



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

**Date:** October 11, 2005

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

**Prepared by:** Bernadette Hornig, Senior Project Coordinator, 673-5236

**Presenter in  
Committee:** Bernadette Hornig, Senior Project Coordinator, 673-5236

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_  
Elizabeth Ryan, Director, Housing Policy \_\_\_\_\_  
& Development

**Subject:** Parcel F – Land Sale Public Hearing

**RECOMMENDATION:** 1) Approve the pass-through sale of the mined-underground space below 790 feet at 900 Washington and 901 Second Street South and approve the land sale of the mined underground space below 911 Second Street South (911½ Second Street South), which is part of the block known as Parcel F in the Mills District, to Sherman Associates or an affiliated entity, subject to the terms outlined herein; 2) Approve clarification of terms for the pass-through land sale of the Hennepin County Regional Rail Authority (HCRRA) property located at 900 Washington Avenue South and 901 Second Street South, and the mined underground space known as 911 ½ Second Street South,.

**Previous Directives:** On July 22, 2005, the City Council approved the pass-through land sale of 900 Washington Ave S and 901 Second Street S above 790 feet to Sherman Associates or an affiliated entity and authorized City staff/ officials to execute a redevelopment contract with Sherman Associates or an affiliated entity in accordance with key business terms and take related implementation actions. On May 27, 2005, the City Council authorized CPED to execute a purchase agreement with HCRRA and to grant Sherman Associates Exclusive Development Rights to the property for up to 12 months.

**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:** 2

**Neighborhood Notification:** At the May 10, 2005 Downtown Minneapolis Neighborhood Association (DMNA) meeting, the Downtown East neighborhood reviewed this proposal and recommended it be approved.

**City Goals:** Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

**Comprehensive Plan:** This property is located within the Industry Square Redevelopment Plan area. The City adopted the original Industry Square Redevelopment Plan on August 31, 1973 and approved a revised plan October 26, 1973. The sale is therefore consistent with the City's Comprehensive Plan.

**Zoning Code:** The site is zoned C3A (Community Activity Center). The proposed reuse is compatible with the current zoning; variances and conditional use permit may be needed.

**Living Wage/Job Linkage:** N/A

**Background/Supporting Information**

<u>PARCEL</u>	<u>ADDRESS</u>	<u>SALE PRICE</u>
Parcel F	900 Washington Avenue S**	\$2,520,000**
	901 Second Street S**	
	911 ½ Second Street S**	

\*\* Note: Sale price includes land above and below 790 feet at 900 Washington Ave S and 901 Second Street S and land below 790 feet at 911 Second Street S (also known as 911½ Second Street S).

**PURCHASER**

Sherman Associates or affiliated entity  
 233 Park Avenue South, Suite 201  
 Minneapolis, MN 55415

## **PROPOSED BUSINESS TERMS**

Clarification of two key terms related to the timing of conveyance and legal description of the property to be sold is required to complete the Redevelopment Contract. All of the other terms will be reflected in the Redevelopment Contract as previously approved.

The first updated term provides the developer 12 months to convey the mined underground space below 900 Washington Avenue S, 901 Second Street S and 911 Second Street S (911½ Second Street S) to the City. This will allow the developer time to complete geotechnical testing, at the developer's expense, in order to ensure that the bedrock above the mined underground space will be sufficient to support the proposed development if and when the mined space is developed below 790 feet. After 12 months, the developer will deed back to the City the property below 790 feet or the City and developer will negotiate an alternate elevation based on the actual geotechnical findings.

The second updated term allows the developer the option to reclaim the mined underground space if the developer provides written notice to the City, prior to any City development effort related to the mined underground space. In order to exercise this option, the developer will be required to present a proposal to develop the mined underground space that is consistent with City plans related in mined underground space development. A similar option was granted as part of the Guthrie Theater redevelopment contract.

An updated terms sheet is attached with the proposed terms highlighted in italics.

## **PROPOSED DEVELOPMENT**

Once assembled, the complete Parcel F development site will encompass both the HCRRA land (approximately 62,600 square feet) and the Precision Powerhouse property located at 911 Second Street S.

Minimum improvements for the site include will include at least 150 units of market rate for-sale condominiums, with below grade residential parking, and at least 10,000 square feet of commercial, retail or "flex" space along Washington Ave S. The proposed development program will comply with the *Update to the Historic Mills District Plan*.

Sherman Associates intends to pursue a variance to accommodate all of the required commercial parking in the adjacent city-owned Riverfront (Guthrie) parking ramp. Additional commercial space may be added to the project if Sherman Associates can secure additional tenants and the parking can be accommodated in the Riverfront Ramp; no commercial tenants have yet been identified. Sherman Associates will be required to complete a Traffic Demand Management Plan (TDMP) to demonstrate that the proposed commercial parking could be adequately accommodated in the Riverfront Ramp.

Copies of the preliminary site plan and an initial rendering of the Washington Avenue façade are attached to this report.

### **LAND DISPOSITION POLICY**

This mined underground space below Parcel F described in this report is not a buildable lot as defined by City policy.

### **FINANCING**

The redevelopment of this property above 790 square feet will be financed privately. The developer will not seek any public financial assistance directly from the City, but may seek environmental grants that the City will administer on behalf of other governmental agencies. Future development of the mined space, if and when it occurs, will likely require public financial assistance.

### **OFFERING PROCEDURE**

In accordance with the City's acquisition and disposition policies, CPED will complete a pass-through land sale for 900 Washington Avenue S and 901 Second Street S where the property will be simultaneously purchased from HCRRA and sold to the developer, Sherman Associates (or affiliated entity).

The developer is privately assembling the Precision Powerhouse Property at 911 Second Street South.

## Parcel F Land Sale Terms

**Seller:** City of Minneapolis (contingent on acquisition from Hennepin County Regional Rail Authority)

**Buyer:** Sherman Associates or affiliated entity

**Site:** 900 Washington Ave S; 901 Second Street South *and* 911 ½ Second Street South

**Price:** \$2,520,000

**Pass-through fee:** \$50,000 due at closing

**Good faith deposit:** \$50,000 (plus \$11,000 good faith deposit on behalf of the City due to HCRRA) due at signing of the Redevelopment Contract

***Mined Space Reservation:*** *The buyer will retain title to the Parcel F property above and below 790 square feet for 12 months to ensure that the elevation is adequate to complete construction of underground parking ramps. After 12 months, the developer will deed back to the City the land below 790 square feet below Parcel F (comprised of the land below 790 feet at 900 Washington Ave S, 901 Second Street and 911 Second Street South) currently owned by Precision Partners LLC) unless the buyer can provide geotechnical evidence acceptable to the City that an alternate elevation is necessary. Any mined space development under Parcel F will be contingent upon the mined space development have not having structural impact on the proposed development of the site above 790 feet.*

***Option to Acquire Mined Underground Space:*** *The buyer will have the right to purchase the mined underground space from the City at no additional cost if the buyer can propose a use for the space*

**Date of conveyance:** On or around June 30, 2006.

**Minimum improvements:** At least 150 units of market rate for-sale condominiums, with below grade residential parking, and at least 10,000 square feet of commercial, retail or “flex” space along Washington Ave S together with landscaping on all other related improvements. The proposed development program will comply with the *Update to the Historic Mills District Plan*.

**Construction start/ completion:** Construction will commence on the first building no later than 90 days after the land sale closing; minimum improvements will be completed by December 31, 2010.

**Site environmental/ geo-technical condition:** The land is being sold “as is;” the buyer will take responsibility for curing any environmental or geo-technical issues on the site and will provide the City with full environmental indemnification.

**Closing costs:** The buyer will pay all closing costs for the land sale, plus any of the City's closing costs associated with the HCRRA land sale transaction.

**Conditions to close:** Zoning/ land use approvals, evidence of project financing, building permits, evidence of insurance, and acquisition of Precision Powerhouse site (911 Second Street S).

**Other requirements:** Standard City prevailing wage and apprenticeship will apply; City affordable housing policy, Business Subsidy/ Job Linkage, SUBP and Affirmative Action compliance not required for "market rate" land sale projects.

**Standard redevelopment contract terms:** The contract will include standard terms relative to Certificate of Completion, insurance and financing. CPED Director approved accepting a Guaranty of Payment and Performance in lieu of the standard payment and performance bond requirement.

**Authorizing sale of land Parcel F  
Disposition Parcel No F.  
(mined underground space)**

Whereas, the City of Minneapolis, hereinafter known as the City, has received an offer to purchase and develop Disposition Parcel F, in the Downtown East neighborhood, from Sherman Associates or affiliated entity, hereinafter known as the Redeveloper, the Parcel F (mined underground space), being the following described land situated in the City of Minneapolis, County of Hennepin, State of Minnesota to wit:

LEGAL DESCRIPTION

See Exhibit A attached hereto.

Whereas, the Redeveloper has offered to pay the sum of \$2,520,000, for all of the Parcel F property (including mined underground space) to the City for the land, and the Redeveloper's proposal is in accordance with the applicable Redevelopment Plan and/or Program; and

Whereas, the Redeveloper has submitted to the City a statement of financial responsibility and qualifications; and

Whereas, the City has had the re-use value reviewed by an appraisal expert, stating that the re-use value opinion is consistent with the accepted methods in aiding the City in determining a re-use value for the Parcel; and

Whereas, pursuant to due notice thereof published in *Finance and Commerce* on September 30, 2005, a public hearing on the proposed sale was duly held on October 11, 2005, at the regularly scheduled Community Development Committee meeting of the City Council, at the Minneapolis City Hall, 350 South 5th Street, Room 317, at 1:30 p.m., in the City of Minneapolis, County of Hennepin, State of Minnesota;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the re-use value for uses in accordance with the Parcel F plan, as amended, is hereby estimated to be the sum of \$2,520,000 for Parcel F.

Be It Further Resolved that the acceptance of the offer and proposal is hereby determined to be in accordance with the City's approved disposition policy and it is further determined that the Redeveloper possesses the qualifications and financial resources necessary to acquire and develop the parcel in accordance with the Redevelopment Plan and/or Program.

Be It Further Resolved that the proposal be and the same is hereby accepted, subject to the execution of a contract for the sale of land. Furthermore, that the Finance Officer or other appropriate official of the City be and the same is hereby authorized to execute and deliver the contract to the Redeveloper; provided, however, that this Resolution does not constitute such a contract and no such contract shall be created until executed by the Finance Officer or other appropriate official of the City.

Be It Further Resolved that the Finance Officer or other appropriate official of the City is hereby authorized to execute and deliver a conveyance of the land to the Redeveloper in accordance with the provisions of the executed contract and upon payment to the City for the purchase price thereof; provided, however, that this Resolution does not constitute such a conveyance and no such conveyance shall be created until executed by the Finance Officer or other appropriate City official of the City.

**EXHIBIT A**

**CITY MINED-SPACE PROPERTY**  
**LEGAL DESCRIPTION**  
**(Parcel F Project)**

All that certain parcel or parcels of land located in the City of Minneapolis, County of Hennepin, State of Minnesota, more particularly described as follows:

That part of the following tract of land, which lies below, but not above, a horizontal plane having an elevation of 790 feet above sea level according to the National Geodetic Vertical Datum 1929 Adjustment:

Lots 1 through 4 inclusive and the Northeasterly one-half of the vacated alley adjoining said lots which lies between the Southwesterly extension of the Northwesterly line of Lot 1 and the Southeasterly line of Lot 4; and

Lots 18 through 36 inclusive and the Southwesterly one-half of the vacated alley adjoining Lot 18, Lots 23 through 31 inclusive, and Lot 36 which lies between the Northeasterly extensions of the Southeasterly line of Lot 18 and the Northwesterly line of Lot 36, except the Southwesterly 20.00 feet of Lots 20 through 34,

All in Ankeny, Robinson & Pettit's Subdivision of Block 114 of the Town of Minneapolis, according to the duly recorded plat thereof.

Abstract Property.

and

That part of the following tract of land, which lies below, but not above, a horizontal plane having an elevation of 790 feet above sea level according to the National Geodetic Vertical Datum 1929 Adjustment:

Lots 5 through 17, inclusive, Ankeny, Robinson & Pettit' Subdivision of Block 114, Town of Minneapolis;

Together with all of the vacated Northeasterly-Southwesterly alley in said Block 114 lying between the Southeasterly extensions across it of the Northeasterly and Southwesterly lines of Lot 10, said Block 114;

Together with the Northeasterly one half of the vacated Northwesterly-Southeasterly alley in said Block 114 lying between the Southwesterly extensions across it of the Northwesterly line of Lot 5 and the Southeasterly line of Lot 17, said Block 114;

All according to the plat thereof on file and of record in the Hennepin County Recorders Office and situated in Hennepin County, Minnesota.

Abstract Property.

