



REVISED

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

Date: July 11, 2006
TO: Council Member Lisa Goodman, Community Development Committee
Subject: One Year Lease with Two One-Year Options for Midwest Mountaineering; Northwest Corner of Outlot A located at 1813 3rd Street South; Cedar Riverside

Recommendation: Reconsider City Council action of December 2004 directing staff to sell the subject property and authorize a one-year lease agreement with two one-year renewal options, contingent upon City Council review and approval, between the City and Midwest Mountaineering, Inc. on the northwest swath of land with approximate dimensions of 24 feet by 114 feet, named Outlot A and located on a parcel of land at 1813 3rd Street South with PIN # 25-029-24-23-0064 in Minneapolis.

Previous Directives: July 17, 1995, MCDA Board of Commissioners authorized a lease between Midwest Mountaineering (MWM) and the MCDA for the subject property with options to renew. A subsequent lease agreement was approved May 1, 2000. In October, 2004, the City Council denied a renewal of lease terms. On December 14, 2004, City Council directed staff to prepare this sliver parcel for sale.

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Approved by:

Lee Sheehy, Director CPED _____

Mike Christenson, Director of Economic Development _____

Permanent Review Committee (PRC) Not Applicable

Presenter in Committee: Lee Sheehy

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.

Business Plan: Action is within the plan. Action requires a change to plan.

Other financial impact (Explain):

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: N/A

City Goals: Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City's physical and human assets.

Comprehensive Plan: Cedar and Riverside Avenues are designated Community Corridors in the Minneapolis Plan. In addition, Cedar Riverside is designated as an Activity Center.

Zoning Code: NA

Other:

Background/Supporting Information:

Midwest Mountaineering, Inc. (MWM) has operated a successful outdoor retail store at 309 Cedar Avenue South since 1976. In 1995, MWM asked to use a portion of the City-owned parking lot to increase its business operations. The area is used for additional canoe/kayak outside sales space, four parking spaces for residential tenants, additional patio area, and canopied stairway egress to their back door. That request was approved, and MWM has since leased a small area of land, 2,746.46 square feet in area, from the City. The swath of land is contiguous to several City parcels that are currently used to provide community parking for the many businesses in the area (see Attachment A).

In October 2004, staff prepared a report to the City Council recommending lease renewal. In December 2004, the City Council directed staff to prepare a land sale report for sale of the parcel at fair market value to MWM. Staff commenced negotiations and preparations for the sale. A summary of those activities is below:

Chronology of Staff Activities

- December 2004: Staff ordered a survey to prepare the parcel for sale.
- February-March 2005: The survey was completed and title exceptions were investigated. Staff presented the survey and offer to purchase form to Rod Johnson, MWM owner. Staff and Development Finance agreed on a proposed five-year mortgage and 5 3/8% to 5 7/8% interest rate. An appraisal was completed and sales price established.
- April-June 2005: Staff prepared a draft land sale report and began neighborhood notification. CPED Development Services staff identified concerns regarding proposed plat and code compliance. The land sale report was rescheduled to July 26 so the MWM owner could be present for the public hearing. Staff continued to work on issues relating to the plat.
- July-August 2005: The land sale report was postponed while staff finalized the review and identification of work items needed to complete the plat. Staff requested a cost estimate to make the requested improvements to the site. Due to workload in CPED Engineering, the cost estimate was not completed until November.
- November-December 2005: Staff discussed the \$40,000 cost estimate for land improvements required for plat approval with the MWM owner, explored options for terms,

and discussed the matter with CPED management. Given the Central Corridor analysis that was underway and preparatory work for a small area plan, the decision was made to engage all CPED divisions via the new CPED procedure for land sale reviews.

- January-March 2006: Staff initiated the CPED land sale review process. The process resulted in Community Planning recommending not to proceed with the land sale until the future of adjacent parcels was known. The conclusion was to return to Council with a lease recommendation rather than sale. Staff met to clarify any remaining steps needed for the lease.
- April-June: Staff requested and received an updated lease rate from the CPED Interim Appraiser. Staff drafted the Council report to lease the property at the updated rate.

As referenced in this chronology, while staff was taking action to sell the parcel, CPED was concurrently engaged in analyzing the proposed Central Corridor LRT line. In the fall, CPED also began to make preliminary preparations for the Cedar Riverside small area plan. It became apparent that the future planning and policy framework might guide the city-owned lot toward being part of a new development site that would enhance the future transit line.

In September 2005, CPED implemented an interdivisional process for evaluating proposed sales of City-owned land. Given the information regarding the Central Corridor LRT line and the pending small area plan, it was decided to use the new process to evaluate the subject parcel after the cost estimate for preparing the site for the plat was completed in November.

An example of where the interdivisional process had already been used in a similar situation is 2920 Lyndale Avenue South. The process resulted in recommending Public Works delay sale of the property for one year to allow for the completion of the Midtown Greenway Land Use and Development Plan. Similarly, the process regarding the subject parcel concluded with the recommendation that the land sale not proceed until the future of the adjacent parcels was known.

In order to preserve options for the City until the small area plan has been completed, staff is recommending a lease rather than a sale of the property to MWM. Terms of the lease would include the following:

- A fair market net annual lease rate, as determined by the CPED Acting Appraiser, of \$3,430 (\$285.83 per month) plus any expenses including taxes, insurance, maintenance, security, etc.;
- A term of one year; and
- Two one-year renewal options that are contingent upon additional City Council approvals.

The purpose of the small area plan is to provide the City with a clear policy direction for land use and development by evaluating their long-term viability. The plan will propose policy for a 10-20 year period and then explore possible approaches to addressing certain key implementation issues. General topics to be evaluated during the plan include past planning efforts, current policy direction for the study area, demographic trends, land uses, urban character and design, economic development including a market analysis, housing, transportation and public realm (streets, sidewalks, parks, etc). The small area plan for Cedar Riverside will commence summer 2006.

The small area plan may provide clearer options for treating the parcel of land leased to MWM. Such options may include: 1) selling the swath of land to the adjacent property owner, MWM;

2) selling only a portion of the swath of land to the adjacent property owner; 3) retaining ownership of the swath of land and selling it, together with the Parking Lot B, for redevelopment; or 4) retaining ownership of the swath of land and continue with current land uses (status quo).

If the small area plan recommends no sale of this parcel to MWM, CPED will return to the City Council for further review and direction regarding the lease status. Otherwise, CPED will prepare the land sale report and submit that for Council's approval in 2007.

Attachments include maps outlining Parking Lot B and the lease area.

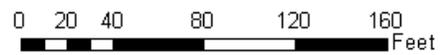
Attachment A: Sliver Parcel

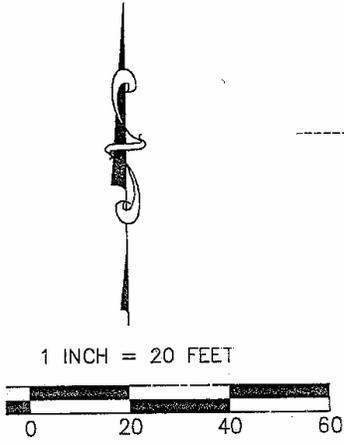
Lease parcel



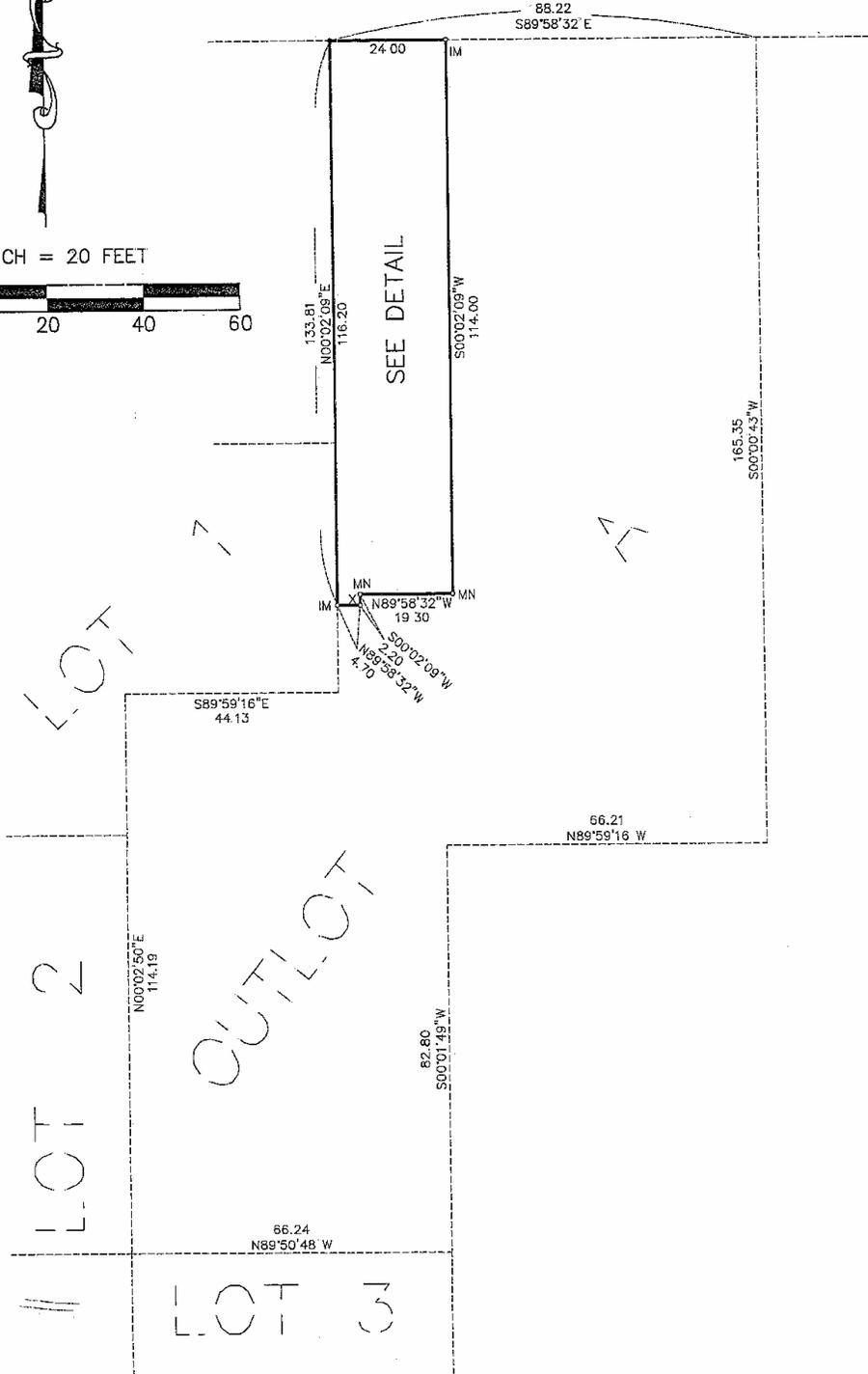
Legend

 Midwest Mountaineering Lease Parcel





3RD STREET S.



3RD STREET S.

Surv

Boundary

