

Minneapolis Community Development Agency

## Request for City Council Action

Date: September 16, 2003

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means/Budget Committee

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Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

**Subject: Artspace Projects, Inc. Request for Extension of Lease and Option Period, Shubert Theater, 516 Hennepin Avenue.**

**Previous Directives:** August 21, 1998, City Council over-ride of Mayoral veto to sell the Shubert Theater to Artspace Projects, Inc. (Artspace), including among other things authorization for short term ground lease and option agreement and terms of sale for property located at 516 Hennepin Avenue. August 25, 2000, lease and option period extended two years, from October 31, 2001 to October 31, 2003 (with provision that if Artspace is unable to perform under provision of Redevelopment Agreement with the MCDA by October 31, 2003, the lease and Option Agreement may be terminated and if Artspace does not exercise option to purchase the City property at that time Artspace would immediately convey title and ownership of the adjacent parcel and building to the City for \$1.00).

**Ward:** 5

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

**Consistency with *Building a City That Works*:** The Shubert Theater is listed in the National Register of Historic Places. This project furthers Goal 4, preserving and enhancing historic structures, urban institutions, environments and amenities that define Minneapolis.

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**Comprehensive Plan Compliance:** The Shubert Theater is located within the formally designated Entertainment District outlined in the Minneapolis 2010 Plan. This project will contribute to the theater entertainment offered along Hennepin Avenue within the district.

**Zoning Code Compliance:** The Shubert Theater is within the B4S-2 zoning district. There may be need for a conditional use permit to operate the theater with live performances.

**Impact on MCDA Budget:** (Check those that apply)

- No financial impact
- Action requires an appropriation increase to the MCDA Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): No impact in that the sales proceeds (\$1.1 million plus cost to City for move of the transit shelter) to be reduced by \$300,000 for each \$2.5 million in funds raised by Artspace to complete the project.

**Living Wage / Business Subsidy:** Not Applicable.

**Job Linkage:** Not Applicable.

**Affirmative Action Compliance:** Not Applicable.

**RECOMMENDATION:**

**City Council Recommendation:** The Executive Director recommends that the City Council authorize amendment to the lease and option agreement providing for the sale to Artspace Projects, Inc. of City owned land at 516 Hennepin Avenue for the purpose of extending the lease and option period two years, from October 31, 2003 to October 31, 2005, and that proper City officers be authorized to execute such amendment to said lease and option agreement.

**Background/Supporting Information**

In late 1998 and early 1999 the Sam S. Shubert Theater was moved from its location on 7<sup>th</sup> Street (Block E) to a site on Hennepin Avenue, mid-block between 5<sup>th</sup> and 6<sup>th</sup> Streets. The move facilitated future development on Block E and preserved a building listed in the National Register of Historic Places. Ultimately, the Shubert came to rest on two parcels of land- with two different ownerships. One of those parcels is owned by the City of Minneapolis. Today Artspace has a lease and option agreement with the City that will allow their eventual outright purchase of that property. (Artspace has previously closed on the acquisition of the other property.) After a two year extension of the City lease and option, the current term date is October 31, 2003.

Artspace has requested an additional two year extension to the lease and option to to allow additional time to raise funds for their \$34 million performing arts and education center. Upon completion, this center will be a three building performing arts complex including the restored Shubert, connecting lobby and pre-function area and the Hennepin Center for the Performing Arts Building (itself listed in the National Register). As noted in the enclosed letter requesting this extension, the complex will serve as the performing home to more than 20 Twin Cities arts organizations including the Saint Paul Chamber Orchestra (SPCO) which will begin a six-week subscription concert series at the Shubert beginning with the 2006-07 season.

To date, Artspace acknowledges that it has raised, or secured in pledges, \$12 million of the \$34 million required to complete the project. Artspace continues to seek State of Minnesota capital funding as part of their overall capital program and will be asking the City of Minneapolis to act as fiscal agent in its 2004 prioritized bonding list.

Given the success Artspace has shown in securing \$12 million in cash and pledges for this very difficult and complex project, given that Artspace has raised funds to close on the significant acquisition of the other required piece of real estate needed for this project and given that they have been successful in announcing the SPCO as a major tenant, it seems appropriate that Artspace be given the additional two years that they have asked for.

Encl.(1)