

Request for City Council Committee Action from the Department of Community Planning and Economic Development – CPED

Date: January 27, 2009

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

Subject: Extensions for the Minnesota Shubert Performing Arts & Education Center

Recommendation: Approve a one year extension to the Redevelopment Agreement and Promissory Note and authorize proper City officers to execute the amendments and all related documents.

Previous Directives: August 21, 1998 Redevelopment, Lease and Option Agreements with Artspace Projects, Inc. providing for the move of the Shubert Theatre from Block E, including approval of terms of sale at 516 Hennepin Avenue to Artspace Projects, Inc. August 25, 2000 extension of Lease and Option Agreement to October 31, 2003. October 10, 2003 extension of Lease and Option Agreement to October 31, 2005. October 11, 2005 extension of Lease and Option Agreement to October 31, 2007. June 6, 2006 approval of DEED Grant Agreement, Design Sub-Grant Agreement with Artspace Projects, Inc and Guaranty Agreement with Artspace, and amendment to Redevelopment and Option Agreement with Artspace Projects, Inc. November 7, 2007 extension of DEED Grant Agreement to June 30, 2008 and extension of Redevelopment Agreement and related Promissory Note to October 31, 2008.

Prepared by: Miles Mercer, Senior Project Coordinator 673-5043 Approved by: Charles T. Lutz, Deputy CPED Director _____ Catherine A. Polasky, Economic Policy & Development Director _____ Presenters in Committee: Miles Mercer

Financial Impact

No financial impact
Action is within the Business Plan

Community Impact

Neighborhood Notification: Not Applicable
City Goals: Enriched Environment for Arts, A Premier Destination
Sustainability Targets: The Minnesota Shubert Center will ensure the preservation and re-use of the historic Sam S. Shubert Theatre.

Comprehensive Plan: The property is located within the formally designated Entertainment District as specified in the Minneapolis 2010 Plan. The Minnesota Shubert Center will contribute to the arts and entertainment offered within the district. In the Council-adopted *Minneapolis Plan for Sustainable Growth*, the Shubert is within a designated Activity Center and Transit Station Area. The future land use designation is Mixed Use.

Zoning Code: The Minnesota Shubert Center is a permitted use in the B4S-2 district. The project requires site plan review by the HPC and Planning Commission.

Other: None

Supporting Information

In 1999, the City moved the Shubert Theatre from Block E to 516 Hennepin Avenue to prevent the Theatre's demolition and identified Artspace Projects Inc. as the preferred developer of the Shubert Center. The Minnesota Shubert Performing Arts & Education Center project consists of: 1) rehabilitating the Theatre; 2) reconstructing a stage house behind the Theatre; and 3) constructing a new lobby building between the Theatre and the adjacent Hennepin Center for the Arts that will integrate the two.

Total project cost is approximately \$41 million. Miller Dunwiddie Architects has completed construction documents. The construction manager, McGough Construction, a firm that also built the new Guthrie Theater and Ordway Center for the Performing Arts, has taken the plans out to bid. The Heritage Preservation Commission approved the plans at its December 16, 2008 meeting. The project still needs City Planning Commission review, and discussions with Planning staff about the necessary applications will commence this month.

Artspace continues to have success in fundraising for the project, despite the challenging economic environment. Since the last extension request in October 2007, Artspace has raised approximately \$9.6 million, bringing their total commitments to approximately \$35.7 million. This amount includes \$12 million in grant funds from the State of Minnesota, of which \$1 million has already been spent on design costs. New private contributors include the Kresge Foundation, Sage and John Cowles, Elizabeth Redleaf, Target, Mary Lee Dayton, the USBancorp Foundation, the Wells Fargo Foundation, the Pohlada Family Foundation, the RBC Dain Rauscher Foundation, the Phileona Foundation, and the Minneapolis Foundation. Artspace's fundraising success is anticipated to satisfy requirements in the Promissory Note that reduce the purchase price of the City's parcel and the relocation costs of a transit shelter.

Currently, Artspace is in conversations with multiple local financial institutions about a financial package that would facilitate a project closing. The package is contemplated to involve approximately \$11 million in tax-exempt, 501(c)(3) bonds, which would fill the remaining funding gap. Any request for City Council approval for the bond financing and State grant funds will occur at a later Community Development Committee meeting. With these financial elements in place, Artspace anticipates starting construction in the spring of 2009 with a grand opening mid-2010.

The Redevelopment Agreement and its accompanying Promissory Note between Artspace and the City need to be amended to fit with this schedule. Currently there is an October 31, 2008 deadline for Artspace to close the real estate transaction and pay the City for the purchase of the site. That deadline was not met. To conform the documents to the current schedule and provide sufficient time to begin construction, Artspace has requested a one year extension of October 31, 2009 to the Redevelopment Agreement

and its accompanying Promissory Note. Because of Artspace's successful fundraising, the only amount to be paid to the City at project closing that would be impacted by the extension is \$212,540 in accordance with the Promissory Note.