



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

Date: October 11, 2005

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

Prepared by: George Kissinger, Phone 612-673-5014

**Presenter in
Committee:** George Kissinger, Senior Project Coordinator

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Extension of Ground Lease and Purchase Option Agreement with Artspace Projects, Inc. for real property at 516 Hennepin Avenue, (Minnesota Shubert Performing Arts & Education Center).

RECOMMENDATION: That the Ground Lease and Purchase Option Agreement between the City of Minneapolis and Artspace Projects, Inc. be extended for a period of two years, from October 31, 2005 to October 31, 2007, and that proper City officers be authorized to execute such amendments.

Previous Directives: August 21, 1998, City Council over-ride of Mayoral veto to sell the Shubert Theater to Artspace Projects, Inc. (Artspace), including authorization for short term ground lease and option agreement and terms of sale of the City-owned property at 516 Hennepin Avenue. August 25, 2000, lease and option period extended two years, from October 31, 2001 to October 31, 2003. October 10, 2003, lease and option period extended two years, from October 31, 2003 to October 31, 2005. September 23, 2005, City ranks the Minnesota Shubert Performing Arts & Education Center number one for inclusion in the City's 2006 State Bonding Proposal for Capital Projects.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 5

Neighborhood Notification: The Hennepin Avenue Advisory Board was consulted and passed a motion supporting the Shubert Theater project when originally proposed.

City Goals: The Shubert Theater is listed in the National Register of Historic Places. The Minnesota Shubert Performing Arts & Education Center project will insure the preservation and reuse of that historic building and create an amenity that will promote Minneapolis as the premier regional center for education and the arts.

Comprehensive Plan: The Shubert Theater is located within the formally designated Entertainment District as outlined in the Minneapolis 2010 Plan. This project will contribute to the arts/entertainment offered within this district.

Zoning Code: The Shubert Theater is within the B4S-2 zoning district. There may be a need for a Conditional Use Permit to operate the theater with live performances.

Living Wage/Job Linkage: Not applicable.

Background.

In late 1998 and early 1999 the Sam S. Shubert Theater was moved from its location on North 7th Street (Block E) to a site on Hennepin Avenue, mid-block between 5th and 6th Streets. The move facilitated development of Block E and preserved a building listed on the National Register of Historic Places. Ultimately the Shubert came to rest on two parcels of land- with two different owners. One of those parcels (516 Hennepin) is owned by the City of Minneapolis. Today Artspace, owner of the Shubert, has a ground lease and option agreement with the City that provide for their tenancy and eventual outright purchase of that parcel. (Artspace has previously closed on the acquisition of the other parcel.) After two extensions, the lease and option are due to expire on October 31, 2005.

Supporting Information.

Artspace has now requested a two year extension of the Ground Lease and Option Agreement to provide the necessary time to achieve full project financing, (see Enclosure (1) Artspace letter of September 27th). As noted in the letter, significant progress on the project, the Minnesota Shubert Performing Arts & Education Center, has been made.

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Of the \$37 million required for this project, \$13.5 million has been funded or committed to date. This amount includes the \$1 million in 2005 State bonds, the \$4.2 million in City move costs as well as funding commitments. The \$15 million in 2006 State bond funding would leave approximately \$8.5 million to be raised (primarily from additional private donations). Given progress in fundraising to date, the request for the time extension of the Ground Lease and Option Agreement is certainly justified.

The Minnesota Shubert Performing Arts & Education Center, when completed, will be a significant addition to the City of Minneapolis that will include the historic restoration of the Sam S. Shubert Theater (built in 1910 and the oldest of the surviving theaters in Downtown Minneapolis) as well as the addition of a significant performance and education venue that will highlight, and be home to, many notable dance and fine arts performance groups.

Encl. (1)