



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

Date: August 24, 2004

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

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

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Sale of Stimson Building, 700 Hennepin Avenue.

RECOMMENDATION: Approval of sale of the Stimson Building, 700 Hennepin Avenue, to Stimson RenoVentures, LLC. for \$2.8 million and also sale/assignment of City's interest in roof-top outdoor advertising lease with ClearChannel Outdoor, Inc. on contract for deed.

Previous Directives: Not applicable.

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): See body of report.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 5

Neighborhood Notification: The Downtown Minneapolis Neighborhood Association has been notified, and considered the terms of this pending sale on August 3, 2004. As of the writing of this report there has been no response.

City Goals: The sale and redevelopment of the Stimson Building, located in the formally designated Entertainment District in Downtown Minneapolis, furthers the City goal of creating an environment that maximizes economic development opportunities.

Comprehensive Plan: The sale and redevelopment of the Stimson Building will tend to “market the City”, by adding to the tax base and adding employment opportunities; thus increasing the City’s share of economic prosperity to the region.

Zoning Code: The Stimson Building property lies within B4-S zoning. The proposed restaurant/office re-use conforms to that zoning.

Living Wage/Job Linkage: Not applicable.

Background/Supporting Information.

The Mann Theatre property was acquired by the City of Minneapolis in late 1998 with title later transferred to the MCDA (1999) as part of an overall initiative to renovate the theatre portion of the property (now the Pantages) and ultimately to sell the Stimson Building for a compatible private redevelopment. The MCDA carried out the historic restoration of the Pantages Theatre and limited renovation of the Stimson Building under a single general construction contract in 2001-2002. The Pantages opened in November, 2002, and the Stimson Building has been for sale since that time- either via a formal request for proposal process or on the open market. The Stimson Building property is currently for sale on the open market.

The City has now received an offer to buy and redevelop the Stimson Building from Stimson RenoVentures LLC (Buyer). The offer is for \$2.8 million, cash at closing. Other major terms of sale are itemized in detail in enclosure (1). The Buyer is a partnership made up of Dominic Barranco, Todd Schachtman, Anthony Strauss, David Kutoff and David Fhima. Their recent work has been the redevelopment of 501 Washington, a former warehouse, into a mixed-use conversion project of similar size and cost to the Stimson Building.

Under the terms of the purchase agreement, the Stimson would be renovated and redeveloped for a major restaurant on the first floor. There would be a nightclub in the basement with the same management as the restaurant. The second floor would be offices. These uses meet our goals of having a redevelopment in the Stimson Building that is compatible with both the Pantages Theatre and the Downtown Entertainment District.

The concept for the restaurant is that it be a David Fhima signature white tablecloth restaurant. David Fhima owns and operates Fhima's in St Paul, Louis XIII in Edina and the MPLS Café at 12th and Hennepin.

Timing would have the sales agreement executed no later than 30 days after City approval. There would be 120 days, from October 1 through February 1, 2005, for securing equity and debt financing. On a right of entry basis, the Buyer would be allowed access for tenant build-out beginning around November 1st that would allow the restaurant to open in the May-June, 2005 time frame. Closing and transfer of title would be approximately February 1st, 2005.

As part of the sale of the Stimson Building, the City's interest in the roof-top billboard lease with ClearChannel Outdoor, Inc. is also being sold to the Buyer. This sale/assignment is on a contract for deed that will not close until the City has retired the long-term revenue bond debt expected to be placed shortly after the sale of the building and after the sign rent stabilizes. Until the long term bonds are retired the City will retain all rights, including rent, and obligations under the ClearChannel lease.

Impact of sale on long term debt financing.

The Stimson acquisition/renovation was carried out with a short term taxable revenue bond issue separate from the theatre financing. This short term issue balloons in December, 2006. The Stimson Building sales proceeds, existing debt reserve and remaining capital funds will be available and can contribute toward refinancing on a long term basis. A combination of sign lease rent, Stimson Building tax increment and contract for deed payments will provide the revenue stream to retire the new long term bonds.

A projection of the long term revenue bond financing, based on the terms of this sale and based on the ClearChannel lease, is provided as enclosure (2). As can be seen, the amount by which the signage rent exceeds the base minimum rent will be key to the long term financing.

