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

Date: February 24, 2009

To: Council Member Lisa Goodman, Community Development Committee

Subject: Award Exclusive Development Rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC for Parcel A, Northeast side of Second Street South between Third and Fifth Avenues South.

Recommendation:

1. Grant Exclusive Development Rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC (or an affiliate) consistent with the terms attached to this report.

Previous Directives:

- February 6, 2009, City Council authorized staff to execute an Operating Agreement between the City of Minneapolis and Standard Parking for parking operation and maintenance on Parcel A and waived the City procurement policy.
- September 18, 1998, City Council adopted Development Objectives for portions of the Milwaukee Road Depot and Mills District area, including this parcel.
- May 1993, the Minneapolis Community Development Agency (MCDA) entered into an Operating Agreement with Standard Parking for the operation and maintenance of over 1,000 parking spaces spread throughout several blocks in the Mill District area.
- June 1992, Minneapolis Community Development Agency (MCDA) acquired Parcel A as party of the Milwaukee Depot property acquisition.

Prepared by: Carrie Flack, Sr. 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, Sr. Project Coordinator

Financial Impact

- None

Community Impact

- Neighborhood Notification – The Request for Proposal document that was issued for the development of this site, as well as the two proposals received, were reviewed and presented to the Industry Square Project Committee on March 12, 2008. In addition, the land use and planning approvals will require additional notification be sent to the neighborhood group allowing additional opportunity for comments.

- City Goals – Connected Communities – great spaces and places, thriving neighborhoods; Enriched Environment – greenspace, arts, sustainability; A Premier Destination – visitors, investment and vitality.

- Comprehensive Plan – 2.8 Minneapolis will develop the existing economic base by emphasizing business retention and expansion; 2.9 Minneapolis will strengthen long-term confidence in the economy by building innovative public to private sector partnerships; 4.9 Minneapolis will grow by increasing its supply of housing; 4.11 Minneapolis will improve the availability of housing options for its residents; 4.15 Minneapolis will carefully identify project sites where housing redevelopment and or housing revitalization are the appropriate responses to neighborhood conditions and market demand; 9.5 Minneapolis will support the development of residential dwellings of appropriate form and density; 9.6 Minneapolis will work with private and other public sector partners to invest in new development that is attractive, functional, and adds value to the physical environment. In addition, the project is consistent with the Historic Mills District Master Plan and Update.

- Zoning Code – Housing is permitted as a conditional use in district C3A and any proposed new commercial and/or retail uses will be permitted uses. The site is located within the St. Anthony Falls Historic District and the Historic Mills District Master Plan. All development within this district is required to receive approvals from the City of Minneapolis Heritage Preservation Commission (HPC).

- Other– Not applicable

Supporting Information

Parcel A is located in the Mill District area in downtown Minneapolis and is among the last City-owned parcels in the area available for development. The site is located on the northeast side of 2nd Street South between 3rd Avenue South and 5th Avenue South. There is an irregularly-shaped, formerly railroad right of way, parcel owned by Mill Place, Inc. that bisects Parcel A and divides it into Parcel A East and West. All three parcels, including the former rail right of way parcel, are currently improved with surface parking lot area operated and maintained by Standard Parking. Until a proposal is approved and implemented, it is planned that the parking lot continue to be operated on this site as an interim use and revenue generator.

In January 2008, the City of Minneapolis issued a Request for Proposals for Parcel A. In February 2008, two development proposals were submitted; one from Eagle Iron Partners Joint Venture and one from CSM Corporation.

Proposals were required to address a parking agreement between the City and Canal Street Limited which manages the parking associated with the Crown Roller Mill and Ceresota Mill

buildings. This agreement requires that 200 parking spaces will be accommodated on the site until 2022. Proposals were to accommodate this parking through: a) phasing that does not develop a portion of the site until the end of the parking agreement; b) provision of structured parking to replace this surface parking, in which case, the spaces may be moved temporarily during construction so long as the temporary parking location complies with applicable zoning requirements; or c) other alternatives acceptable to Canal Street Limited Partnership, the tenant under the Parking Agreement and owner of the Crown Roller Mill building. In addition, proposals were encouraged to work with Mill Place, Inc. to accommodate parking related to their building as well.

The RFP urged proposers to establish separate pedestrian and bicycle paths connecting the downtown street grid with the Mississippi River through the site, preferably along the historic rail right of way currently owned by Mill Place Inc. (see attached site map).

In addition, proposers were asked to address public green spaces, include sustainable design and storm water management practices, as well as address the historic aspects associated with this site in accordance with the Historic Mills District Master Plan and the St. Anthony Falls Historic District.

The proposal submitted by CSM Corporation failed to materially satisfy the requirements of the Request for Proposals. Specifically, the required 200 parking spaces required in the existing parking agreement on this site were not accommodated and thus this proposal did not qualify.

The proposal submitted by Eagle Iron Partners is summarized below:

1. Site: Entire Parcel A site; contact with Mill Place was made and discussions begun regarding incorporating their parking needs (letter from Mill Place included).
2. Use: 16,000 sq. ft. of retail (drive thru removed) with 166 units of affordable rental housing; an interior surface parking area of 31 spaces with a roof structure; 160 senior rental housing units, an interior green courtyard and approximately 17 surface parking spaces for guests; 600 below grade parking stalls; green roofs and LEED certified components to be incorporated.
3. Parking: 2-level below grade parking ramp with approximately 600 stalls serving Canal Street Limited Partnership, Mill Place, Inc. and the new development.
4. Site access: two-way alley via existing curb cuts on 3rd and 5th Avenues.
5. Pedestrian/bike connection: yes, via new 4th Avenue Plaza area.
6. Public Financing: anticipated, Multi-Family Housing Revenue Bonds and Low Income Housing Tax Credits.
7. Land value: $2,000,000 approximately. This value will be established via a fair reuse appraisal.
8. Parking Agreement: proposed an alternative agreement with both Mill Place and Crown Roller Mill/Ceresota Mill buildings to allow Mill Place and Crown Roller Mill/Ceresota Mill to participate in new parking structure on the site. The new parking structure will be financed as part of the proposed financing structure and is contingent on all parties reaching terms on the parking rental and eventual conveyance.
9. Financing Gap: $3,677,834 + $3,290,036 = $6,967,870 total that the developer proposes to cover with equity to the extent other sources are not found.

City staff is recommending that the City award Exclusive Development Rights consistent with the attached termsheet to Eagle Iron Partners on this project to allow them to continue addressing issues and challenges related to ultimately beginning construction on this site.

Exclusive Development Rights Term Sheet for Parcel A

Eagle Iron Partners Proposal

As submitted in response to the RFP including additional information submitted

Total exclusive development rights term = 24 months. Provided that if, at any point, the CPED Director determines that Eagle Iron Partners has not complied with the terms and milestones identified in this report, the exclusive rights can be terminated by the City.

MILESTONES

Within 6 Months of City Council Approval of Exclusive Development Rights:

1. The City of Minneapolis shall deliver to Eagle Iron Partners a fair reuse appraisal for the City-owned parcels. The fair reuse appraisal will take into consideration the following: (a) the proposed development; (b) existing parking rights until 2022; (b) absence of parcel continuity; (c) known environmental issues with the parcels; (d) height limitations and zoning restrictions imposed by City policy and (e) current market and finance conditions. Such appraisal will be subject to updating at time of closing based on either a material change in the project or if closing does not occur within 36 months of Council approval of exclusive development rights.

2. Eagle Iron Partners shall deliver to the City of Minneapolis a copy of one or more signed agreement (s) between Eagle Iron Partners, Canal Street Limited Partnership and Mill Place Inc., absolving the City of Minneapolis of any parking obligations to Canal Street Limited Partnership on Parcel A and securing the entire site for assembly. Such agreement may be conditioned on the closing of the project and is subject to approval by the City.

Within 8 Months of Approval of Exclusive Development Rights:

1. Eagle Iron Partners shall deliver to the City preliminary plans for the entire project consisting of a minimum of: site plan; parking plans; floor plans; and building elevations. The developer shall meet with the City to receive PDR review level of comments on the proposed project.

2. Eagle Iron Partners must submit a signed, completed Application for Public Financial Assistance even though TIF is not available to this project. The information is requested for a feasibility analysis. No fee will be required.

3. Eagle Iron Partners must submit a statement regarding the competitiveness of the project in competing for public financial assistance as well as a timeline for applications that persuades the City's housing staff that Eagle Iron Partners is reasonably likely to obtain sufficient financing in a timely manner. CPED staff will provide Eagle Iron Partners with feedback and technical assistance to the extent known as such statement of competitiveness is prepared in an effort to ensure an accurate statement of competitiveness and make suggestions as to fund appropriateness.

4. Eagle Iron Partners must submit a signed, completed Minnesota Housing Finance Agency (MHFA) Form 230A-Qualifications of Developer.

Within 12 Months of Approval of Exclusive Development Rights:

1. Eagle Iron Partners shall deliver to the City an environmental remediation budget and submit applications for any intended grants including investigative, RAP development, and cleanup grants for the 2010 spring and fall cycles. The City will cooperate with the developer to obtain environmental remediation funds from the Metropolitan Council, DEED, and Hennepin County for any pollution or contamination identified in the project, provided that the developer acknowledges that application for such funding will involve a competitive process (both internally and externally).

2. Eagle Iron Partners shall obtain letter(s) of support from the Downtown Minneapolis Neighborhood Association and evidence of presentations to neighboring properties as identified by the City.

Within 24 Months of Approval of Exclusive Development Rights:

1. Eagle Iron Partners must provide documentation indicating all financing has been secured for all portions of the project. Financing must exclude tax increment financing, other non-competitive City sources and any land write-down. City programmed funds that are subject to a competitive application and approval process may be applied to this site.

2. City staff and Eagle Iron Partners must negotiate the terms of a Redevelopment Contract for the entire site. Upon completion of negotiations, City staff will prepare a Council Report seeking authorization to enter into a Redevelopment Contract for the development of Parcel A that provides for a closing and commencement of construction within approximately 12 months from Council approval of Redevelopment Contract. Such 12 month closing period is in addition to the 24 month exclusive development rights term.

3. Eagle Iron Partners may accelerate the negotiation of a Redevelopment Contract including the closing period and commencement of construction, if Eagle Iron demonstrates to City staff that Eagle Iron has complied with the terms and is ready to move forward.