

Request for City Council Committee Action from the Department of

Date: June 22, 2010

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

Subject: Parcel E Liner Development RFP

Recommendation:

1. Authorize staff to negotiate redevelopment contract terms with the American Academy of Neurology for the Chicago Avenue frontage.
2. Grant exclusive development rights to Artspace Projects Inc. for a two-year term for the Washington Avenue frontage.

Previous Directives:

- 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.
- 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

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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

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification – DMNA reviewed the Request for Proposals at their March 9, 2010 meeting. DMNA reviewed the recommended proposal at their June 8, 2010 meeting. In addition, the land use and planning approvals will require additional notification be sent to the neighborhood group allowing additional opportunity for comments. Any land sale resulting from the negotiations and exclusive development rights will also be formally submitted for neighborhood review and will require a public hearing.
- City Goals – A Safe Place to Call Home; Livable Communities, Healthy Lives; Eco-focused; Jobs & Economic Vitality; Many People, One Minneapolis; A City that Works

- Comprehensive Plan - Redevelopment of a vacant parcel for mixed 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.
- 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.
- Other

Supporting Information

The City owns the vacant liner parcel that wraps the Riverfront Ramp, across from the Guthrie Theater along Chicago Avenue South between 2nd 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 and cross referenced development proposals for the entire site. Two other proposals were received but not recommended for further consideration as the proposals did not respond to a key requirement that they include developments for both the Chicago and Washington street frontage.

City staff is recommending the AAN-Artspace project. The AAN was established in 1948 and will be constructing a new headquarters office building which will house over 120 employees onsite. They anticipate hosting at least 40-45 professional meetings annually involving an estimated 600 member visits and generating hotel occupancies of 1200 weekend room nights. Artspace, a nationally recognized local organization, is proposing their first project in Minneapolis which includes affordable live/work space for artists as well as plans to relocate their office headquarters to the new facility.

The AAN-Artspace projects will be phased, with AAN constructing a 53,000 sq. ft. 4-story office building along Chicago Avenue South in 2011 and Artspace constructing a 4-story building along Washington with 4,000 sq. ft. of gallery/rental studio space, 8,000 sq. ft. of office space and 36 affordable housing units. Parking for both projects would be accommodated in the Riverfront Parking Ramp, consistent with available space and a City objective to increase ramp use as stated in the RFP. A further summary of the proposal is listed below.

- Site and Use: American Academy of Neurology on Chicago and Artspace on Washington
 - Use on Chicago frontage: 53,000 sq. ft. 4-story office building; floor 1 = interpretive gallery with pre-function gallery and conference space; floor 2-4 = office;
 - Use on Washington frontage: 4-story building with 5th floor penthouse; 4,000 sq. ft. of gallery/rental studio space; 8,000 sq. ft. of office space; 36 affordable housing units
- Parking: within City-owned Riverfront Ramp
- Possible Public Financing (subject to independent evaluations and commitments): soil remediation through Brownfields programs if applicable, Recovery Zone Bonds, New Market Tax Credits, Low Income Housing Tax Credits and other affordable housing sources
- Chicago 10 foot setback for pedestrian and streetscape consistent with plan; 25 foot setback from 2nd Street for community green space; green sculpture pocket at Chicago and 2nd Street as well as at Washington and Chicago
- Offer price for Chicago frontage: \$425,000.00 (fair reuse sale price to be determined by appraisal)
- Offer price for Washington frontage: \$475,000.00 (fair reuse sale price to be determined by appraisal at time of land sale)
- Total Project Cost Chicago frontage: \$18,000,000.00
- Total Project Cost Washington frontage: \$11,300,000.00

The proposal submitted by the American Academy of Neurology and Artspace is the most responsive to the requirements and objectives of the RFP. The projects consist of mixed

uses including office space, housing, gallery space, and commercial space at the corner of Washington and Chicago. Staff is seeking authorization to negotiate terms for a redevelopment contract with American Academy of Neurology for the Chicago frontage and expects to return to the City Council with a land sale request this summer. Staff also recommends granting exclusive development rights to Artspace for two years for the Washington frontage. By the end of that period, Artspace will have refined its proposal and be able to identify needed financing sources sufficient for staff to return to the City Council with a redevelopment contract recommendation.