie Theater as well as provide for increased pedestrian access and activities. The American Academy of Neurology has committed to creating a public open space in the 10-foot setback area along Chicago Avenue South. Capital costs to improve the setback area include outdoor receptacles, landscaping and additional hardscape costs associated with the Chicago Avenue streetscape plan, which will allow for events such as the Farmer's Market to expand in this area.

Parking for the project will be accommodated in the City-owned and operated Riverfront Ramp via two parking agreements. The American Academy of Neurology includes both a 501(c)(3) entity and two affiliated 501(c)(6) organizations. Due to the ramp financing, the parking agreements must be handled differently for these different types of non-profit entity. One agreement will provide parking to the 501(c)(3) employees. Because the City financed the ramp with qualified 501(c)(3) bonds, the City is able to provide special parking arrangements to a 501(c)(3) organization such as AAN. The proposed agreement guarantees access to at least 75 unreserved parking spaces for 25 years at market rate. The remainder of the parking spaces needed for this project will be provided through a parking agreement with the same terms as the monthly contracts available to the general public, which also does not jeopardize the tax exempt bond financing for the ramp.

A private service alley will provide access to both the AAN parcel as well as the future ArtSpace parcel. The alley will not be constructed, however, until ArtSpace develops its parcel. In the meantime, AAN intends to construct temporary access to its building. Costs of construction of the permanent alley as well as the maintenance of the alley will be allocated 25% to AAN and 75% to ArtSpace, consistent with the frontage amount that serves each site.

This parcel is in the mined underground space area of the City that was conceptualized in the 1970's as part of the technology corridor. At the time, it was thought that equipment associated with the technology corridor could be accommodated underground where the temperature can be controlled. Consistent with other projects in the Mill District, the City will exclude such space from conveyance and thus preserve ownership for this potential future underground space mining.

The total project development cost is approximately \$22,000,000. AAN is also seeking approval to finance \$16,500,000 with Recovery Zone Bonds heard by the Committee on September 28, 2010 and the remaining \$5,500,000 will be equity from AAN invested in the project.

**Estimated Development Costs:** Project costs are as follows:

Land and Building	\$16,000,000
Capitalized Interest	\$1,000,000
Issuance Costs	\$1,500,000
FFE	\$2,500,000
Contingency	\$1,000,000
TOTAL	\$22,000,000

Staff is recommending approval of this sale for redevelopment subject to the terms that follow. The property will be subject to a redevelopment contract incorporating these terms.

## Redevelopment Contract Terms for The American Academy of Neurology

### Parcel E Liner Development

1. Purchaser/Owner: The American Academy of Neurology
2. Minimum Improvements: new construction of a 62,000 SF 5-story office building, together with streetscape improvements consistent with the Historic Mill District Plan.
3. Purchase Price: \$45.00 SF or \$749,000 less a "Public Viewshed Development and Maintenance Fund" credit of \$88,000. The deed will reserve a 10-foot wide no-build area along the Chicago Avenue side of the parcel to provide a view corridor to the Guthrie and the river. AAN has agreed to landscape and maintain this space and make it available for events such as the Mill District Farmers' Market. AAN also will construct a sensory garden at the corner of Chicago and Second.
4. As Is Sale – MPCA No Further Action Letter forthcoming following plat approval to allow for use of new legal description
5. Parking Agreements: 501(c)(3) Parking Agreement allowing 75 market rate unreserved spaces for 25 years; Public Parking Agreement allowing 50 spaces on terms equivalent to monthly contracts in the ramp. Both agreements are subject to the City's existing obligation to manage the ramp "to be available to patrons and visitors of the [Guthrie] Theater on a priority basis during anticipated times of need for events at the Theater...."
6. Amended and Restated Declaration of Easements for private service alley: AAN at its expense will construct a temporary turn-around on the ArtSpace parcel to service its building; permanent future construction will be completed by ArtSpace in conjunction with the development of the adjacent parcel; construction and maintenance of the permanent service alley will be allocated 25% to AAN and 75% to ArtSpace;
7. Mined Underground Space Agreement: Parcel E is in the mined underground space area and thus the City will exclude such space from the conveyance and subject itself to the typical declaration of restrictive covenants regarding future use of such underground space rights
8. Access Easement Agreement: will allow AAN to construct one or more connections for direct access between the Riverfront Ramp and the building, subject to Public Works Director approval of the design and location of such access connections
9. Closing Date - not later than December 31, 2010  
Construction start – not more than 6 months after closing (i.e., spring 2011)  
Completion – not more than 24 months after closing (i.e, summer 2012)
10. Good Faith Deposit: 10% of net purchase price at contract execution
11. Job Linkage Agreement
12. Prevailing Wage and Apprenticeship Requirements
13. Voluntary Workforce Plan

**Authorizing sale of land Industry Square Redevelopment Project Disposition Parcel E Liner (A).**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel E Liner (A), in the Downtown East neighborhood, from The American Academy of Neurology, hereinafter known as the Redeveloper, the Parcel E Liner (A), being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

E Liner (A); 800 Washington Avenue South (part)  
Lot 1, Block 1, Mill Quarter Second Addition

Whereas, the Redeveloper has offered to pay the sum of \$661,000 (\$749,000 fair reuse value less a "Public Viewshed Development and Maintenance Fund" credit of \$88,000), for Parcel E Liner (A) to the City for the land, and the Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with the accepted methods in aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on October 1, 2010, a public hearing on the proposed sale was duly held on October 12, 2010, 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 by The City Council of The City of Minneapolis:

That the re-use value for uses in accordance with the Industry Square Redevelopment Project plan, as amended, is hereby estimated to be the sum of \$661,000 (\$749,000 fair reuse value less a "Public Viewshed Development and Maintenance Fund" credit of \$88,000) for Parcel E Liner (A).

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources

necessary to acquire and develop the parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed by the Finance Officer or other appropriate City official of the City.

**RESOLUTION 2010R-\_\_\_\_\_**

**By \_\_\_\_\_**

**Identifying American Academy of Neurology as an Additional Qualified User of a Tax-Exempt Bond-Financed Parking Facility**

WHEREAS, on June 10, 2004, the City issued its General Obligation Guthrie Parking Ramp Bonds, Series 2003, in the original aggregate principal amount of \$16,100,000 and on March 17, 2005, the City issued its General Obligation Guthrie Parking Ramp Bonds, Series 2005 in the original aggregate principal amount of \$16,400,000 (collectively, the "Bonds");

WHEREAS, the proceeds of the Bonds were used to finance the cost of acquiring, constructing and equipping the City's Riverfront (Guthrie) Parking Ramp (the "Parking Ramp"), which is a four-story public parking facility located at 212 9<sup>th</sup> Avenue South in the City and is owned and operated by the City;

WHEREAS, the Bonds were issued as tax-exempt "qualified 501(c)(3) bonds" and prior to the issuance of the Bonds, the City caused a public hearing to be held and identified the Guthrie Theater Foundation as a qualified 501(c)(3) user of the Parking Ramp;

WHEREAS, The American Academy of Neurology ("AAN"), a Minnesota nonprofit corporation and an organization exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of the application of Section 501(c)(3) of the Code, has proposed that the City enter into a 501(c)(3) Parking Agreement with AAN, which would allow AAN to purchase parking permits for the Parking Ramp for its officers and employees;

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, require that prior to the issuance of a tax-exempt bond, the issuer of such bond must cause a public hearing to be conducted regarding the issuance of such bond and the notice for the public hearing must identify the user of the facilities to be financed with the bonds; and

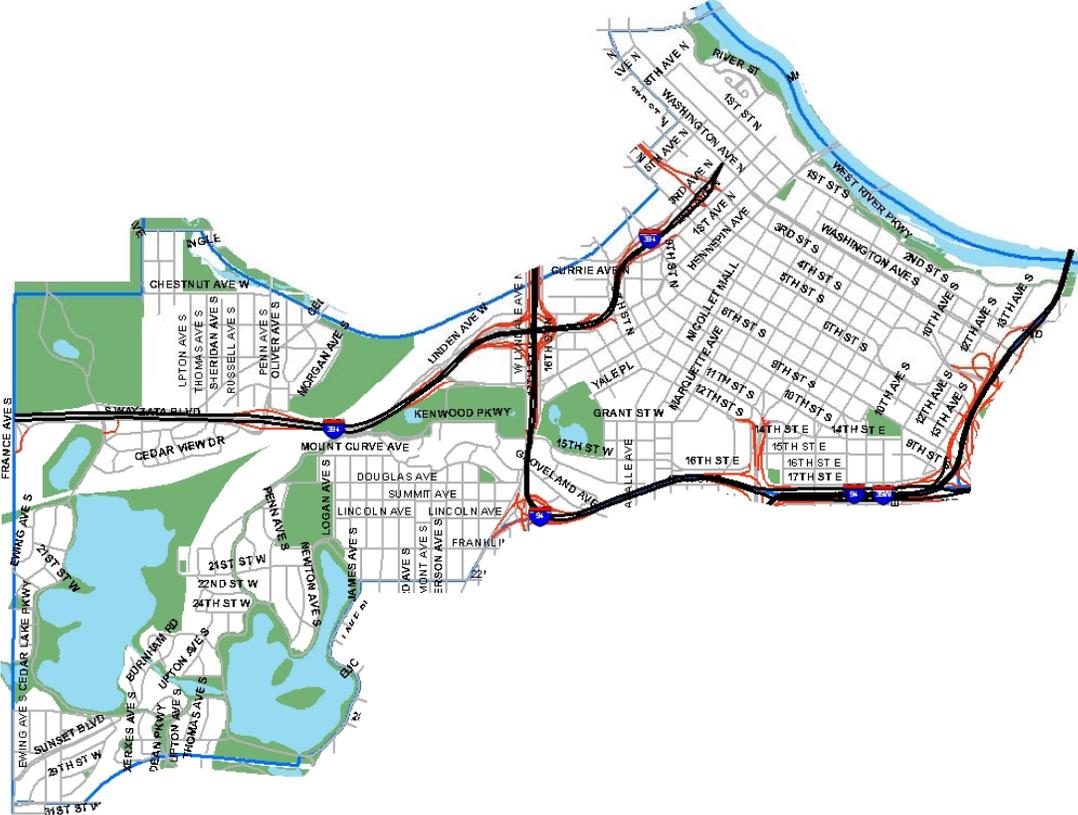
WHEREAS, the City's bond counsel has advised the City to hold a supplemental public hearing with respect to the Bonds in order to identify AAN as a qualified 501(c)(3) user of the Parking Ramp; and

WHEREAS, at a special meeting of the Community Development Committee of the City Council of the City of Minneapolis held on the date hereof, a duly noticed public hearing was held with respect to identifying AAN as an additional qualified 501(c)(3) user of the Parking Ramp.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Minneapolis:

1. AAN is approved as an additional qualified 501(c)(3) user of the Parking Ramp.

# WARD 7



0 0.25 0.5 Miles

Created by GBS 8/23/06

**TOTAL ACQUISITION COSTS INCURRED BY CPED ATTRIBUTABLE TO THE FOLLOWING PROPERTY:**

Date: September 28, 2010  
 Subject: Land Sale – Public Hearing for The American Academy of Neurology  
 Address: 800 Washington Avenue South  
 Purchaser: The American Academy of Neurology

Disposition Parcel No. Acq Date	Address	Total CPED Costs	Less Sales Price	Write Off
E Liner (A) 00/00/00	800 Washington Avenue South (part)	\$	(-)\$661,000	(+/-)\$

This property was transferred to CPED by Public Works for sale for development.

Re-Use Value Opinion	Less Credit	Less Sales Price	Write-Down
\$45.00 SF/\$749,000	\$88,000	\$661,000	\$0.00

Credit

The Public Viewshed Development and Maintenance Fund will allow for the view corridor along Chicago Avenue South to the Guthrie Theater building to be maintained. The American Academy of Neurology has committed to creating a public open space in the 10-foot setback area along Chicago Avenue South. Capital costs to improve the setback area include outdoor receptacles, landscaping and additional hardscape costs associated with the Chicago Avenue streetscape plan.

Developer History with CPED:

The City has not previously worked with The American Academy of Neurology. However, M A Mortenson Company is the general contractor for this project and they have completed many projects in Minneapolis including MacPhail Center for Music and the Minneapolis Central Library.

Developer Information:

XXX Nonprofit Corporation of the State of Minnesota