



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

Date: February 13, 2007

To: Council Member Lisa Goodman, Community Development Committee

**Subject: Land sale public hearing for easement; amended terms of Parcel D
East Redevelopment Contract for Park Avenue East Lofts site**

Recommendation:

Authorize the execution of an Amended and Restated Redevelopment Contract between the City of Minneapolis and Sherman Associates, Inc. (or an affiliate) and such other documents as are necessary to implement the actions described in this report.

Approve contingent sale of a perpetual easement across City-owned land at 711 2nd Street S for \$15/sq. ft to Sherman Associates, Inc. (or an affiliate).

Direct that the easement sale proceeds be used to pay or reimburse Public Works for certain ramp enhancements and the associated expenses of selling the property, with the remaining balance deposited into the Parking Fund 7500/685/MILL/3575-01.

Previous Directives:

- November 17, 2006, City Council consented to the assignment and assumption of the Redevelopment Contract between the City of Minneapolis and Brighton Park East LLC to Sherman Associates, Inc. for the redevelopment of the Park Avenue East site at 201 Park Avenue South. Authorized staff to negotiate amendments to the Redevelopment Contract with Sherman Associates, Inc. for the Park Avenue East site for a new development project. Authorized the execution of a Second Amendment to the Amended and Restated Redevelopment Contract between the City of Minneapolis and Brighton Nine/Portland LLC for portions of Parcel D West that would allow for the Washington/Portland project to consist of commercial and office uses and would allow for an extension of the closing date of the Portland Condos project, subject to payment of extension fees.
- August 18, 2006, City Council authorized CPED staff to award a pollution remediation contract to the lowest responsible bidder for pollution remediation on the Portland Condos site not to exceed \$460,000 and to execute the necessary agreements; funding was provided in 2003 by the Metropolitan Council's TBRA program.

- June 16, 2006, City Council approved the execution of an amendment to the Amended and Restated Redevelopment Contract for portions of Parcel D West; amended the 2006 General Appropriation Resolution by increasing Fund CWM by \$125,000 for shoring costs associated with the soil remediation to be reimbursed by Brighton upon closing; and increased the 2006 Revenue Budget for Fund CWM by \$272,492 (\$125,000 for shoring costs to be reimbursed and \$147,492 for a holding fee to extend the property closing to June 1, 2007).
- March 31, 2006, City Council accepted and appropriated a SAFHB planning fund allocation in the amount of \$25,000.00 to allow for an archaeological survey on Parcel D West, The Portland site, located at the corner of Portland Avenue and 2nd Street South.
- July 7, 2005, City Council approved an Amended and Restated Redevelopment Contract for Parcel D West to allow development of the property.
- January 17, 2003, City Council accepted and appropriated a TBRA grant from Metropolitan Council in the amount of \$460,000.00 for soil remediation on the ultimate Portland Condos site.
- July 7, 2001, City Council approved a land sale of the Washburn Crosby Mill and Parcel D West to the Minnesota Historical Society and Brighton Development Corporation.
- June 29, 1992, the MCDA acquired Parcel D as a part of the Milwaukee Depot acquisition.

Prepared by: Carrie Flack, Sr. Project Coordinator, 673-5010

Approved by: Charles T. Lutz, Deputy Director CPED _____

Mike Christenson, Director of Economic Development _____

Steven A. Kotke, P.E., City Engineer/Director of Public Works _____

Presenters in Committee: Carrie Flack, Sr. Project Coordinator

Financial Impact

- Action is within the Business Plan

Community Impact

- Neighborhood Notification – A special DMNA meeting was held to discuss the proposed new development project on November 8, 2006. This project was also presented to the Industry Square Project Committee on November 8, 2006. Concerns surrounded height of the building and the setback along Washington Avenue. Both groups supported the proposed use changes. 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; 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 – The proposed new commercial and retail uses are permitted uses in District C3A.
- Other– Not applicable

Supporting Information

On December 12, 2006, the City Council continued the actions on this report as well as extended the redevelopment contract with Brighton until January 31, 2007 to allow staff to address questions and issues raised by the Council.

On November 17, 2006, the City Council consented to the assignment and assumption of the Redevelopment Contract between the City of Minneapolis and Brighton Park East LLC (an affiliate of Brighton Development Corporation) to Sherman Associates, Inc. (or an affiliate) for the redevelopment of the Park Avenue East site at 201 Park Avenue South. This report presents a new development project and a new term sheet for the Park Avenue East site.

Sherman Associates, Inc. (“Sherman”) is proposing a 4 story building with not less than 60,000 sq. ft. of retail, commercial or office space with below grade parking. Sherman appears to have solid tenants interested in his proposed development. It will result in new services for residents and office workers in the Mill District area. It will also result in an increased employment base.

The following are the key terms for the amended Redevelopment Contract:

Development Site: Site known as Park Avenue East Lofts (L1, B1, New Mills District Second Addition)

Developer: Sherman Associates, Inc. (or an affiliate)

TERMS

1. Purchase price: \$1,230,000.
2. Closing deadline: not later than September 30, 2007.
3. Construction commencement and completion: commence within 30 days of closing (remediation included) and complete within 12 months of closing.
4. Minimum improvements: not less than 4-story office/retail building with 75,000-90,000 sq. ft. floor area and a minimum of 50 underground parking spaces.
5. Environmental: Soil remediation will be done by the developer post closing. The City has obtained a \$419,000 TBRA grant to apply to the soil remediation. The City will escrow funds from the purchase price to cover remediation costs in excess of the grant. [Estimates are being obtained by the developer to determine the final costs which will be presented in Committee.] The expiration date of the grant is June 30, 2007 with the ability to extend for one year to June 30, 2008.
6. Streetscaping: City will construct streetscaping improvements on Park Avenue South per Section 5.10 of the current redevelopment contract. The developer shall construct at its expense the streetscaping improvements, including curb, boulevard, sidewalk, light and tree elements, on the Second Street South and Washington Avenue sides of

the property. All such improvements must be in accordance with the Historic Mills District Master Plan, as amended, and applicable zoning requirements.

7. Eliminate assessed value agreement.
8. Developer must obtain land use approvals. The project is part of a Planned Unit Development (PUD), which will need to be amended. Site Plan Review would require principal entrances off Washington, Park, and 2nd Street (all street frontages). Public Works approval of on-site parking, loading, vehicular access and circulation is required. A travel demand management plan may also be required. Access onto Washington is subject to Public Works approval.
9. Easement area. The City will agree to sell an easement interest in additional land at FMV of \$15.00 per square foot to Sherman for the drive lane and onsite parking contingent on one of the principal first floor tenants being a retail use. The City will retain certain rights in the easement area, including a no-build easement adjacent to the ramp for maintenance and ventilation requirements, a fire lane and underground storm water utilities.
10. The City will support amendments to the existing Declaration of Easements to accommodate a drive lane and parking; provided that the developer agrees to assume incremental costs of returning the area to conditions prior to maintenance work since the area is proposed to be paved versus landscaping as originally designed.
11. The City will support amendments to the SAMA/Ramp REOA to accommodate a Mill Quarter ramp pedestrian door access. The cost of constructing a new entryway and the revenue lost from losing any parking spaces must be assumed by the developer.
12. The City will use up to \$50,000 in easement sale proceeds (or other funds) to make screening enhancements to the ramp façade that are mutually acceptable to the City and the developer.
13. The City will work with Sherman to try to accommodate retail tenant parking needs in the Mill Quarter Ramp, e.g., a parking validation program. The cost and number of spaces are still being resolved to maintain compliance with bond financing requirements.